

Milwaukee Water Works

2022 Budget Overview

Finance & Personnel Committee

October 8, 2021

Mission & Objectives

Mission

- Provide a safe and reliable supply of water to customers at a competitive price

Objectives

- Improve the utility's rate of return while maintaining a strong competitive position in the national and regional water market
- Reliably treat, store and distribute high quality water to all customers
- Achieve 100% compliance with Safe Drinking Water Act standards
- Minimize disruption to the water service of customers

Performance Measures

Measure	2020 Actual	2021 Projected	2022 Anticipated
Rank of highest rate /Ccf of water among Class AB utilities in the 7-county metro area	26 of 28	24 of 28	22 of 28
Rate of Return [PSC Annual Report]	1.74%	1.74%	2.00%
Percentage of days/year in full compliance with water quality parameters of Safe Drinking Water Act	100%	100%	100%
Main breaks	316	454	440

2022 Budget Summary

	2021 Adopted Budget	2022 Proposed Budget	Amount Change	Percent Change
FTEs – O&M	403.38	401.38	-2.00	-0.5%
FTEs - Other	21.54	21.54	0.00	0.0%
Salaries & Wages	\$22,006,722	\$22,543,661	\$536,939	2.4%
Fringe Benefits	14,941,189	15,115,718	174,529	1.1%
Operating Expenditures	56,831,700	56,549,962	-281,738	-0.5%
Equipment	4,889,900	3,532,400	-1,357,500	-27.8%
Special Funds	11,133,000	9,809,000	-1,324,000	-11.9%
TOTAL	\$109,802,511	\$107,550,741	-\$2,251,770	-2.1%

Key Operating Budget Changes and Highlights

- Several position types reclassified to higher wages
 - Electrician, Engineer, Engineering Tech & Drafting Tech
- Eliminated funding for five auxiliary Water Meter Technician positions
- Added two Program Assistant III to assist with LSL replacement program
- Added Customer Service Supervisor
- Water Plant Maintenance Assistants moved from Plants to Technology Services
- Reductions to Equipment, Debt Service

Revenues

Category	2021 Adopted Budget	2022 Proposed Budget	Amount Change	Percent Change
Operating Revenue	\$91,003,000	\$94,033,030	\$3,030,030	3.3%
Non-Operating Revenue	6,308,000	7,600,000	1,292,000	20.5%
LSL Reimbursement	5,500,000	5,500,000	0	0.0%
Withdrawal from Retained Earnings	6,991,511	417,711	-6,573,800	-94.0%
Assessable/Developer Funding	10,000	10,000	0	0.0%
Proceeds from Borrowing	40,290,000	43,050,000	2,760,000	6.9%
TOTAL	\$150,102,511	\$150,610,741	\$508,230	0.3%

Rate Case

Timing

- Last conventional rate case- November 2014: +11.4%
- Simplified Rate Cases in 2016, 2017, & 2019: +3%
- 2022 Conventional Rate Case
 - August 2021- Requested Application
 - October 2021- Communication to Council
 - November 2021- Application to be submitted
 - Spring 2022- New rates anticipated to be in effect

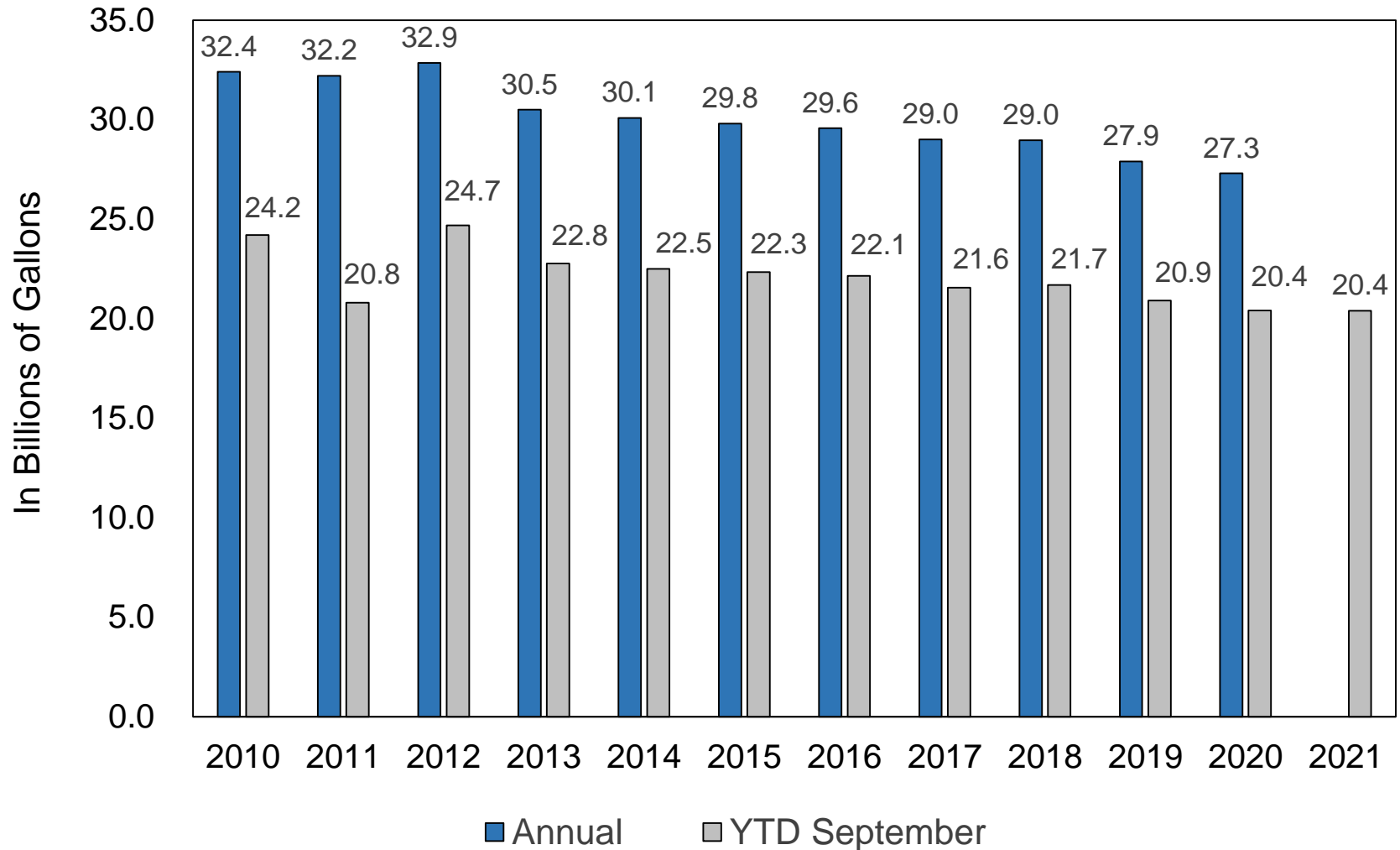
Justification

- PSC mandate to apply for conventional rate case
- Growing debt service obligations
- Benefits/advantages
 - Fund current operations, avoid drawdown on reserves
 - Cash-finance larger share of capital program to reduce future debt service
 - Present case to PSC for reducing water main replacement requirement from 20 miles to 14 miles

Consumption & Revenue Trends

- 26.7% loss in consumption since 2004
 - 1.7% average consumption loss per year
- Revenues are highly sensitive to changes in consumption
- Regular rate increases are necessary to continue to fund operations
 - Fixed costs > variable costs
- 2021 water consumption up 0.1% from 2020

Water Consumption 2010 through 2021



Capital Improvements Budget

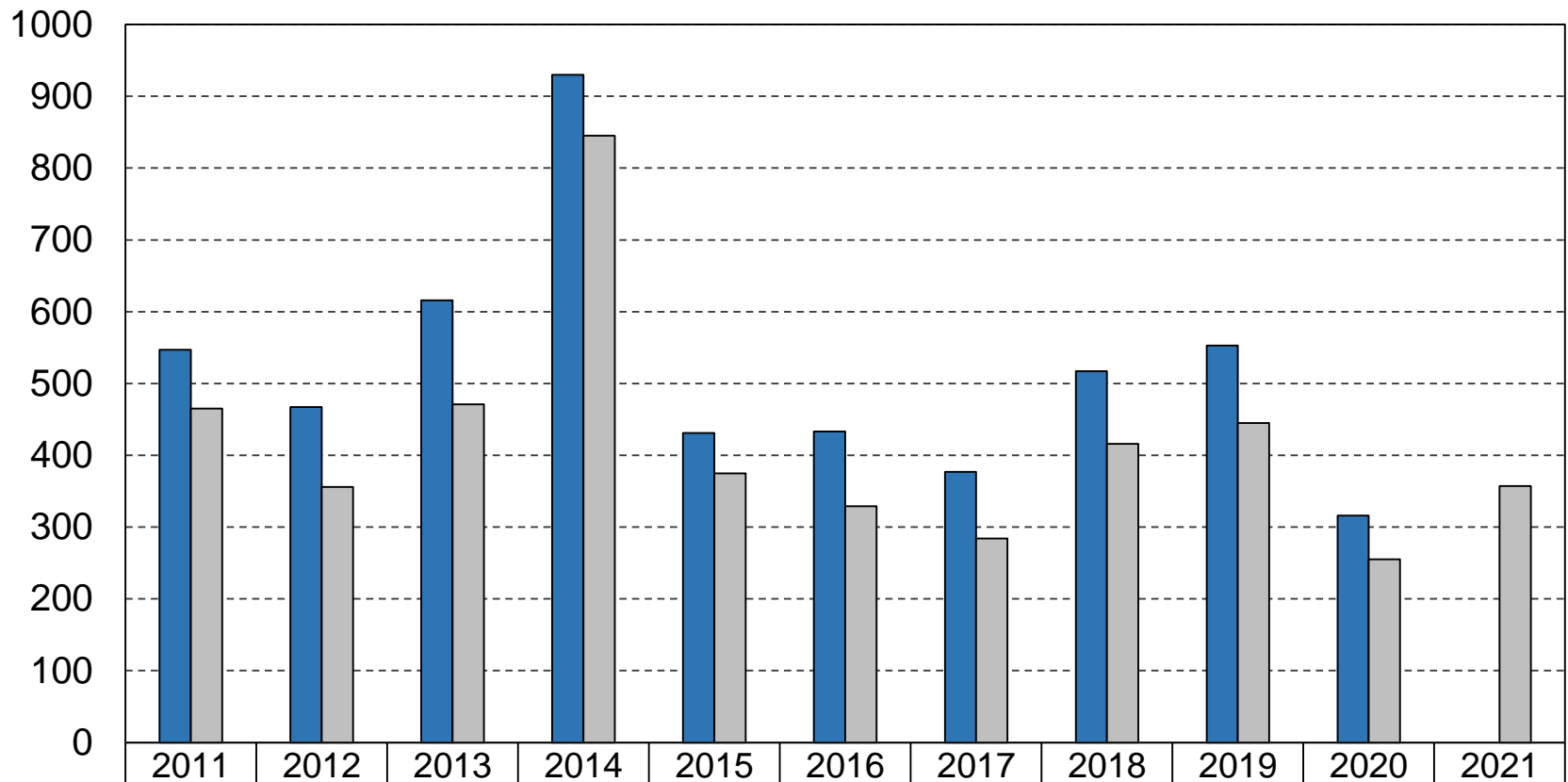
Project	2021 Adopted Budget	2022 Proposed Budget	Amount Change	Percent Change
Water Main Replacement	\$35,860,000	\$32,570,000	-\$3,290,000	-9.2%
Linnwood & Howard Treatment Plant Improvements	3,130,000	8,275,000	5,145,000	164.4%
Pump Facilities Improvements	1,150,000	1,115,000	-35,000	-3.0%
Storage Facilities Improvements	50,000	50,000	0	0.0%
Meter Shop Repairs	10,000	940,000	930,000	9,300.0%
Capital Project Contingencies	100,000	100,000	0	0.0%
TOTAL	\$40,300,000	\$43,060,000	\$2,760,000	6.8%

Capital Budget Highlights

- Water Main Improvements: \$32.6m
 - Replaces 20 miles of water main per PSC requirement
 - ~\$1.4m per mile
 - Replaces 300 LSL's with main replacement projects, plus another 200 with paving projects
- Treatment Plants, Pumps, & Meter Shop Repairs: \$10.5m
 - Electrical upgrades at both Linnwood & Howard Treatment Plants
 - Repairs to revetment wall at Linnwood Plant
 - Filter bed replacement
 - Pavement replacement at Linnwood Plant and Meter Shop

Water Main Breaks 2011 through 2021

Annual vs. YTD September Main Breaks (2011-2021)



■ Annual	547	467	616	930	431	433	377	517	553	316	
■ YTD Sept	465	356	471	845	375	329	284	416	445	255	357

Lead Service Line Update

- 900 projected LSL replacements in 2021
- 670 filter pitchers issued as of September 30, 2021
- Protocol for entering properties safely
- Planned projects include paving projects
- Safe Drinking Water Loan Program (SDWLP) funding for 2020, 2021, and 2022 replacements
- Corrosion Control Treatment Study ongoing to ensure optimization
- Lead and Copper Rule Revisions timing uncertain, currently September 2024 for compliance

Impact of COVID-19

- \$1.2m in grants for COVID-19 related expenses
- Replaced 17.1 miles of main in 2020
- 887 LSL replacements in 2020
- Implemented alternative work arrangements
- Continued workforce impacts
- Supply chain impacts

Other Initiatives

- Water Equity and Affordability
- Asset Management
- Efforts to reduce non-revenue water savings of up to \$129,000 in water production costs YTD in 2021
- Partnership for Safe Water – Distribution System
- Wholesale Water
 - PSC approved construction of main and pumping station to provide water to Waukesha
 - Franklin negotiations continue