



MEMORANDUM

DATE: October 15, 2024
TO: Dan Duchniak
FROM: Cortney Nagel
RE: 2025 Operating Budget

The attached packet contains the first draft of the 2025 Operating Budget. The revised 2025 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 \$7,876,631, up from the 2024 projected net income of \$6.72 million. The main reason for this is the rate increase, authorized by the Public Service Commission of WI, that went into effect October 1, 2024.
2. Managers' expenses will be increasing by 13%, or \$1.11 million in 2025. Non-operating income/expense is expected to decrease by \$2.18 million in 2025, with a decrease in developer projects (\$324,000) and conservative budgeting on interest income.
3. Budgeted gallons billed are projected based on 2024 actuals through September, and 2024 budgeted consumption October through December. The 2024 projections include a 2% reduction in consumption due to conservation efforts.
4. Compensation, the total of wages and benefits, is expected to increase by 9.9%, or roughly \$314,000. A 3.5% wage increase is included in the Draft 2025 Operating Budget for any employee with a solid performance rating on their annual review. Medical and dental premiums are expected to increase 3% and 0%, respectively, and an additional full-time employee has been budgeted in both the Administrative Services department and the Operations department for a full year in 2025. When you add the value of the vacant positions to the 2024 projected figures, the compensation increase for 2025 drops to 3.6%.
5. A variance analysis of significant expenses (not related to compensation) reveals an increase in expenses of approximately \$920,000. Items contributing to this increase include professional services for amending the Milwaukee contract, work order optimization between the billing and accounting software and GIS, a water system master plan update, and increased costs associated with credit card fees and mailing expenses.

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



**Waukesha Water Utility
Draft Operating Plan
2025**

Draft Operating Budget Memo
Statement of Revenues and Expenses
Salary Survey Summary
Compensation
Significant Items Analysis

**WAUKESHA WATER UTILITY
STATEMENT OF REVENUES AND EXPENSES
2025 BUDGET**

	<u>2024 B</u>	<u>2024 P</u>	<u>2025 B</u>	<u>2024 P v. 2024 B</u>	<u>2025 B v. 2024 P</u>
OPERATING REVENUES:					
Residential	\$ 7,930,080	\$ 8,478,367	\$ 10,833,636	1.07	1.28
Commercial	2,334,257	2,769,440	3,659,336	1.19	1.32
Industrial	875,329	1,031,894	1,412,752	1.18	1.37
Public	405,922	467,218	628,900	1.15	1.35
Multi Family	2,583,477	3,044,434	4,001,803	1.18	1.31
Irrigation	86,096	72,294	102,892	0.84	1.42
Total Metered Sales	14,215,160	15,863,646	20,639,318	1.12	1.30
Private Fire Capacity	423,621	486,882	665,081	1.15	1.37
Public Fire Capacity	3,640,433	3,634,957	4,869,005	1.00	1.34
Other Operating Revenues	629,570	597,248	735,553	0.95	1.23
TOTAL OPERATING REVENUES	18,908,785	20,582,732	26,908,957	1.09	1.31
OPERATING EXPENSES:					
Source	4,045,192	3,972,033	3,971,078	0.98	1.00
Pumping	1,110,409	659,205	745,712	0.59	1.13
Treatment	294,439	263,449	272,528	0.89	1.03
Distribution	1,444,895	1,459,443	1,567,913	1.01	1.07
Customer Service	370,455	347,403	403,802	0.94	1.16
Administrative	2,563,950	1,944,957	2,793,295	0.76	1.44
Total Managers' Expenses	9,829,341	8,646,490	9,754,328	0.88	1.13
MANAGERS' MARGIN	9,079,444	11,936,243	17,154,629	1.31	1.44
Depreciation	3,942,117	3,941,257	5,610,372	1.00	1.42
Tax Equivalent	2,164,479	2,164,479	2,322,148	1.00	1.07
Other Taxes	152,998	129,356	185,068	0.85	1.43
TOTAL OPERATING EXPENSES	16,088,935	14,881,582	17,871,916	0.92	1.20
TOTAL OPERATING INCOME(LOSS)	2,819,850	5,701,150	9,037,042	2.02	1.59
NON OPERATING INCOME&(EXPENSE)	(1,911,846)	1,021,749	(1,160,411)	(0.53)	(1.14)
NET INCOME(LOSS)	\$ 908,004	\$ 6,722,900	\$ 7,876,631	7.40	1.17



Salary Surveys
2025

Released Date	Source	Market	2025	2024	2023	2022	2021
August	Society for Human Resource Management	National	3.50	4.00	4.10	3.00	2.70
August	WI Employment Relations Commission	State	3.30	6.26	7.17	2.30	1.56
September	Management Resources Association - WI	State	3.80	4.10	4.00	3.00	2.20
September	Carlson Dettman Upper Midwest Wage Increases Survey Report- SE Wisconsin	Local	3.36	3.70	2.61	1.80	1.33
		Average	3.49	4.52	4.47	2.53	1.95
		Rate Used	3.50	4.00	4.00	2.50	2.00

Proposed:
Jan 1: 3.5%

Proposed:
Jan 1 / July 1 Split
3.5% / 1%

Proposed:
Jan 1 / July 1 Split
3.5% / 1%



Recommended Compensation for 2025
Budget Variance Analysis

	2024 Budget to Projected				2025 Budget to 2024 Projected			Variance Explanation
	2024 B	2024 P	Δ		2025 B	Δ		
			\$	%		\$	%	
Benefits								
Medical Insurance	596,367	542,069	(54,298)	-9.1%	608,710	66,641	12.3%	3% Increase to Premiums
Dental Insurance	25,118	22,744	(2,374)	-9.5%	24,190	1,446	6.4%	0% Increase to Premiums
Life Insurance	10,985	10,678	(307)	-2.8%	11,929	1,251	11.7%	
Disability	9,076	6,985	(2,091)	-23.0%	7,943	958	13.7%	
Pension	177,114	159,160	(17,954)	-10.1%	179,346	20,186	12.7%	Compensation, WRS Contrib. Rate is Increasing from 6.9-6.95%
Total Benefits	818,660	741,636	(77,024)	-9.4%	832,118	90,482	12.2%	
Wages	2,593,501	2,435,175	(158,326)	-6.1%	2,658,975	223,800	9.2%	Solid performance = 3.5% increase, 1 FTE Increase
Grand Total	\$ 3,412,161	\$ 3,176,811	\$ (235,350)	-6.9%	\$ 3,491,093	\$ 314,282	9.9%	

**WWU
SIGNIFICANT ITEMS
EXPENSES > \$250,000 OR CHANGES > \$25,000
2025**

ITEMS UNRELATED TO COMPENSATION

ACCOUNT #	DESCRIPTION	2024P	2025 B	\$ Δ	% Δ	NOTE
6020	300 SOURCE - PURCHASED WATER	\$ 3,001,881	\$ 2,993,427	\$ (8,455)	0%	Water purchased from Milwaukee.
6030	200 SOURCE-MISC.OPERATING EXPENSES	\$ 958,332	\$ 958,332	\$ -	0%	Amount represents GWA Project costs that were deemed non-capital, which the PSC authorized to amortize over a number of years.
6230	300 PUMP OP - POWER	\$ 418,309	\$ 448,980	\$ 30,671	7%	7% Increase - We Energies is projected to have a 6.9% rate increase 2025 for gas and electric services.
6330	300 PUMP EQUIP MAINTENANCE	\$ 58,387	\$ 93,365	\$ 34,978	60%	60% Increase - Labor is higher in 2025 as there will be cross-training associated with the BPS. Mag meter calibrations will be performed in 2025.
6630	200 T&D METER EXPENSE	\$ 108,954	\$ 138,879	\$ 29,924	27%	27% Increase - UME replacements and other spare meter parts are budgeted in 2025, but will only be spent if needed.
6730	300 T&D MAINT OF MAINS	\$ 675,246	\$ 690,155	\$ 14,909	2%	2% Increase - Cathodic protection analysis of the water supply pipeline is budgeted in 2025. This will be a yearly expense going forward. With the new water supply there has been an increase in main breaks and we are budgeting for that increase moving forward.
9030	200 CA RECORDS/COLLECTIONS	\$ 554,823	\$ 646,557	\$ 91,734	17%	17% Increase - This account holds all labor for customer service activities, credit card fees, printing and mailing of monthly bills, and printing services for envelopes and bills. With the two most recent rate increases, credit card fees will increase as well.
9200	100 A&G WAGES - BUDG, PSC, A/R, A/P, PURCH	\$ 53,748	\$ 23,186	\$ (30,561)	-57%	57% Decrease - While we budgeted for an additional position for a general manager in training in 2025 for a partial year, the HR Manager retired in 2024.
9200	200 A&G WAGES - BUDG, PSC, A/R, A/P, PURCH	\$ 231,252	\$ 260,563	\$ 29,311	13%	13% Increase - There will be a labor allocation shift with a retirement from department 100 to 200. A part-time role is budgeted for 2025.
9230	100 A&G OUTSIDE SERVICES	\$ 101,322	\$ 468,330	\$ 367,008	362%	362% Increase - Attorney fees to amend the Milwaukee contract and for customer complaints are budgeted in 2025.
9230	200 A&G OUTSIDE SERVICES	\$ 97,612	\$ 70,310	\$ (27,303)	-28%	28% Decrease - A new website will be launched in 2024.
9230	300 A&G OUTSIDE SERVICES	\$ 43	\$ 250,000	\$ 249,957	576734%	576734% Increase - A water system master plan update originally budgeted for 2024 has been moved to 2025.
9230	600 A&G OUTSIDE SERVICES	\$ 7,500	\$ 50,000	\$ 42,500	567%	567% Increase - Work order optimization with the billing and accounting software and GIS is budgeted in 2025.
9264	100 A&G HEALTH INSURANCE	\$ 496,855	\$ 563,360	\$ 66,505	13%	13% Increase - A 3% increase to health insurance is budgeted in 2025. An additional employee is budgeted for the vacancy in Operations and an additional
9264	150 A&G HEALTH INSURANCE	\$ 243,437	\$ 329,486	\$ 86,048	35%	35% Increase - There have been/will be several newly retired employees added to the retiree insurance plan.
9320	200 A&G MAINT OF GENERAL PLANT	\$ 184,161	\$ 97,035	\$ (87,126)	-47%	47% Decrease - In 2024, we expensed costs associated with the BS&A billing and accounting software. The plan was to implement new software in 2024, but the capabilities were not in line with regulatory requirements. Therefore, we had to revert back to our previous software.
9320	300 A&G MAINT OF GENERAL PLANT	\$ 84,139	\$ 113,973	\$ 29,834	35%	35% Increase - Labor associated with the Water System Master Plan Update, summer help, and new garage door repairs are budgeted in 2025.

\$ 7,276,002 \$ 8,195,937 \$ 919,935 13%

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

1,951,597
(1,063,753)

TOTAL EXPENSES ANALYZED

\$ 9,083,782

MANAGERS' EXPENSES

\$ 9,754,328

% OF MANAGERS' EXPENSES ANALYZED

93.1%