

2017



Legislative Reference Bureau

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# WATER WORKS

Milwaukee  
**Water Works**

*Safe, Abundant Drinking Water.*

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## 2017 Proposed Plan and Executive Budget Review

Prepared by: Aaron Cadle, Legislative Fiscal Analyst

Budget Hearing: 10:30 am on Thursday, October 13, 2016

Last Updated: October 9, 2016

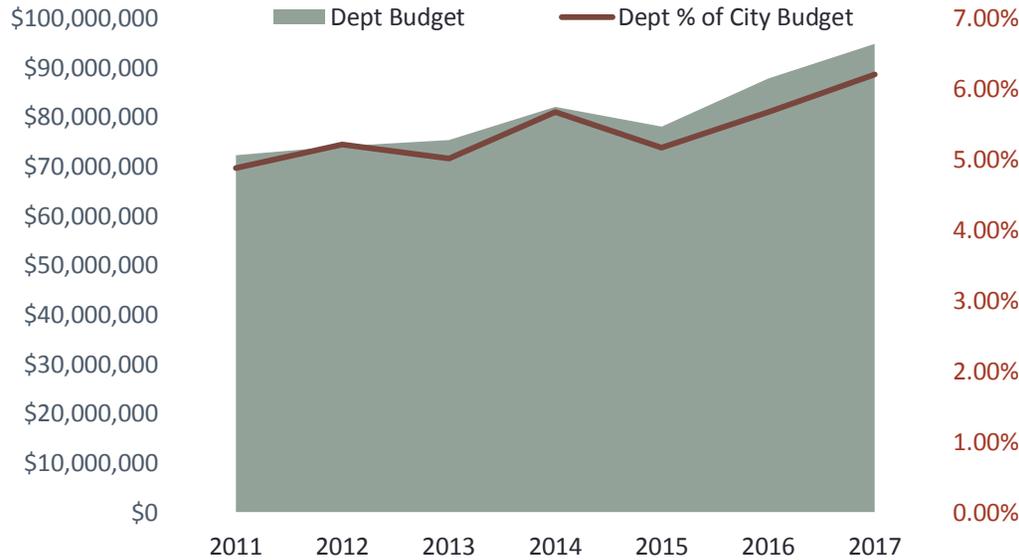
**Final Version**



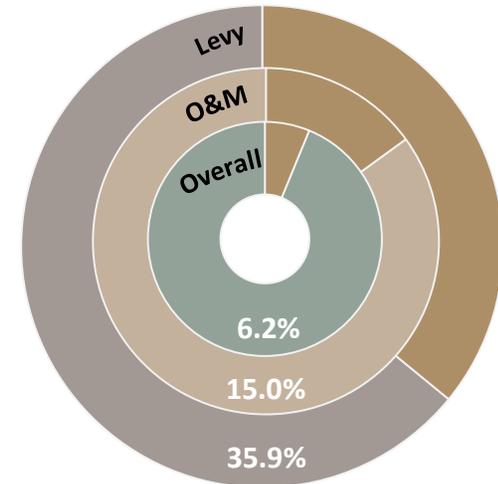
**\$94,765,000**  
Proposed 2017 Budget

**\$7,015,560**  
Change in Proposed Budget

**8.0%**  
% Change in Proposed Budget



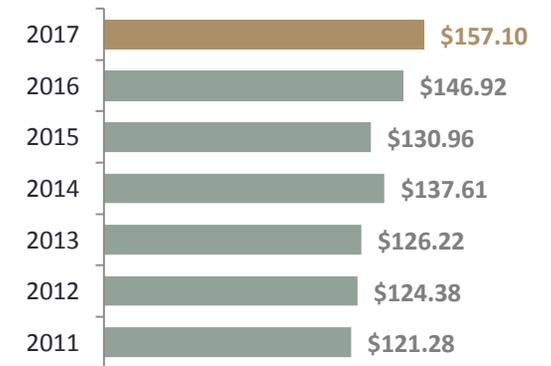
Departmental Budget Impact



Departmental Budget Appropriation Category



Budget per Capita



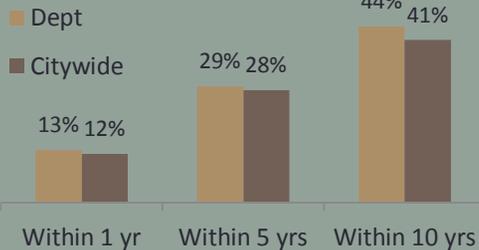
**\$513,196**

Net change in base salary costs projected for 2017 resulting from position additions.

**-\$124,228**

Net decrease in base salary costs projected for 2017 resulting from salary changes for established positions.

**Retirement Eligible**



**14**

Change in Positions

**3.7%**

% Change in Positions

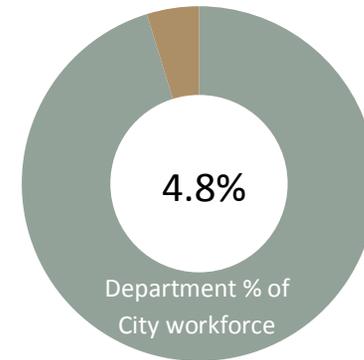
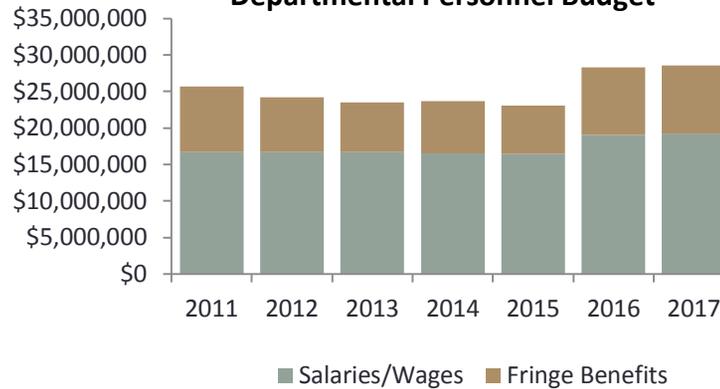
**36**

Current Vacancies

**60**

Voluntary Separations

**Departmental Personnel Budget**

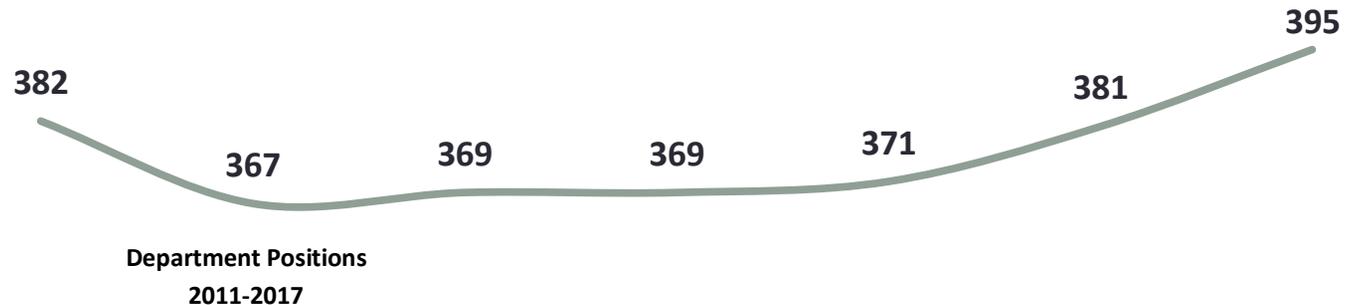


**Positions Added for 2017**

- 1 – Civil Engineer II.
- 1 – Engineering Tech V.
- 1 – Drafting Tech IV.
- 2 – Automation Technicians.
- 3 – Billing Specialists.
- 2 – Customer Service Rep III's.
- 1 - Customer Service Supervisor.
- 2 - Services Electricians.
- 1 – Water Quality Chemist.

**\$261,910 Increase in Net Salary and Benefits**

- \$181,771 increase in net salary costs.
- \$80,139 increase in fringe benefit costs.



**\$6,500,000**

Projected spending in 2017 for the replacement of City-owned and private lead service lines.

**\$5,182,000**

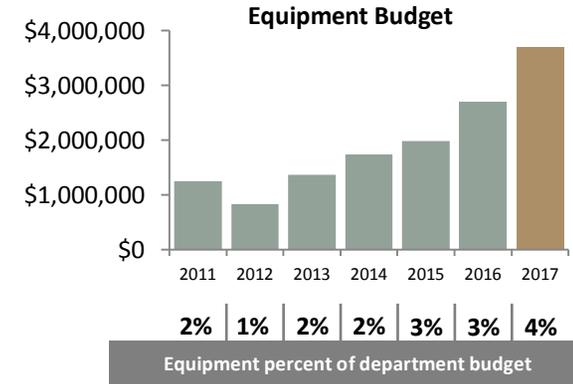
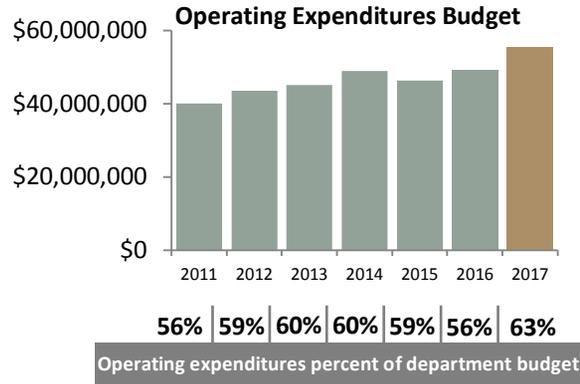
Increase in total revenues projected for 2017. A 5.5% increase over the 2016 Adopted Budget.

**15**

Miles of water main replacements projected for 2017. Unchanged from the number of miles of mains replaced in 2016 – in compliance with PSC mandate.

**\$66,000**

Cost of hiring an independent consultant (as mandated by the PSC) to evaluate the Water Works' method of determining when to replace water mains, and to recommend the best replacement cycle.



**\$3.4 million to Replace Lead Service Lines for Approximately 385 Daycare Facilities and Some Schools**

- \$1.8 million in Milwaukee Water Works operating spending to replace the City-owned portion of lead service lines replaced.
- \$1.6 million in State funding for the non-City-owned portion of lead service lines replaced.

**\$2.8 million for Emergency Replacements of the Projected 300 Lead Service Lines Expected to Fail during 2017**

- \$1.8 million in Milwaukee Water Works operating spending to replace the City-owned portion of lead service lines replaced.
- \$1.0 million in State funding for 2/3's of the non-City-owned portion of lines replaced.
- Customers will be charged for 1/3 of the replaced line owned by the customer. The charge is expected to be capped at some, as yet undermined, dollar amount.

**\$320,000 – “Soft” Costs of Lead Service Line Replacement**

- \$120,000 – Construction Coordinator
- \$100,000 – Water Quality Chemist
- \$100,000 – Program to warn customers of the possible increased lead concentration risks after line repair. Supplies (including pitcher-type filters) will also be provided.

**Water Rate Increase**

- 3% simplified rate increase took effect July 1, 2016.
- Last full rate increase (11.5%) implemented in 2014.
- In 2017, the utility plans to apply to the Wisconsin Public Service Commission for a full rate increase.

# \$16,742,334

Projected 2017 increase in operating budget (21.5%) over actual 2015 expenditures.

# \$21,938,000

Projected 2017 capital borrowing authorization increase (88% over the 2016 Adopted Budget).

# \$800,000

Increase in annual costs beginning in 2017 to increase the frequency of cross-connection inspections for 20,000 properties from 5 to 2 years per DNR mandate.

# \$16,594,700

2015 actual cash reserves – up \$5.4 million (32.4%) over 2014 actual reserves.

### Future Water Main Replacement

Wisconsin Public Service Commission requires the miles of mains replaced annually increase from 15 miles in 2017 to 18 miles in both 2018 and 2019, and 20 miles in 2020.

### 2017 Water Main Replacement

Mains replaced in 2017 will be only those connected to customers with copper service lines, while the utility considers how to best address the replacement of lead service lines.

### 2017 Proposed Operating Budget vs. Actual 2015

- Wages & Fringes - \$5,557,611 (up 24.1%).
- Operating Expenditures - \$9,017,461 (up 19.5%).
- Equipment Purchases - \$1,713,067 (up 86.5%).
- Special Funds - \$454,195 – (up 6.7%).

### Recent Actual Capital Borrowing

- 2011 actual - \$11,625,000.
- 2012 actual - \$4,000,000.
- 2013 actual - \$5,342,796.
- 2014 actual - \$1,311,125.
- 2015 actual - \$10,000,000.

### Actual Rate of Return vs. Authorized Rate of Return

The Water Works' actual rate of return on operations has been 2.75% from 2011 to 2015, while the average rate of return authorized by the Wisconsin Public Service Commission for the period was 4.9%.

### Position Reclassification Review Underway

Machine Repair Person and Instrument Specialist positions are currently under reclassification review to determine if changes in pay or other position aspects may ease recruiting difficulties and increase retention of staff hired.

<b>Income Statement Summary</b>	<b>Actual 2012</b>	<b>Actual 2013</b>	<b>Actual 2014</b>	<b>Actual 2015</b>	<b>'16 Adopted</b>	<b>'17 Proposed</b>
<b>Total Gen. Purpose Revenues</b>	\$ 89,201,061	\$ 86,606,565	\$ 89,135,396	\$ 98,674,827	\$ 93,845,000	\$ 104,209,000
<b>Operating Expenses</b>						
<b>Salaries &amp; Benefits</b>	\$ 24,164,647	\$ 23,484,905	\$ 23,662,401	\$ 23,026,389	\$ 28,322,090	\$ 28,584,000
<b>Operating Expenses</b>	\$ 43,513,998	\$ 45,162,110	\$ 48,862,495	\$ 46,279,539	\$ 49,353,500	\$ 55,297,000
<b>Debt Service</b>	\$ 6,208,000	\$ 5,250,000	\$ 6,220,000	\$ 5,300,000	\$ 5,587,000	\$ 5,391,000
<b>Other</b>	\$ 61,144	\$ 29,963	\$ 55,554	\$ 103,710	\$ 200,000	\$ 200,000
<b>Operating Fund Increase</b>	\$ 14,421,393	\$ 11,315,268	\$ 8,590,950	\$ 21,985,256	\$ 7,695,560	\$ 11,044,000
<b>Capital Improvements</b>						
<b>Total Budgeted</b>	\$ 10,269,980	\$ 15,217,228	\$ 23,958,926	\$ 23,051,134	\$ 25,660,000	\$ 29,210,000
<b>Borrowing</b>	\$ 4,000,000	\$ 46,131	\$ 1,311,125	\$ 10,000,000	\$ 11,674,000	\$ 21,938,000
<b>Cash Financed</b>	\$ 6,269,980	\$ 15,171,097	\$ 22,618,965	\$ 13,041,073	\$ 13,976,000	\$ 7,262,000
<b>Net after Capital Improvements</b>	\$ 8,151,413	\$ (3,855,829)	\$ (14,028,016)	\$ 8,944,183	\$ (6,280,440)	\$ 3,782,000
<b>Pension Contribution</b>	\$ -	\$ -	\$ 1,467,296	\$ 1,333,095	\$ 1,600,000	\$ 1,600,000
<b>Net Fund Change</b>	\$ 8,151,413	\$ (3,855,829)	\$ (15,495,312)	\$ 7,611,088	\$ (7,880,440)	\$ 2,182,000