



Waukesha Water Utility 8th Operating Plan 2020

Statement of Revenues and Expenses
Compensation
Significant Items



MEMORANDUM

DATE: October 20, 2020
TO: Dan Duchniak
FROM: Joe Ciurro
RE: 2021 Operating Budget

The attached packet contains the first draft of the 2021 Operating Budget. The revised 2021 CIP and the Five-Year CIP will be presented in November.

The highlights of the operating budget are as follows:

1. "Net Income" is budgeted at \$2.3 million, up from the 2020 projected net income of \$0.24 million. Contributing to this is a water rate increase of 25% that has an expected effective date of January 1, 2021.
2. Offsetting the revenue increase is a 17% increase in Managers' expenses and a 6% increase in tax equivalent payable to the City. Non-operating income is expected to increase by \$160,000, with an increase in contributed assets (\$270k) offset by a decrease in investment income (\$110k).
3. Budgeted gallons billed took into account 2020 actuals and 2019 actuals, with projections including a 2% reduction in consumption due to conservation efforts. This year has been a unique year when it comes to consumption and the effect of COVID-19. Consumption for our Commercial, Industrial and Public customers are significantly down, with a surge in Residential and Multi-Family accounts. The Proposed Budget is assuming that the COVID-19 virus will be present throughout 2021 and the usage trends noted above are expected to continue.
4. Compensation, the total of wages and benefits, is expected to increase by 8%, or roughly \$235,000. The largest factor in the \$235,000 increase in compensation relates to the addition of 2-full-time equivalent (FTE) positions. In 2020, the Utility budgeted to add a Customer Service Representative (CSR) in the middle of the year and one of our Operators left the Utility. Due to COVID-19, the recruitment processes for both positions were delayed, with the recruitment for the CSR just beginning in October 2020. The wages and benefits of these two positions equals nearly \$160,000. Without the addition of these positions, compensation would only be increasing by \$75,000 or 2.5%.
5. A variance analysis of significant expenses (not related to compensation) reveals an increase in expenses of almost \$734,000. Items contributing to this increase include amortization of preliminary GWA project costs, the personnel, printing and payment costs of moving from quarterly to monthly billing, commercial cross connection inspections, and maintenance project associated with hydrants and services that were delayed during 2020.

I look forward to discussing the finer points of the budget with you and the commission.

**WAUKESHA WATER UTILITY
STATEMENT OF REVENUES AND EXPENSES
2021 BUDGET**

	<u>2020 B</u>	<u>2020 P</u>	<u>2021 B</u>	<u>2020 P v. 2020 B</u>	<u>2021 B v. 2020 P</u>
OPERATING REVENUES:					
Residential	\$ 5,346,698	\$ 5,042,799	\$ 6,507,613	0.94	1.29
Commercial	1,590,560	1,288,659	1,545,491	0.81	1.20
Industrial	807,671	597,445	602,189	0.74	1.01
Public	306,529	205,958	267,970	0.67	1.30
Multi Family	1,697,708	1,524,583	1,883,496	0.90	1.24
Irrigation	39,881	36,144	52,188	0.91	1.44
Total Metered Sales	9,789,046	8,695,588	10,858,947	0.89	1.25
Private Fire Capacity	292,250	261,541	318,730	0.89	1.22
Public Fire Capacity	2,428,459	2,099,978	2,689,302	0.86	1.28
Other Operating Revenues	512,366	365,285	537,129	0.71	1.47
TOTAL OPERATING REVENUES	13,022,121	11,422,392	14,404,109	0.88	1.26
OPERATING EXPENSES:					
Source	242,075	609,710	989,754	2.52	1.62
Pumping	1,002,853	870,187	971,593	0.87	1.12
Treatment	552,580	472,681	560,491	0.86	1.19
Distribution	1,441,757	1,051,232	1,115,363	0.73	1.06
Customer Service	216,058	295,332	284,637	1.37	0.96
Administrative	1,876,386	1,642,279	1,873,745	0.88	1.14
Total Managers' Expenses	5,331,710	4,941,421	5,795,584	0.93	1.17
MANAGERS' MARGIN	7,690,411	6,480,971	8,608,525	0.84	1.33
Depreciation	2,829,672	2,837,292	2,877,601	1.00	1.01
Tax Equivalent	2,023,579	2,023,579	2,146,102	1.00	1.06
Other Taxes	126,543	108,145	127,160	0.85	1.18
TOTAL OPERATING EXPENSES	10,311,504	9,910,437	10,946,448	0.96	1.10
TOTAL OPERATING INCOME(LOSS)	2,710,616	1,511,955	3,457,661	0.56	2.29
NON OPERATING INCOME&(EXPENSE)	(1,630,106)	(1,267,110)	(1,126,609)	0.78	0.89
NET INCOME(LOSS)	\$ 1,080,510	\$ 244,845	\$ 2,331,052	0.23	9.52



Salary Surveys
2021

Released Date	Source	Market	2021	2020	2019	2018	2017
August	Society for Human Resource Management	National	2.70	3.00	3.20	3.10	3.10
July	WI Employment Relations Commission	State	1.56	2.07	2.25	1.84	0.68
September	Management Resources Association - WI	State	2.20	3.20	2.70	3.50	2.60
September	Carlson Dettman Upper Midwest Wage Increases Survey Report- SE Wisconsin	Local	1.33	1.96	1.87	N/A	N/A
		Average	1.95	2.56	2.51	2.81	2.13

Last updated: 10/1/2020

Rate Used	2.00	2.25	2.50	2.75	2.25
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2021 Budget Variance Analysis

Benefits

	2020 B	2020 P	Δ		2021 B (No FTE's Add.)	Δ from 2020 P		Explain
			\$	%		\$	%	
Medical Insurance	566,925	550,098	(16,827)	-3.0%	614,005	63,907	11.6%	9% prem. Incr.
Dental Insurance	22,356	21,746	(610)	-2.7%	24,584	2,838	13.1%	8% prem. Incr.
Life Insurance	10,988	11,523	535	4.9%	10,511	(1,012)	-8.8%	
Disability	7,437	6,030	(1,407)	-18.9%	7,128	1,098	18.2%	
Pension	156,201	147,665	(8,536)	-5.5%	150,681	3,016	2.0%	6.75% WRS contrib. rate
Total Benefits	763,907	737,062	(26,845)	-3.5%	806,910	69,848	9.5%	
Wages	2,296,042	2,221,648	(74,394)	-3.2%	2,227,203	5,555	0.3%	2% Incr - Solid Performance Eval
Grand Total	\$ 3,059,949	\$ 2,958,710	\$ (101,239)	-3.3%	\$ 3,034,113	\$ 75,403	2.5%	Proposed Budget is below.

Benefits

	Proposed 2021 B	Adding 2-FTE's (1-replacement, 1-new)		Explain
		Δ from 2020 P		
		\$	%	
Medical Insurance	663,410	113,312	20.6%	9% prem. Incr., 2-FTEs added
Dental Insurance	26,324	4,578	21.1%	8% prem. Incr., 2-FTEs added
Life Insurance	10,986	(537)	-4.7%	
Disability	7,465	1,435	23.8%	
Pension	157,505	9,840	6.7%	6.75% WRS contribution rate
Total Benefits	865,690	128,628	17.5%	
Wages	2,328,308	106,660	4.8%	2% Incr - Solid Performance Eval, 2-FTEs added
Grand Total	\$ 3,193,997	\$ 235,287	8.0%	

\$ 159,885

New Employee Costs (2-FTE's)

**WWU
SIGNIFICANT ITEMS
EXPENSES > \$500,000 OR CHANGES > \$25,000
2021**

ITEMS UNRELATED TO COMPENSATION

ACCOUNT #	DESCRIPTION	2020P	2021 B	\$ Δ	% Δ	NOTE
6030	200 SOURCE-MISC.OPERATING EXPENSES	\$ 591,491	\$ 958,335	\$ 366,844	62%	62% Increase - This account holds the amortization of preliminary costs associated with the Great Water Alliance project. With the Utility's 12/1/2017 rate order, the PSC requires the Utility to amortize \$591,491 annually. Using the amounts submitted in the 2019 rate case, we anticipate the monthly amortization to increase when the subsequent rate order becomes effective.
6230	300 PUMP OP - POWER	\$ 652,282	\$ 710,010	\$ 57,728	9%	9% Increase - A 2.9% increase from WE Energies is budgeted in 2021. Increased power was also budgeted as a precaution in the event that there would be a well failure.
6310	300 PUMP STRUCT MAINTENANCE	\$ 52,531	\$ 78,894	\$ 26,363	50%	50% Increase - Driveway sealcoating, lock repairs, and landscaping will increase in 2021.
6410	300 TMNT - CHEMICALS	\$ 164,550	\$ 196,974	\$ 32,424	20%	20% Increase - A 3-6% cost increase is budgeted in 2021 and dry chemicals will be purchased three times instead of two in 2021.
6424	300 TMNT - RADIUM TESTING/ANALYZING	\$ 165,324	\$ 203,208	\$ 37,883	23%	23% Increase - Wastewater discharge costs will increase by an estimated 9.5% in 2021. Return flow charges will also increase 50% in 2021.
6610	300 T&D OPS - STORAGE FACILITIES EXPENSE	\$ 171,525	\$ 52,236	\$ (119,289)	-70%	70% Decrease - Meadowbrook Tower was re-painted in 2020. Dive inspecting of ground storage reservoirs, required by the DNR every 5 years, was budgeted in 2020, but has been pushed to 2021 because of COVID.
6630	200 T&D METER EXPENSE	\$ 63,712	\$ 117,264	\$ 53,552	84%	84% Increase - There will be a labor allocation shift from dept. 600 to dept. 200 in 2021. In order to smooth out the 20 year meter change out cycle, more meters are budgeted to be replaced in 2021.
6630	600 T&D METER EXPENSE	\$ 46,839	\$ 1,611	\$ (45,229)	-97%	97% Decrease - There will be a labor allocation shift from dept. 600 to dept. 200 in 2021.
6640	200 T&D CUSTOMER INSTALL	\$ 17,734	\$ 68,700	\$ 50,967	287%	287% Increase - Commercial cross connection was postponed for the majority of the year in 2020 because of COVID. Residential cross connection was also suspended due to COVID. Both are anticipated to resume in 2021.
6730	300 T&D MAINT OF MAINS	\$ 315,555	\$ 345,221	\$ 29,666	9%	9% Increase - Maintenance is budgeted to increase in 2021 because of uni-directional flushing.
6730	600 T&D MAINT OF MAINS	\$ 67,921	\$ 644	\$ (67,277)	-99%	99% Decrease - In 2020, water main along Barstow St, under the Fox River, had to be re-lined.
6750	300 T&D MAINT STREET SERVICES	\$ 25,303	\$ 53,835	\$ 28,532	113%	113% Increase - Less street service maintenance was budgeted in 2020 to allow for maintenance projects in other areas.
6751	300 T&D MAINT PROPERTY SERVICES	\$ 7,276	\$ 65,401	\$ 58,125	799%	799% Increase - Less property services were replaced than budgeted because of COVID. We have 49 iron property service replacements remaining and have budgeted 20 for 2021.
6770	300 T&D MAINT OF HYDRANTS	\$ 21,769	\$ 83,769	\$ 62,000	285%	285% Increase - Summer workers were budgeted to paint hydrants in 2020, but none were hired because of COVID. There was also less hydrant survey and maintenance in 2020 because of COVID. In 2021, hydrant survey will be doubled. Summer workers will also return to paint hydrants.
9030	200 CA RECORDS/COLLECTIONS	\$ 235,179	\$ 357,181	\$ 122,002	52%	52% Increase - A new employee is budgeted in 2021. Printing and mailing costs will increase in 2021 because of the shift to monthly billing.
9050	300 CA MISC EXPENSE	\$ 86,000	\$ 1,700	\$ (84,300)	-98%	98% Decrease - COVID expenditures are booked to this account in 2020.
9060	200 CA CONSERVATION & OUTREACH	\$ 43,199	\$ 90,000	\$ 46,801	108%	108% Increase - PSC rate order authorizes \$90,000 of conservation expenses. In 2020, no Industrial incentives were awarded.
9219	200 A&G OFFICE SUPPLIES & PRINTING	\$ 52,987	\$ 158,550	\$ 105,563	199%	199% Increase - Credit card fees are budgeted to be much higher in 2021, as we switch to monthly billing.
9300	100 A&G MISC GENERAL EXPENSE	\$ 38,336	\$ 10,150	\$ (28,186)	-74%	74% Decrease - An employee received bonus pay in 2020.
		\$ 2,819,511	\$ 3,553,682	\$ 734,171	26%	

**COMPENSATION NET CONTRA AND SEWER CREDIT
LESS: COMPENSATION INCLUDED IN ACCOUNTS ABOVE**

2,459,454
(653,031)

TOTAL EXPENSES ANALYZED

\$ 5,360,105

MANAGERS' EXPENSES

\$ 5,795,584

% OF MANAGERS' EXPENSES ANALYZED

92%

Rate Revenue Projection 2020 - 2025

Rate Revenue Increase Projections - Global View

	2020	2021	2022	2023	2024	2025
Return Flow Rate Increase		50%	20%	5%	0%	0%
Return Flow Rate Rev. (annualized)	\$ 4,052,079	\$ 5,825,932	\$ 7,138,186	\$ 7,602,350	\$ 7,622,329	\$ 7,593,742
<i>Sewer Rate Increase</i>		6.92%	9.00%	9.00%	9.00%	5.00%
Sewer Rate Revenues	\$ 17,138,935	\$ 17,504,862	\$ 19,080,299	\$ 20,797,526	\$ 22,669,303	\$ 23,802,768
<i>Water Rate Increase</i>		25.00%	20.00%	25.00%	25.00%	2.73%
Water Rate Revenues	\$ 11,058,166	\$ 13,606,241	\$ 16,101,794	\$ 19,881,896	\$ 24,585,551	\$ 25,019,326
Combined RF/Swr/Wtr Rate Revenues	\$ 32,249,180	\$ 36,937,036	\$ 42,320,279	\$ 48,281,772	\$ 54,877,183	\$ 56,415,837
Combined RF/Swr/Wtr Rate Increase		14.5%	14.6%	14.1%	13.7%	2.8%

Utility Billing Impact - Global View - Single Residential

	2020	2021	2022	2023	2024	2025
	\$/Yr	\$/Yr	\$/Yr	\$/Yr	\$/Yr	\$/Yr
Return Flow	\$ 111	\$ 167	\$ 200	\$ 210	\$ 210	\$ 210
Sewer	449	481	524	572	623	654
Water	344	431	517	647	808	830
RF/Swr/Wtr	\$ 904	\$ 1,078	\$ 1,242	\$ 1,428	\$ 1,642	\$ 1,695
Monthly Avg	\$ 75	\$ 90	\$ 103	\$ 119	\$ 137	\$ 141

**Assumes 48,000 gallons used annually.