



## MEMORANDUM

DATE: October 28, 2019

TO: Dan Duchniak

FROM: Joe Ciurro

RE: 2020 Operating Budget

The attached packet contains the first draft of the 2020 Operating Budget. The revised 2020 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 \$0.8 million, down from the 2019 projected net income of \$1.2 million. Contributing to this is a 9% increase in Managers' expenses, a 5% in capital asset depreciation and 171% decrease in non-operating income and expenses. The primary difference in non-operating expenses is a large increase in interest expense (\$880,400) and issuance cost (\$288,750) for debt issued to finance the Great Lakes Water Supply project construction.
2. Revenue is budgeted with an expected rate increase of 20%, with an assumed effective date of March 1, 2020. With that said, full impact of the budgeted increase is not expected until Summer 2020.
3. Budgeted gallons billed are projected based on 2019 actuals through August and 2018 actuals for September through December. The 2020 projections include a 2% reduction in consumption due to conservation efforts.
4. Compensation, the total of wages and benefits, is expected to increase by 3.8%, or roughly \$114,000. Wages will account for \$54,000 of the increase due to the budgeted 2.50% increase for employees receiving a solid performance evaluation, with the remaining difference due to an assumed 10% increase in health insurance premiums and the WRS pension employer contribution increasing by 20 basis points.
5. A variance analysis of significant expenses (not related to compensation) reveals an increase in expenses of almost \$298,000. Items contributing to this increase include the painting of Meadowbrook water tower, dive-inspection of ground storage reservoirs (required by DNR), commercial cross connection inspections, the completion of a risk and resiliency assessment and with 3 new retirees, an increase in retiree health insurance premiums.
6. The budget is sufficient to meet our debt covenants.

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