

**CITY OF MUSKEGO
SEWER UTILITY BUDGET
2007**

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CITY OF MUSKEGO SEWER UTILITY

STATEMENT OF INCOME AND EXPENSE
2007 BUDGET

	2005 <u>Actual</u>	Sept. 30, 2006 <u>Actual</u>	2006 <u>Projected</u>	2006 <u>Adopted Budget</u>	2007 <u>Proposed Budget</u>	2007 <u>Adopted Budget</u>	Account <u>Number</u>
<u>Operating revenues</u>							
Sewer service charges	\$ 4,527,280	4,005,098	5,327,408	5,442,942	5,659,281	5,659,281	4801/4810
Miscellaneous revenues	13,592	6,709	11,986	10,803	11,300	11,300	4820/4822/4823/4824
Total operating revenues	<u>4,540,872</u>	<u>4,011,807</u>	<u>5,339,394</u>	<u>5,453,745</u>	<u>5,670,581</u>	<u>5,670,581</u>	
<u>Operating expenses</u>							
Operation and maintenance:							
Milwaukee Metropolitan Sewerage District:							
Contract amortization	316,477	-	-	-	-	-	61.01.6405/6406/6407
Capital charge	2,276,219	2,614,057	2,614,057	2,620,460	2,355,320	2,355,320	61.02.6071
User charge	609,881	332,387	665,575	627,300	678,887	678,887	61.03.6072
Town of Norway							
Capital charge	-	-	75,000	75,000	75,000	75,000	
User charge	196,533	124,849	255,003	315,000	275,510	275,510	61.10.6068
Facilities plan	17,934	-	-	-	-	-	
Supervision and labor	349,533	248,522	377,910	377,910	396,442	396,442	61.11.5101/5102
Supplies and expense	19,224	17,066	22,985	22,985	22,985	22,985	Schedule 2
Maintenance:							
Amortization - Odor control & manhole rehabilitation	44,231	-	44,231	44,231	44,231	44,231	61.16.5428
Odor control	9,871	13,738	21,000	21,000	21,000	21,000	61.16.5426
Building and structures	9,938	8,379	10,000	10,000	10,000	10,000	61.15.5415
General plant equipment (safety equipment)	7,204	5,577	10,000	10,000	10,000	10,000	61.15.5425
Sewerage collection system	69,446	30,231	50,000	50,000	50,000	50,000	61.16.5411
I & I reduction	8,730	60,726	100,000	100,000	100,000	100,000	61.16.5427
Electricity	76,309	68,128	115,000	115,000	115,000	115,000	61.20.5910
Transportation expense	11,278	10,424	15,000	16,963	21,500	21,500	61.21.5306
	<u>4,022,808</u>	<u>3,534,085</u>	<u>4,375,761</u>	<u>4,405,849</u>	<u>4,175,874</u>	<u>4,175,874</u>	
Customers' account expenses:							
Accounting and collection	60,637	39,928	59,014	59,014	58,781	58,781	63.40.5101
Meter expense	29,345	-	28,000	28,000	28,000	28,000	63.40.5101
	<u>89,982</u>	<u>39,928</u>	<u>87,014</u>	<u>87,014</u>	<u>86,781</u>	<u>86,781</u>	63.40.5101
General expenses:							
Office salaries	65,637	39,928	59,014	59,014	58,781	58,781	63.40.5101
Employees' pensions and benefits	148,434	113,923	181,728	181,728	192,345	192,345	63.41.5201/5202/5203/5204/5229/
Unemployment compensation	-	-	2,000	2,000	2,000	2,000	63.42.6020
Office supplies and expenses	87,911	59,379	89,384	98,221	92,999	92,999	Schedule 2
Outside services	115,323	43,691	93,872	178,882	177,525	177,525	Schedule 2
	<u>417,305</u>	<u>256,921</u>	<u>425,999</u>	<u>519,845</u>	<u>523,649</u>	<u>523,649</u>	
Total operation and maintenance	<u>4,530,096</u>	<u>3,830,935</u>	<u>4,888,773</u>	<u>5,012,708</u>	<u>4,786,304</u>	<u>4,786,304</u>	
Depreciation	923,956	-	985,811	958,291	1,039,500	1,039,500	64.50.6705
Total operating expenses	<u>5,454,052</u>	<u>3,830,935</u>	<u>5,874,585</u>	<u>5,970,999</u>	<u>5,825,804</u>	<u>5,825,804</u>	
Net operating income (loss) (forward)	<u>(913,179)</u>	<u>180,872</u>	<u>(535,191)</u>	<u>(517,254)</u>	<u>(155,223)</u>	<u>(155,223)</u>	

CITY OF MUSKEGO SEWER UTILITY
STATEMENT OF INCOME AND EXPENSE
(concluded)
2007 BUDGET

	2005 <u>Actual</u>	Sept. 30, 2006 <u>Actual</u>	2006 <u>Projected</u>	2006 <u>Adopted Budget</u>	2007 <u>Proposed Budget</u>	2007 <u>Adopted Budget</u>	Account <u>Number</u>
Net operating income (loss) (forwarded)	\$ (913,179)	180,872	(535,191)	(517,254)	(155,223)	(155,223)	
<u>Add non- operating income</u>							
City subsidies	587,007	-	231,205	-	-	-	4950
Interest from investments	340,572	40,368	130,000	130,000	130,000	130,000	4531/4910
Interest income on RCA's and special assessments	44,124	42,989	42,989	52,749	64,551	64,551	
Sewer Connection Fees	73,000	-	79,500	50,000	76,250	76,250	
Total non-operating income	1,044,703	83,357	483,694	232,749	270,801	270,801	
Income before non-operating expenses	131,524	264,228	(51,497)	(284,505)	115,578	115,578	
<u>Deduct non-operating expenses</u>							
Interest charges on long-term debt	234,670	78,155	154,560	154,997	147,618	147,618	65.60.7010
Amortization of debt discount	42,729	-	51,276	54,544	51,276	51,276	65.61.7015
Amortization of extraordinary property losses	-	-	-	-	-	-	65.62.6401
Total non-operating expenses	277,399	78,155	205,835	209,541	198,894	198,894	
Net income (loss) before capital contributions	\$ (145,875)	186,073	(257,332)	(494,046)	(83,316)	(83,316)	

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CITY OF MUSKEGO SEWER UTILITY

DETAILED SCHEDULE OF OPERATING EXPENSES
2007 BUDGET

	2005 Actual	Sept. 30, 2006 Actual	2006 Projected	2006 Adopted Budget	2007 Proposed Budget	2007 Adopted Budget	Account Number
Operation and maintenance:							
Supplies and expense:							
Operating supplies	\$ 2,278	1,241	2,485	2,485	2,485	2,485	61.12.5702
Chemicals	11,446	9,325	14,000	14,000	14,000	14,000	61.12.5750
Water expense	5,500	6,500	6,500	6,500	6,500	6,500	61.22.5915
	<u>\$ 19,224</u>	<u>17,066</u>	<u>22,985</u>	<u>22,985</u>	<u>22,985</u>	<u>22,985</u>	
General expense							
Office supplies and expenses:							
Supplies	\$ 7,075	3,943	7,000	7,200	7,200	7,200	63.42.5701
Other general expense	2,043	49	2,000	3,000	3,000	3,000	63.42.6056
Telephone and communications	9,605	6,560	17,005	21,048	11,790	11,790	63.42.5430/5606
Insurance	62,213	43,266	53,538	57,132	63,743	63,743	63.42.6102/6101/6104
Contingency	-	-	-	-	-	-	67.00.6601
Computer expense	6,975	5,560	9,841	9,841	7,266	7,266	63.42.5509
	<u>\$ 87,911</u>	<u>59,379</u>	<u>89,384</u>	<u>98,221</u>	<u>92,999</u>	<u>92,999</u>	
Outside services:							
City administrative charge	\$ 23,373	11,686	23,372	23,382	21,684	21,684	63.43.6057
Accounting	15,443	7,875	20,500	20,500	20,500	20,500	63.43.5810
Legal	29,430	5,613	20,000	40,000	40,000	40,000	63.43.5805
Engineering	29,158	15,425	15,000	30,000	30,000	30,000	63.43.5815
Other outside services	17,919	3,093	15,000	60,000	60,341	60,341	63.43.5801
Amortization - mapping	-	-	-	-	-	-	63.43.5824
Computer software modification	-	-	-	5,000	5,000	5,000	63.43.5509
	<u>\$ 115,323</u>	<u>43,691</u>	<u>93,872</u>	<u>178,882</u>	<u>177,525</u>	<u>177,525</u>	

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SCHEDULE OF CAPITAL OUTLAY

A/C#	Description		2006 Estimated Total Cost	2006 Adopted Budget	2007 Proposed Budget	2007 Adopted Budget
1.	2002 Projects					
	Janesville Box Culvert	(A)	\$ 175,548	134,110	-	-
2.	2004 Projects					
	Facility plan - Muskego share of MMSD	(A)	40,000	40,000	50,000	50,000
	2020 Facility plan	(A)	134,710	145,000	65,000	65,000
	Future projects	(A)	-	50,000	50,000	50,000
			\$ 174,710	235,000	165,000	165,000
3.	2005 Projects					
	Oversizing on land purchases	(A)	-	10,000	-	-
	Woods Rd Forcemain 20" Sandy Beach	(E)	106,176	-	-	-
	Future Projects	(A)	-	50,000	-	-
			\$ 106,176	60,000	-	-
4.	2006 Projects					
	Rain gages	(A)	16,000	16,000	-	-
	Truck	(A)	7,339	15,000	-	-
	SCADA Renovations	(A) & (C)	272,853	188,000	-	-
	SCADA software and hardware programing	(A)	-	55,000	-	-
	Variable frequency drive for Woods Road	(D)	17,600	13,000	-	-
	Future Projects		-	-	-	-
			\$ 313,792	287,000	-	-
5.	2007 Projects					
	Truck	(C)	-	-	23,500	23,500
	Variable frequency drive for Woods Road	(D)	-	-	18,526	18,526
	Flow Monitors	(C)	-	-	75,000	75,000
	Oversizing & Land Purchases	(C)	-	-	10,000	10,000
			\$ -	-	127,026	127,026
	Totals		\$ 770,227	716,110	292,026	292,026

Note A: Anticipated to be financed with available construction funds

Note B: Anticipated to be financed with 2005 borrowing

Note C: Finance with working capital

Note D: Finance with replacement funds

Note E: Finance with reserve capacity assessment funds

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CITY OF MUSKEGO SEWER UTILITY

SCHEDULE OF CHANGES IN UTILITY WORKING CAPITAL
2006 PROJECTED

	Operation and Maintenance Fund	Special Redemption Fund	Equipment Replacement Fund	NON TIF Reserve Capacity Assessment Fund	Construction Fund	Total	2006 Budget
<u>Funds provided</u>							
From operations:							
Net income (loss) for the year	\$ (257,332)	-	-	-	-	(257,332)	(494,046)
Add charges to income not requiring funds:							
Depreciation	985,811	-	-	-	-	985,811	958,291
Amortization:							
Debt discount	51,276	-	-	-	-	51,276	54,544
Manhole Rehabilitation	44,231	-	-	-	-	44,231	44,231
Less:							
Other	-	-	-	-	-	-	-
Funds provided from operations	823,986	-	-	-	-	823,986	563,020
Increases in:							
Collection of special assessments	52,608	-	-	532,570	-	585,178	496,767
Other contributed capital collections	-	-	-	-	-	-	-
Total funds provided	876,594	-	-	532,570	-	1,409,164	1,059,787
<u>Funds applied</u>							
Principal payments on debt	75,000	-	-	-	-	75,000	75,000
Debt discount and issue costs	-	-	-	-	-	-	-
Capital outlay (Schedule 6)	-	-	17,600	-	752,627	770,227	716,110
Total funds applied	75,000	-	17,600	-	752,627	845,227	791,110
<u>Interfund transfers - net</u>							
Interest earnings	(35,000)	-	23,000	-	12,000	-	-
Equipment replacement	(26,350)	-	26,350	-	-	-	-
Sewer Connection fees	(79,500)	-	-	79,500	-	-	-
Funds used for debt retirement	-	-	-	-	-	-	-
Trnsfer for debt retirement reserve	(142,619)	142,619	-	-	-	-	-
RCA funds used to finance MMSD capital charge	422,309	-	-	(422,309)	-	-	-
Total transfers	138,840	142,619	49,350	(342,809)	12,000	-	-
Increase (decrease) in working capital	940,434	142,619	31,750	189,761	(740,627)	563,937	268,677
Working capital, beginning of year	6,534,071	465,901	559,662	1,663,397	794,898	10,017,929	8,744,641
Working capital, end of year	\$ 7,474,505	608,520	591,412	1,853,158	54,271	10,581,866	9,013,318
2006 Budgeted Working Capital, end of year	\$ 5,819,466	608,519	597,801	1,987,532	-	9,013,318	

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CITY OF MUSKEGO SEWER UTILITY

SCHEDULE OF CHANGES IN UTILITY WORKING CAPITAL
2007 BUDGET

	Operation and Maintenance <u>Fund</u>	Special Redemption <u>Fund</u>	Equipment Replacement <u>Fund</u>	NON TIF Reserve Capacity Assessment <u>Fund</u>	Construction <u>Fund</u>	<u>Total</u>
<u>Funds provided</u>						
From operations:						
Net income (loss) for the year	\$ (83,316)	-	-	-	-	(83,316)
Add charges to income not requiring funds:						
Depreciation	1,039,500	-	-	-	-	1,039,500
Amortization:						
Debt discount	51,276	-	-	-	-	51,276
Manhole Rehabilitation and Mapping Projects	44,231	-	-	-	-	44,231
Less:						
Other	-	-	-	-	-	-
Funds provided from operations	1,051,691	-	-	-	-	1,051,691
Increases in:						
Collection of special assessments	36,898	-	-	609,000	-	645,898
Other contributed capital collection- RCA Landfill	-	-	-	350,000	-	350,000
Total funds provided	1,088,589	-	-	959,000	-	2,047,589
<u>Funds applied</u>						
Principal payments on debt	260,000	-	-	-	-	260,000
Capital outlay (Schedule 6 for Construction Fund)	-	-	18,526	-	273,500	292,026
Total funds applied	260,000	-	18,526	-	273,500	552,026
<u>Interfund transfers - net</u>						
Interest earnings	(30,000)	-	30,000	-	-	-
Equipment replacement	(26,350)	-	26,350	-	-	-
Sewer Connection fees	(76,250)	-	-	76,250	-	-
Transfer to Construction Fund	(220,000)	-	-	-	220,000	-
Transfer for debt retirement reserve	(3,333)	3,333	-	-	-	-
RCA funds used to finance MMSD capital charge	588,830	-	-	(588,830)	-	-
Total transfers	232,897	3,333	56,350	(512,580)	220,000	-
Increase (decrease) in working capital	1,061,486	3,333	37,824	446,420	(53,500)	1,495,563
<u>Working capital, beginning of year</u>	<u>7,474,505</u>	<u>608,520</u>	<u>591,412</u>	<u>1,853,158</u>	<u>54,271</u>	<u>10,581,866</u>
<u>Working capital, end of year</u>	<u>\$ 8,535,991</u>	<u>611,853</u>	<u>629,236</u>	<u>2,299,578</u>	<u>771</u>	<u>12,077,429</u>

\$265K due 5/1/08P	176,667
I	26,051
Reserve	<u>409,135</u>
	<u>611,853</u>

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SCHEDULE OF CONSTRUCTION FUNDS

PROJECTED 2006 AND 2007

Project	Actual Balance 12/31/2005	2006 Projected			Projected Balance 12/31/2006	2007 Projected			Projected Balance 12/31/2007
		Revenues	Costs	Transfers		Revenues	Costs	Transfers	
Debt issue and working capital funds:									
Janesville Road Box Culvert	127,464	-	175,548	48,084	0	-	-	-	0
Oversizing on land purchase	10,000	-	-	-	10,000	-	10,000	-	-
Truck	-	-	7,339	7,339	-	-	23,500	23,500	-
2020 Facility plan	45,000	-	134,710	89,710	-	-	65,000	65,000	- Note 2
Facility plan - Muskego share of MMSD	-	-	40,000	40,000	-	-	50,000	50,000	- Note 1
SCADA Renovation (Radio Study)	-	-	-	-	-	-	-	-	-
Woods Rd Forcemain 20" Sandy Beach	137,158	-	106,176	(30,982)	(0)	-	-	-	(0)
Future projects	100,000	-	-	(60,000)	40,000	-	50,000	10,000	-
Flow Monitors	-	-	-	-	-	-	75,000	75,000	-
Rain gages	-	-	16,000	16,000	-	-	-	-	-
SCADA Renovations	-	-	272,854	272,854	-	-	-	-	-
SCADA software and hardware programing	-	-	-	-	-	-	-	-	-
Variable frequency drive for Mc Shane	-	-	17,600	17,600	-	-	18,526	18,526	-
Transfer from replacement funds	-	17,600	-	(17,600)	-	18,526	-	(18,526)	-
Transfer from working capital funds	375,276	-	-	(371,005)	4,271	220,000	-	(223,500)	771
Transfer from reserve capacity assessment funds	-	-	-	-	-	-	-	-	-
Unallocated debt proceeds and interest earnings	-	12,000	-	(12,000)	-	-	-	-	-
TOTAL	\$ 794,898	29,600	770,227	-	54,271	238,526	292,026	-	771

Note 1 - The facilities plans should be capitalized and amortized over the period of benefit - starting in 2008 thru 2035.

Note 2 - The facilities plans should be capitalized and amortized over the period of benefit - starting in 2007 thru 2020.

City of Muskego

Sewer Rate Design

2007 Budget

1. <u>Estimated Revenue Requirement (Based on the year 2006 Budget)</u>	<u>Data</u>
Additions:	
Operation and maintenance expenses	\$ 4,786,304
Depreciation	1,039,500
Replacement Fund - DNR requirement	26,350
Mortgage Revenue Bond compliance requirements	-
Rate of return of average investment rate base - (Exhibit C 1.)	<u>407,257</u>
	6,259,411
RCA funds used	<u>(588,830)</u>
	5,670,581
Gross revenue requirement	5,670,581
Rate Stabilization component - use of interest income, other income and operating reserves	<u>(46,300)</u> (A)
Net Revenue Requirement per Budget	<u>\$ 5,624,281</u>
2. <u>Estimated number of gallons (000) billed</u>	<u>585,536</u>
3. <u>Number of laterals - (connections)</u>	<u>7,358</u>
4. <u>Estimated annual number of gallons used by a average residential customer</u>	<u>62,605</u>
5. <u>Inflow / Infiltration based on an eight year average provided by Ruckert & Mielke, Inc.</u>	<u>34.46%</u>

6. Rate components

<u>Type of Charge</u>	<u>Model Formula</u>	
Connection Charge	$\frac{\text{Net Revenue Requirement X Inflow and infiltration \%}}{\text{Number of laterals}}$	= Connection Charge
Consumption Charge	$\frac{\text{Net Revenue Requirement X Billable \%}}{\text{Number of gallons (000) billed}}$	= Consumption Charge
	<u>Computation</u>	
Connection Charge	$\frac{\$ 5,624,280.99 \quad X \quad 34.46\%}{7,358}$	= <u>\$ 263.40</u> Connection Charge
Consumption Charge	$\frac{\$ 5,624,280.99 \quad X \quad 65.54\%}{585,536}$	= <u>\$ 6.30</u> Consumption Charge

7. Average annual residential charge

Estimated number of gallons used by a average residential customer per year	62,605
Consumption charge per 1,000 gallons	<u>\$ 6.30</u>
Average residential annual consumption charge	\$ 394.12
Average residential annual connection charge	<u>\$ 263.40</u>
Total average residential annual sewer usage charge	<u>\$ 657.52</u>

(A) Use of Fund balance per MRB test	-
Interest income	(130,000)
Penalties and other income	46,300
Additional use of fund balance	<u>(32,400)</u>
(A)	<u>(116,100)</u>