

2006 Sewer Utility Budget



Prepared by

City of Muskego Finance Department

Adopted Tuesday November 22, 2005

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CITY OF MUSKEGO SEWER UTILITY

STATEMENT OF INCOME AND EXPENSE
2006 BUDGET

	2004 <u>Actual</u>	Aug. 31, 2005 <u>Actual</u>	2005 <u>Projected</u>	2005 <u>Adopted Budget</u>	2006 <u>Proposed Budget</u>	2006 <u>Adopted Budget</u>	Account <u>Number</u>
<u>Operating revenues</u>							
Sewer service charges	\$ 3,333,039	2,249,895	4,513,810	4,330,821	5,442,942	-	4801/4810
Miscellaneous revenues	22,824	5,701	7,368	6,100	10,803	-	4820/4822/4823/4824
Total operating revenues	<u>3,355,863</u>	<u>2,255,596</u>	<u>4,521,178</u>	<u>4,336,921</u>	<u>5,453,745</u>	<u>-</u>	
<u>Operating expenses</u>							
Operation and maintenance:							
Milwaukee Metropolitan Sewerage District:							
Contract amortization	316,477	-	316,475	316,477	-	-	61.01.6405/6406/6407
Capital charge	1,105,733	2,276,219	2,276,219	2,220,224	2,620,460	-	61.02.6071
User charge	571,804	303,569	615,000	650,000	627,300	-	61.03.6072
Town of Norway							
Capital charge	-	-	73,295	73,295	75,000	-	
User charge	282,546	186,242	260,000	341,468	315,000	-	61.10.6068
Supervision and labor	327,931	205,949	328,924	353,737	377,910	-	61.11.5101/5102
Supplies and expense	17,915	10,648	21,985	21,985	22,985	-	Schedule 2
Maintenance:							
Amortization - Odor control & manhole rehabilitation	44,231	-	44,231	44,231	44,231	-	61.16.5428
Odor control	10,518	4,920	21,000	21,000	21,000	-	61.16.5426
Building and structures	8,601	8,534	10,000	10,000	10,000	-	61.15.5415
General plant equipment (safety equipment)	2,667	11,245	12,000	10,000	10,000	-	61.15.5425
Sewerage collection system	77,645	42,495	50,000	50,000	50,000	-	61.16.5411
I & I reduction	49,110	13,730	40,000	140,000	100,000	-	61.16.5427
Electricity	82,564	50,033	115,000	115,000	115,000	-	61.20.5910
Transportation expense	9,053	7,335	9,850	9,850	16,963	-	61.21.5306
	<u>2,906,795</u>	<u>3,120,921</u>	<u>4,193,979</u>	<u>4,377,267</u>	<u>4,405,849</u>	<u>-</u>	
Customers' account expenses:							
Accounting and collection	52,447	40,690	60,601	60,601	59,014	-	63.40.5101
Meter expense	26,210	-	28,000	28,000	28,000	-	63.40.5101
	<u>78,657</u>	<u>40,690</u>	<u>88,601</u>	<u>88,601</u>	<u>87,014</u>	<u>-</u>	<u>63.40.5101</u>
General expenses:							
Office salaries	57,472	40,690	60,601	60,601	59,014	-	63.40.5101
Employees' pensions and benefits	173,472	98,278	168,772	168,771	181,728	-	63.41.5201/5202/5203/5204/5229/
Unemployment compensation	-	-	2,000	2,000	2,000	-	63.42.6020
Office supplies and expenses	70,169	55,861	102,118	102,118	98,221	-	Schedule 2
Outside services	114,885	63,163	136,713	130,213	178,882	-	Schedule 2
	<u>415,997</u>	<u>257,992</u>	<u>470,204</u>	<u>463,703</u>	<u>519,846</u>	<u>-</u>	
Total operation and maintenance	<u>3,401,448</u>	<u>3,419,602</u>	<u>4,752,784</u>	<u>4,929,570</u>	<u>5,012,709</u>	<u>-</u>	
Depreciation	913,777	-	923,796	970,767	958,291	-	64.50.6705
Total operating expenses	<u>4,315,225</u>	<u>3,419,602</u>	<u>5,676,580</u>	<u>5,900,337</u>	<u>5,970,999</u>	<u>-</u>	
Net operating income (loss) (forward)	<u>(959,362)</u>	<u>(1,164,006)</u>	<u>(1,155,402)</u>	<u>(1,563,416)</u>	<u>(517,254)</u>	<u>-</u>	

CITY OF MUSKEGO SEWER UTILITY
STATEMENT OF INCOME AND EXPENSE
(concluded)
2006 BUDGET

	2004 <u>Actual</u>	Aug. 31, 2005 <u>Actual</u>	2005 <u>Projected</u>	2005 <u>Adopted Budget</u>	2006 <u>Proposed Budget</u>	2006 <u>Adopted Budget</u>	Account <u>Number</u>
Net operating income (loss) (forwarded)	\$ (959,362)	(1,164,006)	(1,155,402)	(1,563,416)	(517,254)	-	
<u>Add non- operating income</u>							
City subsidies	307,636	-	617,888	617,888	-	-	4950
Interest from investments	151,547	58,587	175,000	200,000	130,000	-	4531/4910
Interest income on RCA's and special assessments	53,145	16,842	48,629	59,627	52,749	-	
Sewer Connection Fees	89,500	-	50,000	50,000	50,000	-	
Total non-operating income	601,828	75,428	891,517	927,515	232,749	-	
Income before non-operating expenses	(357,534)	(1,088,578)	(263,884)	(635,901)	(284,505)	-	
<u>Deduct non-operating expenses</u>							
Interest charges on long-term debt	447,210	215,168	244,670	430,336	154,997	-	65.60.7010
Amortization of debt discount	25,473	-	45,453	23,764	54,544	-	65.61.7015
Amortization of extraordinary property losses	-	-	-	-	-	-	65.62.6401
Total non-operating expenses	472,683	215,168	290,123	454,100	209,541	-	
Net income (loss) before capital contributions	\$ (830,217)	(1,303,746)	(554,007)	(1,090,001)	(494,046)	-	

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CITY OF MUSKEGO SEWER UTILITY

DETAILED SCHEDULE OF OPERATING EXPENSES
2006 BUDGET

	2004 Actual	Aug. 31, 2005 Actual	2005 Projected	2005 Adopted Budget	2006 Proposed Budget	2006 Adopted Budget	Account Number
Operation and maintenance:							
Supplies and expense:							
Operating supplies	\$ 2,173	964	2,485	2,485	2,485	-	61.12.5702
Chemicals	11,243	9,684	14,000	14,000	14,000	-	61.12.5750
Water expense	4,500	-	5,500	5,500	6,500	-	61.22.5915
	<u>\$ 17,915</u>	<u>10,648</u>	<u>21,985</u>	<u>21,985</u>	<u>22,985</u>	<u>-</u>	
General expense							
Office supplies and expenses:							
Supplies	\$ 5,240	3,844	5,729	5,729	7,200	-	63.42.5701
Other general expense	1,186	686	3,000	3,000	3,000	-	63.42.6056
Telephone and communications	11,186	7,360	20,590	20,590	21,048	-	63.42.5430/5606
Insurance	46,402	37,860	61,790	61,790	57,132	-	63.42.6102/6101/6104
Contingency	-	-	-	-	-	-	67.00.6601
Computer expense	6,155	6,111	11,009	11,009	9,841	-	63.42.5509
	<u>\$ 70,169</u>	<u>55,861</u>	<u>102,118</u>	<u>102,118</u>	<u>98,221</u>	<u>-</u>	
Outside services:							
City administrative charge	\$ 31,807	-	23,842	23,842	23,382	-	63.43.6057
Accounting	20,288	7,000	20,500	20,500	20,500	-	63.43.5810
Legal	11,361	19,386	40,000	40,000	40,000	-	63.43.5805
Engineering	15,066	26,236	30,000	30,000	30,000	-	63.43.5815
Other outside services	33,584	10,541	16,500	10,000	60,000	-	63.43.5801
Amortization - mapping	-	-	-	-	-	-	63.43.5824
Computer software modification	2,779	-	5,871	5,871	5,000	-	63.43.5509
	<u>\$ 114,885</u>	<u>63,163</u>	<u>136,713</u>	<u>130,213</u>	<u>178,882</u>	<u>-</u>	

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CITY OF MUSKEGO SEWER UTILITY

SCHEDULE OF CAPITAL OUTLAY

A/C#	Description		2005 Estimated Total Cost	2005 Adopted Budget	2006 Proposed Budget	2006 Adopted Budget
1.	2002 Projects					
	Janesville Box Culvert	(A)	\$ 15,000	134,731	134,110	-
2.	2004 Projects					
	NW Sewer Study		1,021	40,879	-	-
	Facility plan - Muskego share of MMSD	(A)	10,000	-	40,000	-
	2020 Facility plan	(A)	5,000	50,000	145,000	-
	Future projects	(A)	-	50,000	50,000	-
			\$ 16,021	140,879	235,000	-
3.	2005 Projects					
	Oversizing on land purchases	(A)	-	10,000	10,000	-
	Truck	(A)	18,759	21,000	-	-
	SCADA Renovations (Radio Study 50%)	(A)	11,000	11,000	-	-
	Woods Rd Forcemain 20" Sandy Beach	(E)	1,415,000	1,300,650	-	-
	Future Projects	(A)	-	50,000	50,000	-
			\$ 1,444,759	1,392,650	60,000	-
4.	2006 Projects					
	Rain gages	(A)	-	-	16,000	-
	Truck	(A)	-	-	15,000	-
	SCADA Renovations	(A) & (C)	-	-	188,000	-
	SCADA software and hardware programing	(A)	-	-	55,000	-
	Variable frequency drive for Woods Road	(D)	-	-	13,000	-
	Future Projects		-	-	-	-
			\$ -	-	287,000	-
		Totals	\$ 1,475,780	1,668,260	716,110	-

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
2005 PROJECTED

	2005		Projected			Total	2005 Budget
	Operation and Maintenance Fund	Special Redemption Fund	Equipment Replacement Fund	NON TIF Reserve Capacity Assessment Fund	Construction Fund		
<u>Funds provided</u>							
From operations:							
Net income (loss) for the year	\$ (554,007)	-	-	-	-	(554,007)	(1,090,002)
Add charges to income not requiring funds:							
Depreciation	923,796	-	-	-	-	923,796	970,767
Amortization:							
MMSD contract	316,475	-	-	-	-	316,475	316,477
Debt discount	45,453	-	-	-	-	45,453	23,764
Manhole Rehabilitation	44,231	-	-	-	-	44,231	44,231
Less:							
Other	-	-	-	-	-	-	-
Funds provided from operations	775,948	-	-	-	-	775,948	265,237
Increases in:							
Collection of special assessments	57,244	-	-	503,610	-	560,854	374,744
Refunding debt issued	-	4,225,000	-	-	-	-	-
Other contributed capital collections	-	-	-	-	-	-	-
Total funds provided	833,192	4,225,000	-	503,610	-	5,561,802	639,981
<u>Funds applied</u>							
Principal payments on debt	4,430,000	4,225,000	-	-	-	8,655,000	590,000
Debt discount and issue costs	-	89,143	-	-	-	89,143	-
Capital outlay (Schedule 6)	-	-	-	-	1,475,780	1,475,780	1,618,260
Total funds applied	4,430,000	4,314,143	-	-	1,475,780	10,219,923	2,208,260
<u>Interfund transfers - net</u>							
Interest earnings	(94,500)	-	13,000	66,500	15,000	-	-
Equipment replacement	(26,350)	-	26,350	-	-	-	-
Sewer Connection fees	(50,000)	-	-	50,000	-	-	-
Funds used for debt retirement	931,430	(931,430)	-	-	-	-	-
RCA funds used to finance capital outlays	-	-	-	(1,415,000)	1,415,000	-	-
RCA funds used to finance MMSD capital charge	520,222	-	-	(520,222)	-	-	-
Total transfers	1,280,802	(931,430)	39,350	(1,818,722)	1,430,000	-	-
Increase (decrease) in working capital	(2,316,007)	(1,020,573)	39,350	(1,315,112)	(45,780)	(4,658,121)	(1,568,279)
Working capital, beginning of year	7,218,293	1,512,009	530,101	3,424,465	717,894	13,402,762	13,249,378
Working capital, end of year	\$ 4,902,286	491,436	569,451	2,109,354	672,114	8,744,641	11,681,099
2004 Budgeted Working Capital, end of year	\$ 6,083,233	1,536,622	566,854	3,101,176	393,214	11,681,099	

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CITY OF MUSKEGO SEWER UTILITY

SCHEDULE OF CHANGES IN UTILITY WORKING CAPITAL
2006 BUDGET

	Operation and Maintenance Fund	Special Redemption Fund	Equipment Replacement Fund	NON TIF Reserve Capacity Assessment Fund	Construction Fund	Total
<u>Funds provided</u>						
From operations:						
Net income (loss) for the year	\$ (494,046)	-	-	-	-	(494,046)
Add charges to income not requiring funds:						
Depreciation	958,291	-	-	-	-	958,291
Amortization:						
MMSD contract	-	-	-	-	-	-
Debt discount	54,544	-	-	-	-	54,544
Manhole Rehabilitation and Mapping Projects	44,231	-	-	-	-	44,231
Less:						
Proceeds from long-term debt	-	-	-	-	-	-
Other	-	-	-	-	-	-
Funds provided from operations	563,020	-	-	-	-	563,020
Increases in:						
Collection of special assessments	66,474	-	-	430,293	-	496,767
Other contributed capital collections	-	-	-	-	-	-
Total funds provided	629,494	-	-	430,293	-	1,059,787
<u>Funds applied</u>						
Principal payments on debt	75,000	-	-	-	-	75,000
Capital outlay (Schedule 6 for Construction Fund)	-	-	-	-	716,110	716,110
Total funds applied	75,000	-	-	-	716,110	791,110
<u>Interfund transfers - net</u>						
Interest earnings	(78,000)	-	15,000	53,000	10,000	-
Equipment replacement	(26,350)	-	26,350	-	-	-
Use Equipment replacement	-	-	(13,000)	-	13,000	-
Sewer Connection fees	(50,000)	-	-	50,000	-	-
Transfer to Construction Fund	(20,996)	-	-	-	20,996	-
Transfer for debt retirement reserve	(117,083)	117,083	-	-	-	-
RCA funds used to finance MMSD capital charge	655,115	-	-	(655,115)	-	-
Total transfers	362,686	117,083	28,350	(552,115)	43,996	-
Increase (decrease) in working capital	917,179	117,083	28,350	(121,822)	(672,114)	268,677
<u>Working capital, beginning of year</u>	<u>4,902,286</u>	<u>491,436</u>	<u>569,451</u>	<u>2,109,354</u>	<u>672,114</u>	<u>8,744,641</u>
<u>Working capital, end of year</u>	<u>\$ 5,819,466</u>	<u>608,519</u>	<u>597,801</u>	<u>1,987,532</u>	<u>-</u>	<u>9,013,317</u>

\$260K due 5/1/06P 173,333
I 26,051
Reserve 409,135
 608,519

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SCHEDULE OF CONSTRUCTION FUNDS

PROJECTED 2005 AND 2006

Project	Actual	2005			Projected	2006			Projected
	Balance	Revenues	Costs	Transfers	Balance	Revenues	Costs	Transfers	Balance
	12/31/2004				12/31/2005				12/31/2006
Debt issue and working capital funds:									
Janesville Road Box Culvert	134,731	-	15,000	-	119,731	-	134,110	14,379	-
Oversizing on land purchase	10,000	-	-	-	10,000	-	10,000	-	-
Truck	21,000	-	18,759	-	2,241	-	15,000	12,759	-
NW Sewer Study	40,879	-	1,021	(39,858)	-	-	-	-	-
2020 Facility plan	50,000	-	5,000	-	45,000	-	145,000	100,000	-
Facility plan - Muskego share of MMSD	-	-	10,000	10,000	-	-	40,000	40,000	-
SCADA Renovation (Radio Study)	11,000	-	11,000	-	-	-	-	-	-
Woods Rd Forcemain 20" Sandy Beach	-	-	1,415,000	1,415,000	-	-	-	-	-
Future projects	100,000	-	-	-	100,000	-	100,000	-	-
Rain gages	-	-	-	-	-	-	16,000	16,000	-
SCADA Renovations	-	-	-	-	-	-	188,000	188,000	-
SCADA software and hardware programing	-	-	-	-	-	-	55,000	55,000	-
Variable frequency drive for Mc Shane	-	-	-	-	-	-	13,000	13,000	-
Transfer from replacement funds	-	-	-	-	-	13,000	-	(13,000)	-
Transfer from working capital funds	-	-	-	-	-	20,996	-	(20,996)	-
Transfer from reserve capacity assessment funds	-	1,415,000	-	(1,415,000)	-	-	-	-	-
Unallocated debt proceeds and interest earnings	350,284	15,000	-	29,858	395,142	10,000	-	(405,142)	-
TOTAL	\$ 717,894	1,430,000	1,475,780	-	672,114	43,996	716,110	-	-

City of Muskego

Sewer Rate Design

2006 Budget

1. Estimated Revenue Requirement (Based on the year 2006 Budget)

Additions:

Operation and maintenance expenses	\$ 5,012,709
Depreciation	958,291
Replacement Fund - DNR requirement	26,350
Mortgage Revenue Bond compliance requirements	-
Rate of return of average investment rate base - (Exhibit C 1.)	396,718
	<u>6,394,067</u>
RCA funds used	<u>(655,115)</u>

Gross revenue requirement 5,738,952

Rate Stabilization component - use of interest income, other income and operating reserves (326,010) (A)Net Revenue Requirement per Budget \$ 5,412,9422. Estimated number of gallons (000) billed598,3903. Number of laterals - (connections)7,1284. Estimated annual number of gallons used by a average residential customer63,5395. Inflow / Infiltration based on an eight year average provided by Ruckert & Mielke, Inc.34.46%6. Rate componentsType of ChargeModel Formula

Connection Charge $\frac{\text{Net Revenue Requirement} \times \text{Inflow and infiltration \%}}{\text{Number of laterals}}$ = Connection Charge

Consumption Charge $\frac{\text{Net Revenue Requirement} \times \text{Billable \%}}{\text{Number of gallons (000) billed}}$ = Consumption Charge

Computation

Connection Charge $\frac{\$ 5,412,942.37 \times 34.46\%}{7,128}$ = \$ 261.68 Connection Charge

Consumption Charge $\frac{\$ 5,412,942.37 \times 65.54\%}{598,390}$ = \$ 5.93 Consumption Charge

7. Average annual residential charge

Estimated number of gallons used by a average residential customer per year 63,539

Consumption charge per 1,000 gallons \$ 5.93

Average residential annual consumption charge \$ 376.72

Average residential annual connection charge \$ 261.68Total average residential annual sewer usage charge \$ 638.40

(A) Use of Fund balance per MRB test

Interest income	-
Penalties and other income	130,000
Additional use of fund balance	40,802
	<u>155,208</u>
(A)	<u><u>326,010</u></u>

Use of Fund balance per MRB test	-
Interest income	130,000
Penalties and other income	40,802
Use of fund balance to partially finance depreciation	<u>155,208</u>
(A)	<u><u>326,010</u></u>