
2016 Overview: Milwaukee Water Works

Finance & Personnel Committee
October 15, 2015

Community Goals & Objectives

- Increase investment & economic vitality throughout the city
 - ❑ Ensure the quality and safety of the drinking water supply
 - ❑ Maintain a regular and effective replacement cycle for mains
 - ❑ Maintain competitive rates and generate an appropriate rate of return for the utility
 - ❑ Accommodate changing water use patterns

Goals & Objectives

Measure	2014 Actual	2015 Planned	2016 Estimated
Rank of rate /Ccf of water among Class AB utilities in the 7-county metro area	19/21	17/21	17/21
Rate of Return [<i>PSC Annual Report</i>]	4.06%	2.35%	1.76%
Percentage of days/year in full compliance with water quality parameters of Safe Drinking Water Act	100%	100%	100%
Main breaks	930	566	600

2016 O&M Budget Summary

	2015 ADOPTED BUDGET	2016 PROPOSED BUDGET	DIFFERENCE (amount, %)
FTEs – O&M	343.98	349.48	5.5 (1.6%)
FTEs - Other	16.44	19.94	3.5 (21.3%)
Salaries & Wages	\$18,658,500	\$19,070,896	\$412,396 (2.2%)
Fringe Benefits	9,051,503	9,251,194	199,691 (2.2%)
Operating Expenditures	48,256,700	49,353,500	1,096,800 (2.3%)
Equipment	2,517,700	2,686,850	169,150 (6.7%)
Special Funds	7,100,000	7,387,000	287,000 (4.0%)
TOTAL	\$85,584,403	\$87,749,440	\$2,165,037 (2.5%)

Major Operating Budget Changes

- Operating Budget increases \$2.2 million
 - Debt Service: +\$287,000
 - Property Services: +\$565,000
 - IT Services: +\$1,215,300
 - Salaries: +\$412,396
 - Wage increases
 - Reduced Overtime (-\$295,000)
 - 5 positions added for increased main replacement

Major Cost Drivers in Operating Accounts

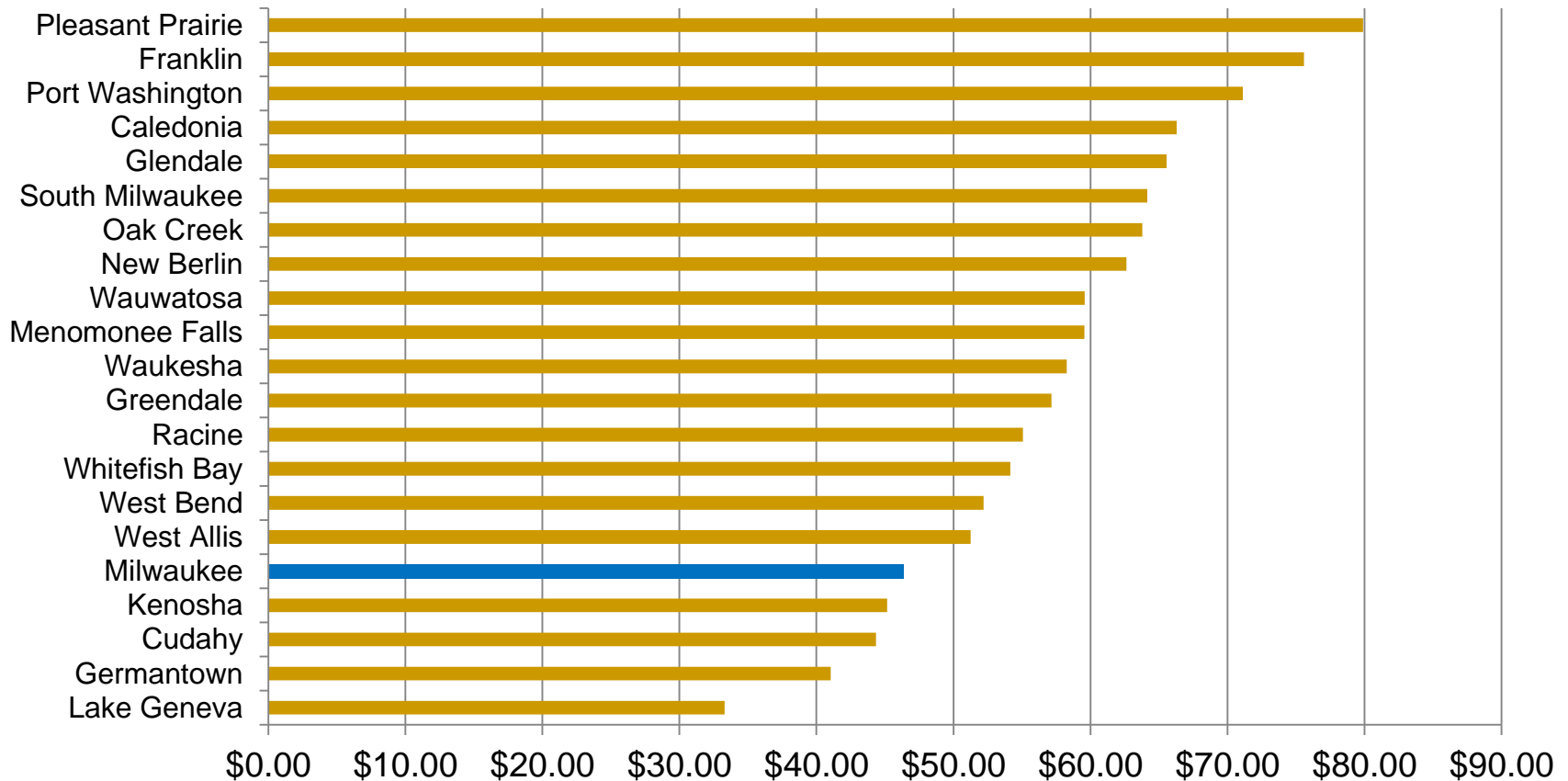
- PILOT Payment (\$13.1 million in 2016)
 - Accelerated main replacement program will increase PILOT by ~\$600,000 per year
- Energy (\$7.1 million in 2016)
 - Primarily electricity for pumping and treatment
 - Sensitive to rate increases
- PILOT Payment and Energy costs make up 40% of \$49.3 million Operating Accounts budget

Operating Budget Highlights

- Billing System Upgrade (\$1.3 million)
 - Used by Customer Service, Billing, Wireless Work Order System
 - Replaces 5 year old hardware and software
 - Improve system reliability
 - Includes off-site disaster recovery
- 5 Engineering Tech IV's added for Water Main Replacement program
- Simplified Rate Case
 - The six year plan included a 3% rate increase in mid-2016
 - Offset annual 2-2.5% reduction in consumption
 - Impact on average residential customer:
 - \$2.30 quarterly, \$9.20 annually

Cost Comparison

Quarterly Cost for 15 CCF Residential Customer Among Regional Peer Utilities



Water Consumption by Customer Class: 10 Year Trend

Customer Class	2005 Consumption (000s of gallons)	2014 Consumption (000s of gallons)	Difference (\$)	Difference (%)
Residential	13,038,972	10,143,915	-2,895,057	-22.2%
Commercial	8,349,793	7,016,940	-1,332,853	-16.0%
Industrial	6,229,397	3,341,318	-2,888,079	-46.4%
Public Authority	2,546,831	2,003,048	-543,783	-21.4
<u>Wholesale</u>	<u>8,236,465</u>	<u>7,585,287</u>	<u>-651,178</u>	<u>-7.9</u>
Total	38,401,458	30,090,508	-8,310,950	-21.6%

Average loss of consumption per year: 2.2%

2016 Capital Budget Summary

	2015ADOPTED BUDGET	2016 PROPOSED BUDGET	DIFFERENCE (amount, %)
Mains Replacement	\$19,500,000	\$19,500,000	\$- (%)
Storage Facilities	2,500,000	2,000,000	-500,000 (-20%)
Pump Facilities	50,000	200,000	+150,000 (+300%)
Treatment Plants	2,200,000	1,950,000	-250,000 (-11.4%)
Other Plant & Facilities	700,000	-	-700,000 (-100%)
Contingency		2,000,000	+2,000,000 (-)
TOTAL	\$24,950,000	\$25,650,000	+\$700,000 (2.8%)

Capital Budget Highlights- Water Mains

- MWW on track to replace 15 miles of main in 2015
- MWW will replace 15 miles of main in 2016
 - Approximately \$1.3 million per mile replaced
 - 15 miles achieves a 133 year replacement cycle
 - Scale up to 20 miles per year by 2020 for 100 year replacement cycle

Major Capital Highlights & Changes – Plant Improvements

- \$4.15 million for Non-Mains Capital Improvements
 - \$1.2 million for improvements at Linnwood Treatment Plant
 - \$700,000 for improvements at Howard Treatment Plant
 - \$200,000 for North Point Tunnel inspection
 - \$2 million for storage tank painting at Lincoln
 - \$2.5 million included in 2015 Budget to paint the other storage tank at Lincoln