

# 2005 Sewer Utility Budget



Prepared by

City of Muskego Finance Department

Adopted Tuesday November 23, 2004

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## CITY OF MUSKEGO SEWER UTILITY

STATEMENT OF INCOME AND EXPENSE  
2005 BUDGET

	2003 <u>Actual</u>	Aug. 31, 2004 <u>Actual</u>	2004 <u>Projected</u>	2004 <u>Adopted Budget</u>	2005 <u>Proposed Budget</u>	2005 <u>Adopted Budget</u>	Account <u>Number</u>
<u>Operating revenues</u>							
Sewer service charges	\$ 3,146,699	2,475,838	3,276,751	3,280,575	4,330,821	4,330,821	4801/4810
Miscellaneous revenues	21,339	6,634	7,450	5,600	6,100	6,100	4820/4822/4823/4824
Total operating revenues	<u>3,168,038</u>	<u>2,482,472</u>	<u>3,284,201</u>	<u>3,286,175</u>	<u>4,336,921</u>	<u>4,336,921</u>	
<u>Operating expenses</u>							
Operation and maintenance:							
Milwaukee Metropolitan Sewerage District:							
Contract amortization	316,477	-	316,477	316,477	316,477	316,477	61.01.6405/6406/6407
Capital charge	1,343,307	1,105,733	1,105,733	1,088,076	2,220,224	2,220,224	61.02.6071
User charge	555,677	282,752	650,000	650,000	650,000	650,000	61.03.6072
Town of Norway							
Capital charge	-	74,106	307,116	400,000	73,295	73,295	
User charge	206,747	145,188	354,754	175,000	341,468	341,468	61.10.6068
Supervision and labor	319,509	220,396	330,594	287,511	353,737	353,737	61.11.5101/5102
Supplies and expense	14,420	15,188	18,790	18,790	21,985	21,985	Schedule 2
Maintenance:							
Amortization - Odor control & manhole rehabilitation	44,231	-	44,231	44,231	44,231	44,231	61.16.5428
Odor control	11,182	10,518	21,000	21,000	21,000	21,000	61.16.5426
Building and structures	9,954	8,549	10,000	10,000	10,000	10,000	61.15.5415
General plant equipment (safety equipment)	10,757	1,412	7,500	10,000	10,000	10,000	61.15.5425
Sewerage collection system	44,570	42,537	50,000	50,000	50,000	50,000	61.16.5411
I & I reduction	4,259	7,031	40,000	140,000	140,000	140,000	61.16.5427
Electricity	69,802	54,907	115,000	115,000	115,000	115,000	61.20.5910
Transportation expense	17,950	6,253	9,350	9,350	9,850	9,850	61.21.5306
	<u>2,968,842</u>	<u>1,974,569</u>	<u>3,380,545</u>	<u>3,335,435</u>	<u>4,377,267</u>	<u>4,377,267</u>	
Customers' account expenses:							
Accounting and collection	23,287	36,007	57,965	57,965	60,601	60,601	63.40.5101
Meter expense	19,807	-	28,000	28,000	28,000	28,000	63.40.5101
	<u>43,093</u>	<u>36,007</u>	<u>85,965</u>	<u>85,965</u>	<u>88,601</u>	<u>88,601</u>	63.40.5101
General expenses:							
Office salaries	23,287	36,007	57,965	57,965	60,601	60,601	63.40.5101
Employees' pensions and benefits	139,536	117,939	148,482	148,482	168,771	168,771	63.41.5201/5202/5203/5204/5229/
Unemployment compensation	-	-	2,000	2,000	2,000	2,000	63.42.6020
Office supplies and expenses	68,958	44,641	78,858	77,424	102,118	102,118	Schedule 2
Outside services	85,177	55,658	130,157	129,760	130,213	130,213	Schedule 2
	<u>316,957</u>	<u>254,244</u>	<u>417,462</u>	<u>415,630</u>	<u>463,703</u>	<u>463,703</u>	
Total operation and maintenance	<u>3,328,893</u>	<u>2,264,820</u>	<u>3,883,971</u>	<u>3,837,030</u>	<u>4,929,571</u>	<u>4,929,571</u>	
Depreciation	856,119	-	924,462	886,350	970,767	970,767	64.50.6705
Total operating expenses	<u>4,185,012</u>	<u>2,264,820</u>	<u>4,808,433</u>	<u>4,723,380</u>	<u>5,900,338</u>	<u>5,900,338</u>	
Net operating income (loss) (forward)	<u>(1,016,974)</u>	<u>217,652</u>	<u>(1,524,232)</u>	<u>(1,437,204)</u>	<u>(1,563,417)</u>	<u>(1,563,417)</u>	

CITY OF MUSKEGO SEWER UTILITY  
STATEMENT OF INCOME AND EXPENSE  
(concluded)  
2005 BUDGET

	2003 <u>Actual</u>	Aug. 31, 2004 <u>Actual</u>	2004 <u>Projected</u>	2004 <u>Adopted Budget</u>	2005 <u>Proposed Budget</u>	2005 <u>Adopted Budget</u>	Account <u>Number</u>
Net operating income (loss) (forwarded)	\$ (1,016,974)	217,652	(1,524,232)	(1,437,204)	(1,563,417)	(1,563,417)	
<u>Add non- operating income</u>							
City subsidies	369,017	307,725	307,725	544,038	617,888	617,888	4950
Interest from investments	218,340	29,218	200,000	200,000	200,000	200,000	4531/4910
Interest income on RCA's and special assessments	62,695	25,252	47,482	17,164	59,627	59,627	
Sewer Connection Fees	70,500	-	68,000	-	50,000	50,000	
Total non-operating income	720,552	362,196	623,207	761,202	927,515	927,515	
Income before non-operating expenses	(296,422)	579,848	(901,025)	(676,002)	(635,902)	(635,902)	
<u>Deduct non-operating expenses</u>							
Interest charges on long-term debt	472,807	227,823	455,646	455,646	430,336	430,336	65.60.7010
Amortization of debt discount	25,932	-	25,471	25,471	23,764	23,764	65.61.7015
Amortization of extraordinary property losses	-	-	-	-	-	-	65.62.6401
Total non-operating expenses	498,740	227,823	481,117	481,117	454,100	454,100	
Net income (loss) before capital contributions	\$ (795,162)	352,024	(1,382,142)	(1,157,119)	(1,090,002)	(1,090,002)	

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CITY OF MUSKEGO SEWER UTILITY

DETAILED SCHEDULE OF OPERATING EXPENSES  
2005 BUDGET

	2003 Actual	Aug. 31, 2004 Actual	2004 Projected	2004 Adopted Budget	2005 Proposed Budget	2005 Adopted Budget	Account Number
Operation and maintenance:							
Supplies and expense:							
Operating supplies	\$ 1,603	1,135	2,290	2,290	2,485	2,485	61.12.5702
Chemicals	12,816	9,553	12,000	12,000	14,000	14,000	61.12.5750
Water expense	-	4,500	4,500	4,500	5,500	5,500	61.22.5915
	<u>\$ 14,420</u>	<u>15,188</u>	<u>18,790</u>	<u>18,790</u>	<u>21,985</u>	<u>21,985</u>	
General expense							
Office supplies and expenses:							
Supplies	\$ 5,932	3,438	4,800	5,729	5,729	5,729	63.42.5701
Other general expense	779	1,186	2,000	3,000	3,000	3,000	63.42.6056
Telephone and communications	12,406	6,893	16,100	22,445	20,590	20,590	63.42.5430/5606
Insurance	44,865	26,969	46,400	36,692	61,790	61,790	63.42.6102/6101/6104
Contingency	-	-	-	-	-	-	67.00.6601
Computer expense	4,975	6,155	9,558	9,558	11,009	11,009	63.42.5509
	<u>\$ 68,958</u>	<u>44,641</u>	<u>78,858</u>	<u>77,424</u>	<u>102,118</u>	<u>102,118</u>	
Outside services:							
City administrative charge	\$ 25,379	24,198	23,786	23,389	23,842	23,842	63.43.6057
Accounting	12,125	10,000	20,500	20,500	20,500	20,500	63.43.5810
Legal	12,266	6,383	40,000	40,000	40,000	40,000	63.43.5805
Engineering	12,690	6,782	30,000	30,000	30,000	30,000	63.43.5815
Other outside services	22,716	4,565	10,000	10,000	10,000	10,000	63.43.5801
Amortization - mapping	-	-	-	-	-	-	63.43.5824
Computer software modification	-	3,730	5,871	5,871	5,871	5,871	63.43.5509
	<u>\$ 85,177</u>	<u>55,658</u>	<u>130,157</u>	<u>129,760</u>	<u>130,213</u>	<u>130,213</u>	

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## CITY OF MUSKEGO SEWER UTILITY

## SCHEDULE OF CAPITAL OUTLAY

A/C#	Description		2004 Estimated Total Cost	2004 Adopted Budget	2005 Proposed Budget	2005 Adopted Budget
1.	<b>2002 Projects</b>					
	Janesville Box Culvert	(A)	\$ -	135,215	134,731	134,731
	McShance Underground Storage Unit	(B & C)	35,731	100,000	-	-
			<u>\$ 35,731</u>	<u>235,215</u>	<u>134,731</u>	<u>134,731</u>
2.	<b>2003 Projects</b>					
	Martin Drive extension	(A)	\$ 40,202	29,798	-	-
	Truck	(A)	21,261	23,500	-	-
	Oversizing on land purchase	(A)	-	10,000	-	-
			<u>\$ 61,463</u>	<u>63,298</u>	<u>-</u>	<u>-</u>
3.	<b>2004 Projects</b>					
	Chamberlain Hill Oversizing	(A)	71,249	85,000	-	-
	NW Sewer Study	(A)	8,007	50,000	40,879	40,879
	20/20 Facility plan	(A)	-	50,000	50,000	50,000
	Future projects	(A)	-	50,000	50,000	50,000
			<u>\$ 79,256</u>	<u>235,000</u>	<u>140,879</u>	<u>140,879</u>
4.	<b>2005 Projects</b>					
	Oversizing on land purchases	(A)	-	-	10,000	10,000
	Truck	(A)	-	-	21,000	21,000
	SCADA Renovations (Radio Study 50%)	(A)	-	-	11,000	11,000
	Woods Rd Forcemain 20" Sandy Beach	(C)	-	-	1,300,650	1,300,650
	Future Projects	(A)	-	-	50,000	50,000
			<u>\$ -</u>	<u>-</u>	<u>1,392,650</u>	<u>1,392,650</u>

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

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## CITY OF MUSKEGO SEWER UTILITY

SCHEDULE OF CHANGES IN UTILITY WORKING CAPITAL  
2004 PROJECTED

	2004		Projected		Total	2004 Budget
	Operation and Maintenance Fund	Special Redemption Fund	Equipment Replacement Fund	NON TIF Reserve Capacity Assessment Fund		
<u>Funds provided</u>						
From operations:						
Net income (loss) for the year	\$ (1,377,142)	-	-	(5,000)	-	(1,382,142)
Add charges to income not requiring funds:						
Depreciation	924,462	-	-	-	-	924,462
Amortization:						
MMSD contract	316,477	-	-	-	-	316,477
Debt discount	25,471	-	-	-	-	25,471
Manhole Rehabilitation	44,231	-	-	-	-	44,231
Less:						
Other	-	-	-	-	-	(32,630)
Funds provided from operations	(66,501)	-	-	(5,000)	-	(71,501)
Increases in:						
Collection of special assessments	65,402	-	-	291,831	-	357,233
Other contributed capital collections	-	-	-	-	-	-
Total funds provided	(1,099)	-	-	286,831	-	285,732
<u>Funds applied</u>						
Principal payments on debt	570,000	-	-	-	-	570,000
Capital outlay (Schedule 6)	-	-	-	-	176,450	176,450
Total funds applied	570,000	-	-	-	176,450	746,450
<u>Interfund transfers - net</u>						
Interest earnings	(8,000)	-	-	52,230	8,000	52,230
Equipment replacement	(26,350)	-	26,350	-	-	-
Sewer Connection fees	(68,000)	-	-	68,000	-	-
RCA funds used to finance MMSD capital charge	245,142	-	-	(245,142)	-	-
Total transfers	142,792	-	26,350	(124,912)	8,000	52,230
Increase (decrease) in working capital	(428,307)	-	26,350	161,920	(168,450)	(408,487)
<u>Working capital, beginning of year</u>	7,721,575	1,536,622	506,154	3,014,240	879,274	13,657,865
<u>Working capital, end of year</u>	\$ 7,293,268	1,536,622	532,504	3,176,160	710,824	13,249,378
<b>2004 Budgeted Working Capital, end of year</b>	\$ 5,011,829	1,620,849	542,947	-	257,929	7,433,554

## Note 1

Note 1: The 2004 Budget didn't include the NON TIF Reserve Capacity Assessment Fund which was transferred to the Sewer effective 1/1/03.

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## CITY OF MUSKEGO SEWER UTILITY

SCHEDULE OF CHANGES IN UTILITY WORKING CAPITAL  
2005 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	\$ (1,085,002)	-	-	(5,000)	-	(1,090,002)
Add charges to income not requiring funds:						
Depreciation	970,767	-	-	-	-	970,767
Amortization:						
MMSD contract	316,477	-	-	-	-	316,477
Debt discount	23,764	-	-	-	-	23,764
Manhole Rehabilitation and Mapping Projects	44,231	-	-	-	-	44,231
Less:						
Proceeds from long-term debt	-	-	-	-	-	-
Other	-	-	-	-	-	-
Funds provided from operations	270,237	-	-	(5,000)	-	265,237
Increases in:						
Collection of special assessments	66,474	-	-	308,270	-	374,744
Other contributed capital collections	-	-	-	-	-	-
Total funds provided	336,711	-	-	303,270	-	639,981
<u>Funds applied</u>						
Principal payments on debt	590,000	-	-	-	-	590,000
Capital outlay (Schedule 6 for Construction Fund)	-	-	-	-	1,618,260	1,618,260
Total funds applied	590,000	-	-	-	1,618,260	2,208,260
<u>Interfund transfers - net</u>						
Interest earnings	(71,970)	-	8,000	63,970	-	-
Equipment replacement	(26,350)	-	26,350	-	-	-
Sewer Connection fees	(50,000)	-	-	50,000	-	-
Transfer to Construction Fund	(1,300,650)	-	-	-	1,300,650	-
RCA funds used to finance MMSD capital charge	492,224	-	-	(492,224)	-	-
Total transfers	(956,746)	-	34,350	(378,254)	1,300,650	-
Increase (decrease) in working capital	(1,210,035)	-	34,350	(74,984)	(317,610)	(1,568,279)
<u>Working capital, beginning of year</u>	7,293,268	1,536,622	532,504	3,176,160	710,824	13,249,378
<u>Working capital, end of year</u>	\$ 6,083,233	1,536,622	566,854	3,101,176	393,214	11,681,099



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## SCHEDULE OF CONSTRUCTION FUNDS

## PROJECTED 2004 AND 2005

Project	Actual	2004			Projected	2005			Projected
	Balance	Revenues	Costs	Transfers	Balance	Revenues	Costs	Transfers	Balance
	12/31/2003				12/31/2004				12/31/2005
Debt issue and working capital funds:									
McShane Underground Storage Unit	100,000	-	35,731	(64,269)	0	-	-	-	0
Janesville Road Box Culvert	135,133	-	-	-	135,133	-	134,731	(402)	-
Oversizing on land purchase	10,000	-	-	-	10,000	-	10,000	-	-
Martin Drive Extension	70,000	-	40,202	(29,798)	-	-	-	-	-
Truck	0	-	21,261	42,261	21,000	-	21,000	-	0
Chamberlain Hill Oversizing	-	-	71,249	71,249	-	-	-	-	-
NW Sewer Study	0	-	8,007	8,007	0	-	40,879	40,879	0
2020 Facility plan	-	-	-	-	-	-	50,000	50,000	-
SCADA Renovation (Radio Study)	-	-	-	-	-	-	11,000	11,000	-
Woods Rd Forcemain 20" Sandy Beach	-	-	-	-	-	-	1,300,650	1,300,650	-
Future projects	-	-	-	-	-	-	50,000	50,000	-
Transfer from working capital	548,636	-	-	(3,946)	544,690	1,300,650	-	(1,452,127)	393,213
Unallocated debt proceeds and interest earnings	15,504	8,000	-	(23,504)	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 879,274</b>	<b>8,000</b>	<b>176,450</b>	<b>-</b>	<b>710,824</b>	<b>1,300,650</b>	<b>1,618,260</b>	<b>-</b>	<b>393,214</b>

## City of Muskego

## Sewer Rate Design

## 2005 Budget

1. Estimated Revenue Requirement (Based on the year 2004 Budget)

Additions:

Operation and maintenance expenses	\$ 4,929,571
Depreciation	970,767
Replacement Fund - DNR requirement	26,350
Mortgage Revenue Bond compliance requirements	-
Rate of return of average investment rate base - ( Exhibit C 1.)	600,990
	<u>6,527,678</u>

Reductions - City subsidies

(617,888)

Gross revenue requirement

5,909,790

Rate Stabilization component - use of interest income, other income and operating reserves

(1,426,731) (A)

Net Revenue Requirement per Budget

\$ 4,483,059

Use of Fund balance per MRB test	1,220,631
Interest income	200,000
Penalties and other income	6,100
Additional use of fund balance	<u>Unkown</u>
	(A) <u>1,426,731</u>

2. Estimated number of gallons (000) billed595,5413. Number of laterals - (connections)7,0434. Estimated annual number of gallons used by a average residential customer68,0075. Inflow / Infiltration based on an eight year average provided by Ruckert & Mielke, Inc.34.46%6. Rate componentsType of ChargeModel Formula

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

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

Computation

Connection Charge  $\frac{\$ 4,483,058.68 \times 34.46\%}{7,043}$  = \$ 219.36 Connection Charge

Consumption Charge  $\frac{\$ 4,483,058.68 \times 65.54\%}{595,541}$  = \$ 4.93 Consumption Charge

7. Average annual residential charge

Estimated number of gallons used by a average residential customer per year 68,007

Consumption charge per 1,000 gallons \$ 4.93

Average residential annual consumption charge \$ 335.52

Average residential annual connection charge \$ 219.36Total average residential annual sewer usage charge \$ 554.88

(A) Use of Fund balance per MRB test	1,220,631
Interest income	200,000
Penalties and other income	6,100
Additional use of fund balance	<u>Unkown</u>
	(A) <u>1,426,731</u>