



MEMORANDUM

DATE: October 15, 2025

TO: Water Utility Commission

FROM: Cortney Nagel

RE: 2026 Operating Budget

The attached packet contains the first draft of the 2026 Operating Budget. The revised 2026 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 \$10,908,298, up from the 2025 projected net income of \$10.8 million. The main reason for this is the EPA grant that we will be receiving for the plant abandonments and other infrastructure improvements.
2. Managers' expenses will be increasing by 13%, or \$1.13 million in 2026. Non-operating income/expense is expected to increase by \$2.59 million in 2026, with the EPA grant proceeds and conservative budgeting on interest income.
3. Budgeted gallons billed are projected based on 2025 actuals through September, and 2025 budgeted consumption October through December. The 2026 projections include a 2% reduction in consumption due to conservation efforts.
4. Compensation, the total of wages and benefits, is expected to increase by 13.8%, or roughly \$422,000. A 3.25% wage increase is included in the Draft 2026 Operating Budget for any employee with a solid performance rating on their annual review. Medical and dental premiums are expected to increase 5% and 3%, respectively, and an additional full-time employee has been budgeted in the Operations department for a full year in 2026. When you add the value of the vacant positions throughout the year to the 2025 projected figures, the compensation increase for 2026 drops to 4.4%.
5. A variance analysis of significant expenses (not related to compensation) reveals an increase in expenses of approximately \$910,000. Items contributing to this increase include an increase to the cost of purchased water, maintenance costs for the new billing software, including Cloud hosting services and process improvement services, professional services for the lawsuit, a wage study, amending the Milwaukee contract, a water system master plan model 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 at the meeting.



Waukesha Water Utility Operating Plan 2026

Statement of Revenues and Expenses
Salary Survey Summary
Compensation
Other Significant Items

**WAUKESHA WATER UTILITY
STATEMENT OF REVENUES AND EXPENSES
2026 BUDGET**

	<u>2025 B</u>	<u>2025 P</u>	<u>2026 B</u>	<u>2025 P v. 2025 B</u>	<u>2026 B v. 2025 P</u>
OPERATING REVENUES:					
Residential	\$ 10,953,077	\$ 10,848,684	\$ 10,664,841	0.99	0.98
Commercial	3,684,088	3,789,986	3,721,557	1.03	0.98
Industrial	1,360,201	1,279,791	1,256,856	0.94	0.98
Public	622,574	625,713	615,277	1.01	0.98
Multi Family	4,007,698	3,935,703	3,860,040	0.98	0.98
Irrigation	116,012	192,079	188,238	1.66	0.98
Total Metered Sales	20,743,649	20,671,955	20,306,808	1.00	0.98
Private Fire Capacity	691,467	700,417	700,417	1.01	1.00
Public Fire Capacity	5,062,348	5,068,789	5,068,789	1.00	1.00
Other Operating Revenues	737,200	769,675	700,639	1.04	0.91
TOTAL OPERATING REVENUES	27,234,665	27,210,835	26,776,653	1.00	0.98
OPERATING EXPENSES:					
Source	4,038,087	4,042,414	4,203,685	1.00	1.04
Pumping	745,712	634,482	694,805	0.85	1.10
Treatment	272,528	331,522	370,364	1.22	1.12
Distribution	1,567,913	1,610,457	1,788,460	1.03	1.11
Customer Service	403,543	386,486	418,246	0.96	1.08
Administrative	2,783,737	2,027,357	2,687,343	0.73	1.33
Total Managers' Expenses	9,811,520	9,032,718	10,162,903	0.92	1.13
MANAGERS' MARGIN	17,423,145	18,178,117	16,613,750	1.04	0.91
Depreciation	5,595,911	5,613,996	6,200,468	1.00	1.10
Tax Equivalent	2,322,148	2,322,148	2,580,819	1.00	1.11
Other Taxes	185,336	122,163	180,286	0.66	1.48
TOTAL OPERATING EXPENSES	17,914,915	17,091,025	19,124,475	0.95	1.12
TOTAL OPERATING INCOME(LOSS)	9,319,750	10,119,810	7,652,177	1.09	0.76
NON OPERATING INCOME&(EXPENSE)	(1,160,411)	665,857	3,256,120	(0.57)	4.89
NET INCOME(LOSS)	\$ 8,159,339	\$ 10,785,667	\$ 10,908,298	1.32	1.01



Salary Surveys
2026

Released Date	Source	Market	2026	2025	2024	2023	2022
August	Society for Human Resource Management	National	3.50	3.50	4.00	4.10	3.00
August	WI Employment Relations Commission	State	2.64	3.30	6.26	7.17	2.30
September	Management Resources Association - WI	State	3.20	3.80	4.10	4.00	3.00
September	Carlson Dettman Upper Midwest Wage Increases Survey Report- SE Wisconsin	Local	3.18	3.36	3.70	2.61	1.80
		Average	3.13	3.49	4.52	4.47	2.53
Rate Used			3.25	3.50	4.00	4.00	2.50

Proposed:
Jan 1: 3.25%

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 2026
Budget Variance Analysis

	2025 Budget to Projected				2026 Budget to 2025 Projected			Variance Explanation
	2025 B	2025 P	Δ		2026 B	Δ		
			\$	%		\$	%	
Benefits								
Medical Insurance	608,710	503,994	(104,716)	-17.2%	576,241	72,247	14.3%	5% Increase to Premiums
Dental Insurance	24,190	19,385	(4,805)	-19.9%	22,301	2,916	15.0%	3% Increase to Premiums
Life Insurance	11,929	10,931	(998)	-8.4%	11,099	168	1.5%	
Disability	7,943	7,016	(927)	-11.7%	7,777	761	10.8%	
Pension	179,618	157,736	(21,882)	-12.2%	177,378	19,642	12.5%	Compensation, WRS Contrib. Rate is Increasing from 6.95-7.2%
Total Benefits	832,390	699,061	(133,329)	-16.0%	794,796	95,735	13.7%	
Wages	2,658,975	2,361,991	(296,984)	-11.2%	2,688,268	326,277	13.8%	Solid performance = 3.25% increase, 1 FTE Increase
Grand Total	\$ 3,491,365	\$ 3,061,052	\$ (430,313)	-12.3%	\$ 3,483,064	\$ 422,012	13.8%	

WWU
SIGNIFICANT ITEMS
EXPENSES > \$250,000 OR CHANGES > \$25,000
2026

ITEMS UNRELATED TO COMPENSATION

ACCOUNT #		DESCRIPTION	2025P	2026 B	\$ A	% A	NOTE
6020	300	SOURCE - PURCHASED WATER	\$ 3,074,473	\$ 3,215,684	\$ 141,211	5%	5% Increase - This account holds the cost to purchase water from Milwaukee Water Works. A 7% increase is budgeted as Milwaukee filed for a rate increase with the Public Service Commission in September of 2025.
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	\$ 373,364	\$ 383,394	\$ 10,030	3%	3% Increase - We Energies is projected to have a 4.78% rate increase in 2026 for gas and electric services. We also budgeted for the elimination of the abandoned wells (will not have to perform quarterly pumping for sampling).
6330	300	PUMP EQUIP MAINTENANCE	\$ 47,797	\$ 75,034	\$ 27,237	57%	57% Increase - Generator maintenance and labor for the vacant Operations position is budgeted in 2026. Spare parts and maintenance to booster pumping equipment is budgeted in 2026, but will only be spent if needed.
6640	200	T&D CUSTOMER INSTALL	\$ 106,763	\$ 136,568	\$ 29,805	28%	28% Increase - Cross connection inspection costs for Commercial, Industrial, & Multi-family customers will increase in 2026.
6700	600	T&D MAINT SUPERVISION & ENGR	\$ 54,262	\$ 21,616	\$ (32,646)	-60%	60% Decrease - There will be a labor allocation shift in 2026.
6730	300	T&D MAINT OF MAINS	\$ 690,831	\$ 15,568	\$ (675,263)	-98%	98% Decrease - Budgeting for this account has transferred to department 600 in 2026.
6730	600	T&D MAINT OF MAINS	\$ 15,326	\$ 681,833	\$ 666,506	4349%	4349% Increase - Budgeting for this account has transferred to department 600 in 2026. This account holds the costs for main breaks, maintenance to mains and valves, and cathodic protection. A contractor is budgeted in 2026 to adjust valve boxes for the City paving program. These costs will only be spent if the adjustments are needed.
6770	300	T&D MAINT OF HYDRANTS	\$ 62,313	\$ -	\$ (62,313)	-100%	100% Decrease - Budgeting for this account has transferred to department 600 in 2026. Hydrant painting by a Contractor began at the end of the season in 2025.
6770	600	T&D MAINT OF HYDRANTS	\$ -	\$ 202,623	\$ 202,623	100%	100% Increase - Budgeting for this account has transferred to department 600 in 2026. A third of all hydrants in the system are budgeted to be re-painted by a Contractor in 2026.
9030	200	CA RECORDS/COLLECTIONS	\$ 645,962	\$ 730,166	\$ 84,204	13%	13% 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. Customer payments made via credit card and the cost of postage continue to increase each year.
9200	200	A&G WAGES - BUDG, PSC, A/R, A/P, PURCH	\$ 244,212	\$ 286,578	\$ 42,366	17%	17% Increase - There will be a labor allocation shift in 2026. An Administrative Services position was vacant for part of the year in 2025.
9211	300	A&G VEHICLE & EQUIP SERVICE & MAINTENANCE	\$ 119,245	\$ 28,293	\$ (90,952)	-76%	76% Decrease - Budgeting for the majority of this account has transferred to department 600 in 2026. Diesel for the BPS generator remains in this account in 2026, along with some labor for vehicle maintenance and repairs.
9211	600	A&G VEHICLE & EQUIP SERVICE & MAINTENANCE	\$ 844	\$ 148,211	\$ 147,368	17465%	17465% Increase - Budgeting for this account has transferred to department 600 in 2026. Vehicle maintenance is budgeted here in 2026 and will only be spent if needed.
9230	100	A&G OUTSIDE SERVICES	\$ 221,982	\$ 394,069	\$ 172,087	78%	78% Increase - Attorney fees for the lawsuit and to amend the Milwaukee contract are budgeted in 2026. Leadership development, legal fees for personnel issues, and appraisal fees for the properties that will be sold are also budgeted in 2026.
9230	200	A&G OUTSIDE SERVICES	\$ 33,752	\$ 77,100	\$ 43,348	128%	128% Increase - Consulting fees for Accounting and Accounting software are budgeted in 2026, but will only be used, if needed. A wage study is budgeted to be completed in 2026.
9230	300	A&G OUTSIDE SERVICES	\$ -	\$ 65,000	\$ 65,000	100%	100% Increase - A water system master plan model update originally budgeted for 2025 has been moved to 2026.
9230	600	A&G OUTSIDE SERVICES	\$ 29,270	\$ -	\$ (29,270)	-100%	100% Decrease - Work order optimization with the billing and accounting software and GIS is budgeted in 2025.
9263	100	A&G RETIREMENT	\$ 157,736	\$ 177,378	\$ 19,642	12%	12% Increase - An additional employee is budgeted for the vacancy in Operations in 2026. Administrative Services, Operations, and General Manager each had vacant positions for part of the year in 2025. The WRS rate will be increasing in 2026 from 6.95% to 7.2%.
9264	100	A&G HEALTH INSURANCE	\$ 458,644	\$ 529,527	\$ 70,883	15%	15% Increase - A 5% increase to health insurance is budgeted in 2026. An additional employee is budgeted for the vacancy in Operations in 2026. Administrative Services, Operations, and General Manager each had vacant positions for part of the year in 2025.
9264	150	A&G HEALTH INSURANCE	\$ 315,825	\$ 340,819	\$ 24,994	8%	8% Increase - This account holds health insurance costs for retired employees.
9300	100	A&G MISC GENERAL EXPENSE	\$ 1,248	\$ 54,800	\$ 53,552	4291%	4291% Increase - Recruiting costs for a new GM are budgeted in 2026.
9320	200	A&G MAINT OF GENERAL PLANT	\$ 106,897	\$ 225,711	\$ 118,813	111%	111% Increase - Maintenance costs for the new billing software, including Cloud hosting services and process improvement services are budgeted in 2026.
9320	300	A&G MAINT OF GENERAL PLANT	\$ 78,686	\$ 142,639	\$ 63,953	81%	81% Increase - Labor associated with the Water System Master Plan Update and the Emergency Response Plan are budgeted in 2026. Summer help and new garage door repairs are also budgeted in 2026.

\$ 7,612,181 \$ 8,522,593 \$ 910,412 12%

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

1,958,630
(1,065,417)

TOTAL EXPENSES ANALYZED

\$ 9,415,806

MANAGERS' EXPENSES

\$ 10,162,903

% OF MANAGERS' EXPENSES ANALYZED

92.6%