



Customer 2016 Budget Workshop

September 2, 2015





Agenda

- Opportunities and Challenges
- Overview of 2016 NEW Water Budget
- Next Steps



A scenic landscape photograph featuring a large tree on the left, a field of tall reeds in the foreground, and a blue lake extending to the horizon under a clear blue sky. The text is overlaid on the right side of the image.

***PROTECTING OUR
MOST VALUABLE
RESOURCE: WATER***



Opportunities and Challenges: Clean Water Industry

- Managers of valuable resources to be recovered and reused
- Maximize net benefits to the community and the environment
- Maintain desired level of service with aging infrastructure
- Develop strong partnerships with external stakeholders
- Finance needed improvements





Opportunities and Challenges: NEW Water

- R2E2 implementation and finance
- Compliance with Wisconsin Pollution Discharge Elimination System (WPDES) permit
- Resource recovery
- Reduce natural resource consumption
- Support improvement of area waters
- Equitable rates for customers





2015 Budget Update (through July)

- Overall user fee revenue at 105% of budget
- Overall operating expense at 93% of budget
- Expect to finish year slightly ahead of revenue and slightly under expense budgets
- Finished 2014 at 105% of user fee revenue and 95% of expense budget



2016 Priorities

- On-time and on-budget completion of R2E2 construction
- Enhance safety and health management systems
- Continue Adaptive Management Pilot Project
- Implement facility optimization projects
- Use asset management to improve service and reduce cost
- Continue to be a trusted source of area water information



NEW Water 2016 Budget Drivers



- 3.5% increase in BOD loading and 4% increase in TSS loading
- Final year of building funding capacity for R2E2 Project debt
- Fund other essential capital projects
- Implement Adaptive Management Pilot



R2E2 Rate Stabilization Reserve



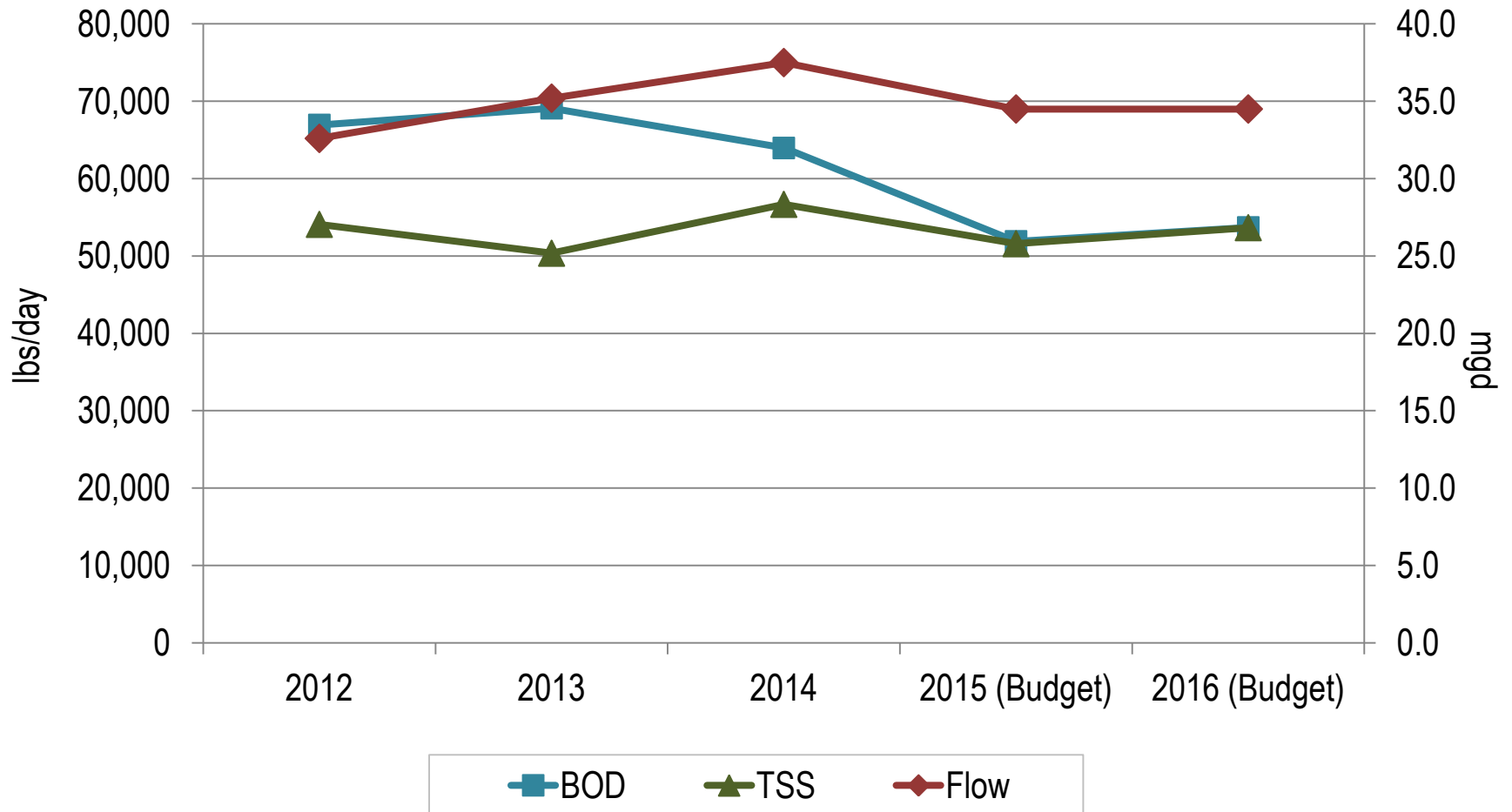
- \$4,102,650 in reserve as of 12/2014
- Budgeted \$1,428,148 addition in 2015
- Requesting \$1,100,000 addition in 2016
- Reserve to be used on R2E2 project:
Contracts 34 and 35



Proposed 2016 Budget



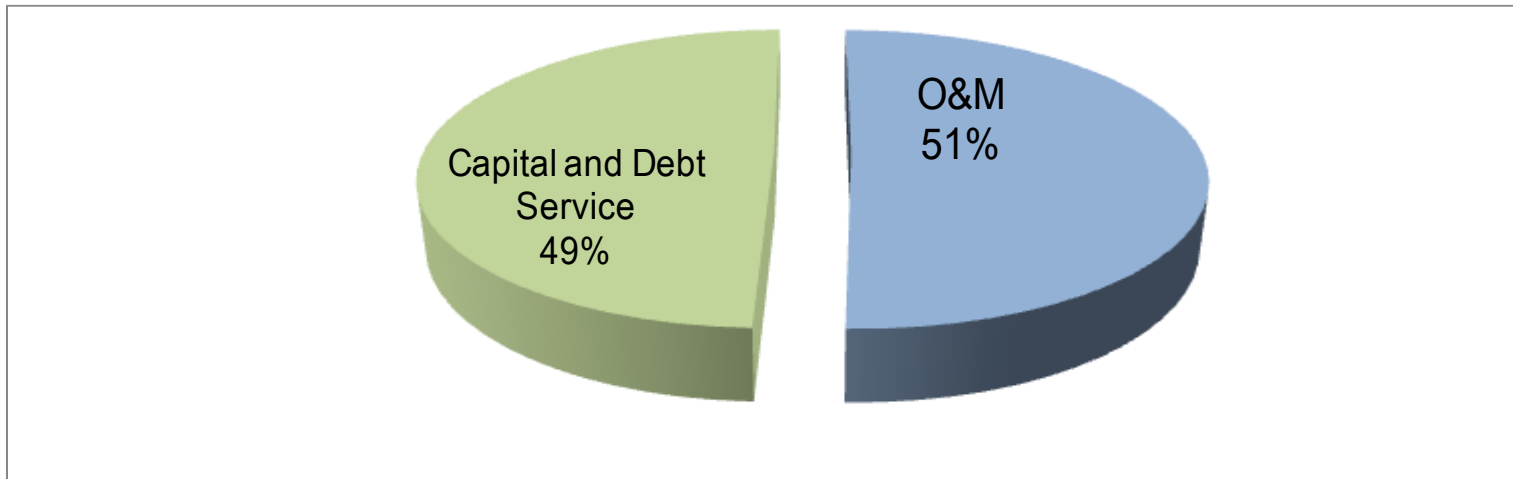
Flows and Loads





2016 Proposed Expenses

Budget Category	2015 Budget	2015 Projected	2016 Budget
Operations & Maintenance (O&M)	\$19,014,538	\$18,525,820	\$19,820,851
Debt Service and Annual Capital	\$16,312,247	\$16,398,931	\$19,418,602
Total Expenses	\$35,326,785	\$34,924,751	\$39,239,453





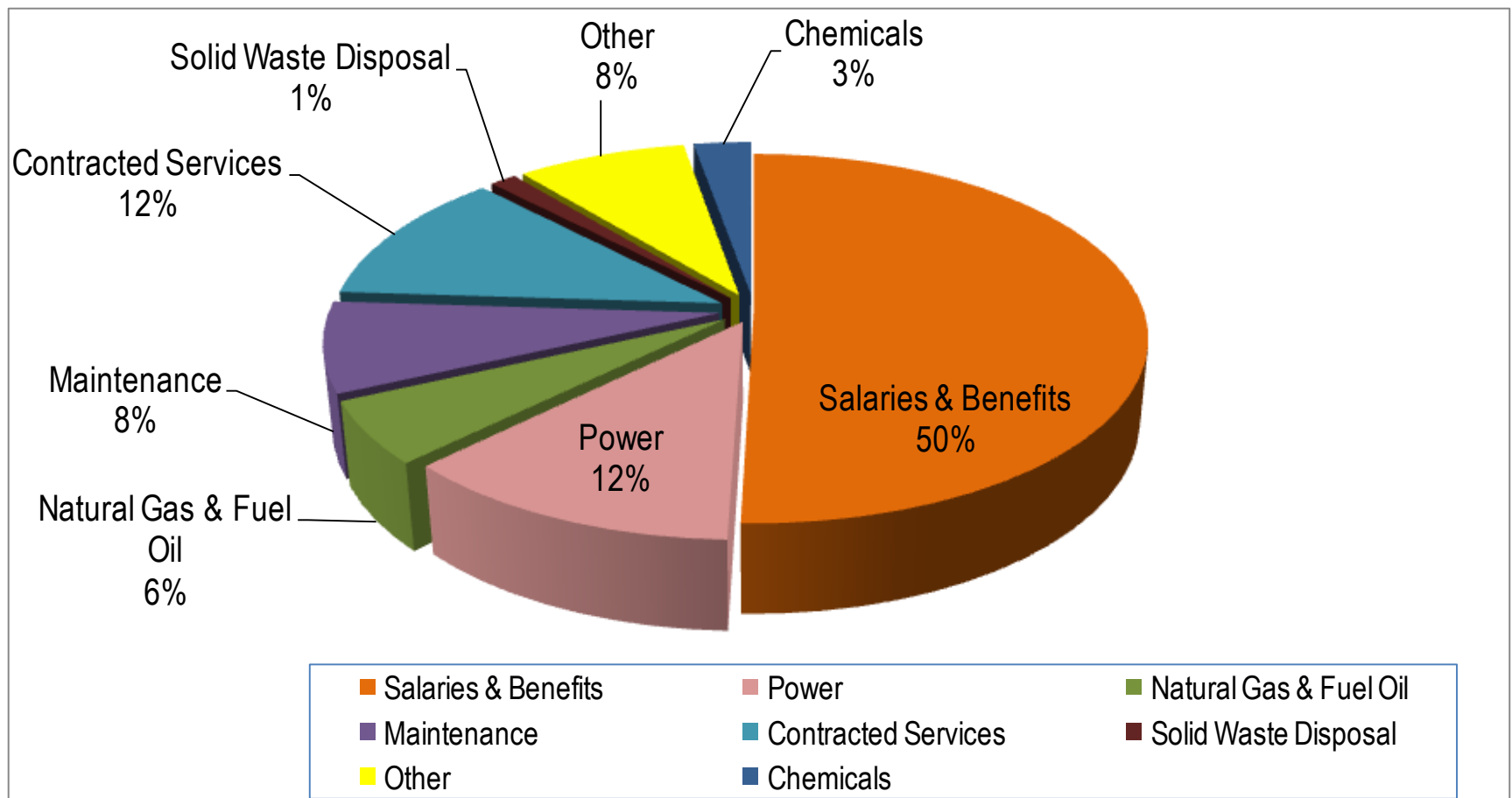
2016 O&M Expenses

Broad Categories	2015 Budget	2015 Projected	2016 Budget
Salaries & Benefits	\$9,630,415	\$9,538,685	\$10,000,413
Power	\$2,310,982	\$2,266,576	\$2,420,809
Natural Gas & Fuel Oil	\$1,229,821	\$1,149,550	\$1,083,515
Chemicals	\$587,696	\$438,599	\$546,867
Maintenance – Plant	\$1,542,043	\$1,631,302	\$1,564,392
Interceptors	\$578,512	\$543,420	\$528,502
Contracted Services	\$1,783,677	\$1,663,417	* \$2,327,326
Solid Waste Disposal	\$273,702	\$228,725	\$256,315
Insurance	\$208,271	\$203,106	\$202,995
Administrative	\$869,419	\$862,441	\$889,718
Total O&M Expenses	\$19,014,538	\$18,525,821	\$19,820,851

* \$450,000 of this cost to be offset by grants



2016 O&M Expense Distribution





WPDES Permit Compliance Strategy

- Existing permit expires 6/30/2019
- Tentative agreement with WDNR allows for Adaptive Management (AM) for Phosphorus (P) & TSS beginning in 2019
- AM could defer major capital improvements for P & TSS until 2034
- AM will likely be an O&M expense, rather than capital



2016 Major Capital Projects

- R2E2 Construction - \$130.9M
- Dutchman Creek Interceptor Replacement - \$3.3M
- DPF Blower Replacement - \$3.7M

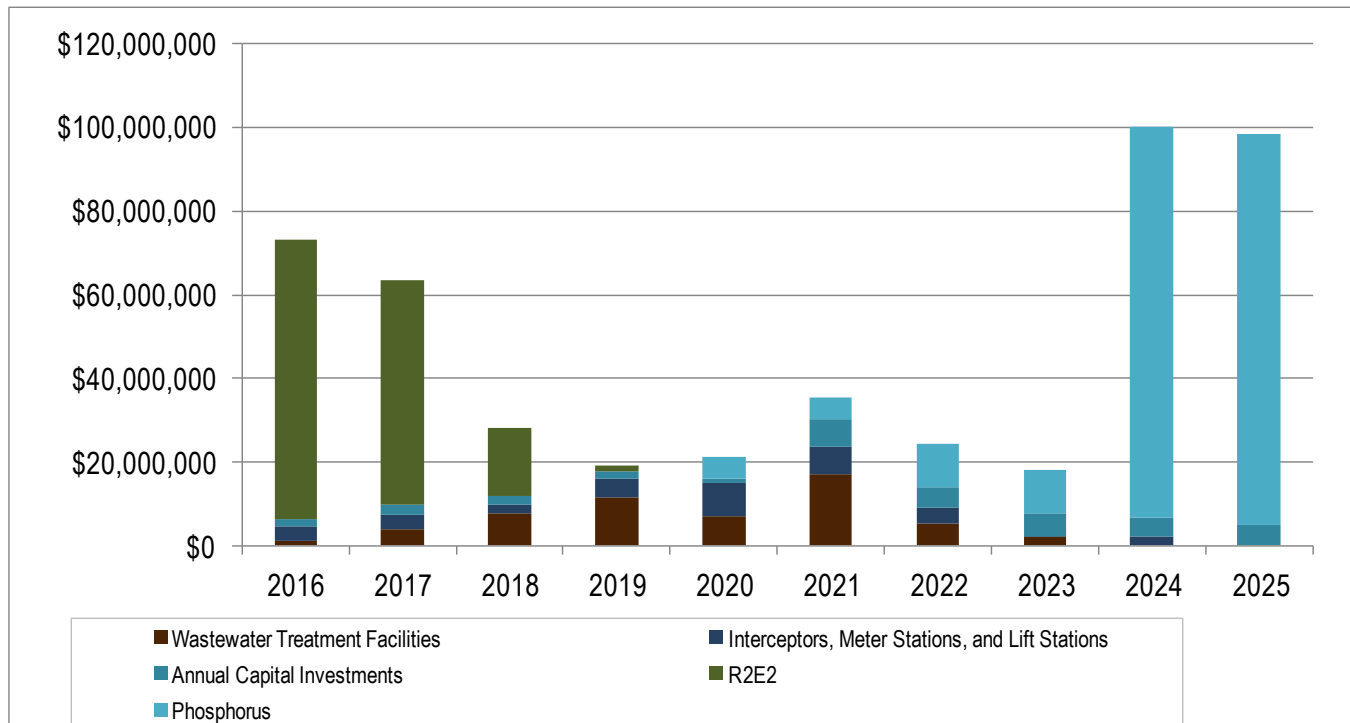


2016 Annual Capital

- Replace building roofs
- Replace air handling units
- Plant-wide wireless network implementation
- Meter station 6, 8, & 9 rehabilitation
- Fiber optic network upgrade
- Disaster recovery data backup system



Proposed Long-Term Capital Projects





Capital Expenditures for 2017-2020

- R2E2 construction - \$71M
- GBF influent pumping improvements - \$8M
- DPF primary substation and emergency generator - \$4M
- DPF service water system replacement - \$3M
- GBF & DPF clarifier rehabilitation - \$7M
- GBF & DPF aeration blower improvements - \$8M
- Phase 2 of interplant forcemain - \$4M



Capital Expenditures for 2017-2020 (cont.)

- GBF primary clarifier odor control - \$3M
- Begin interceptor tunnel rehabilitation - \$10M
- GBF & DPF headworks improvements - \$5M
- Bayview Interceptor replacement - \$4M
- East Tower Drive interceptor rehabilitation (Phase 1) - \$4M
- Annual Capital - \$2M per year
- Total expected four-year capital expenditures - \$132M



2016 Revenues

Broad Categories	2015 Budget	2015 Projected	2016 Budget
Municipal User Fees	\$29,636,171	\$29,705,503	\$33,609,658
Mill User Fees	\$1,275,465	\$1,250,935	\$1,276,095
Mill Direct Charges	\$110,782	\$57,216	\$111,088
Mill Capital Charges	\$945,617	\$945,617	\$1,286,112
General Reserve Interest	\$4,303	\$3,260	\$4,485
Other Revenues	\$353,737	\$247,497	* \$844,152
Rate Stabilization Reserve Transfers	\$0	\$0	\$0
ICR Reserve Transfers	\$3,000,710	\$3,000,710	\$2,107,863
General Fund Transfers	\$0	(\$285,987)	\$0
Total Revenues	\$35,326,785	\$34,924,751	\$39,239,453

* \$450,000 in grants for Adaptive Management

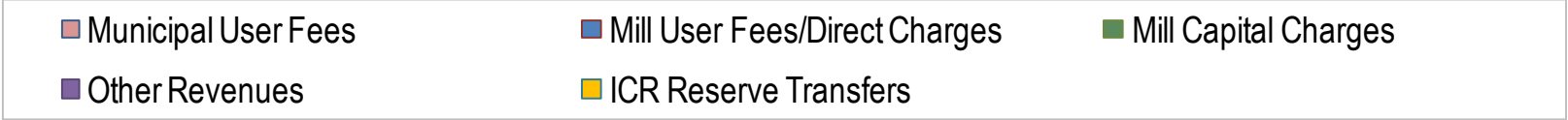
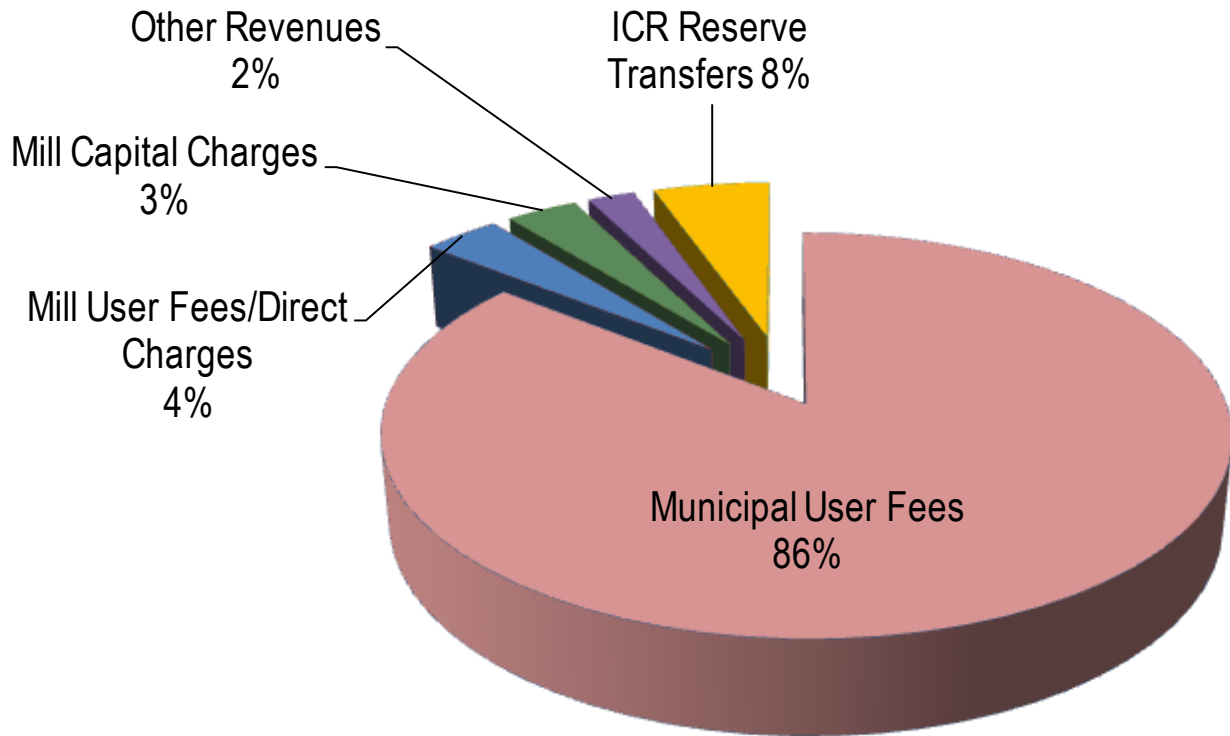


2016 Municipal Rate

Parameter	2015 Rate	2016 Rate	% Change
Total Combined Rate (1,000 gals)	\$2.8973	\$3.1799	9.7%
Volume (1,000 gals)	\$0.8045	\$0.8105	0.7%
Biochemical Oxygen Demand (lbs)	\$0.3933	\$0.4474	13.8%
Suspended Solids (lbs)	\$0.3482	\$0.4342	24.7%
Phosphorus (lbs)	\$0.5677	\$0.6256	10.2%
Total Kjeldahl Nitrogen (lbs)	\$0.6536	\$0.6565	0.4%
Fixed Charge	\$0.5266	\$0.5626	6.8%

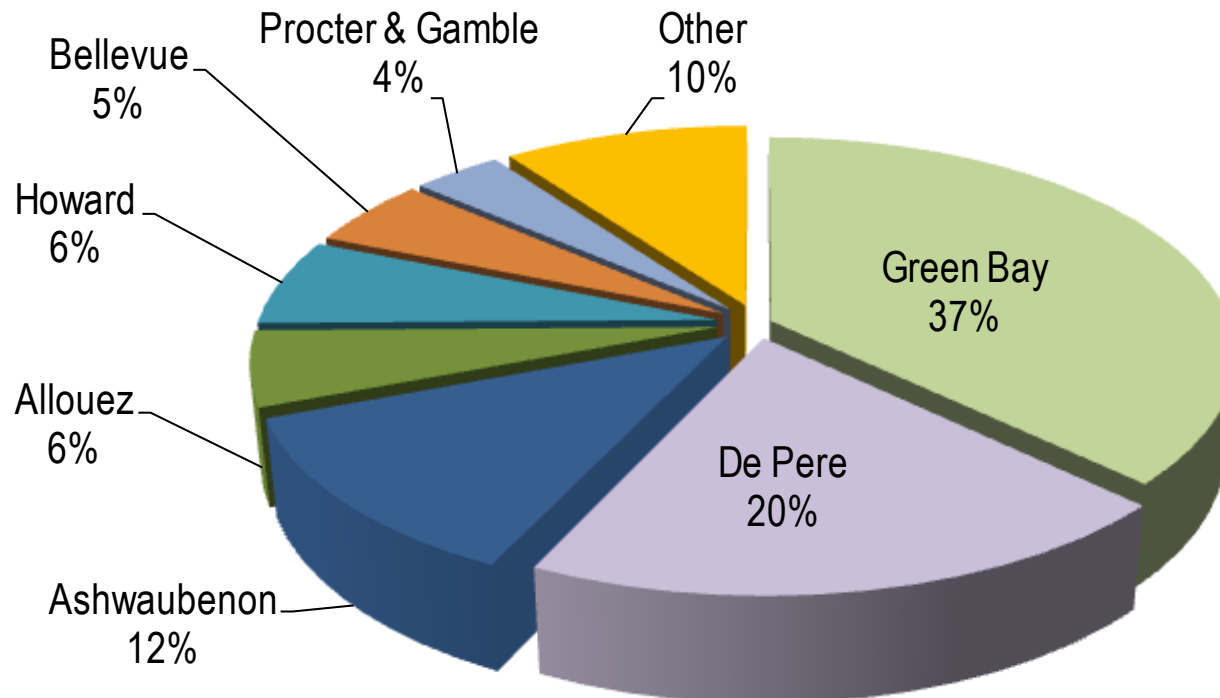


2016 Revenue Sources





2016 Revenue Breakdown by Customer

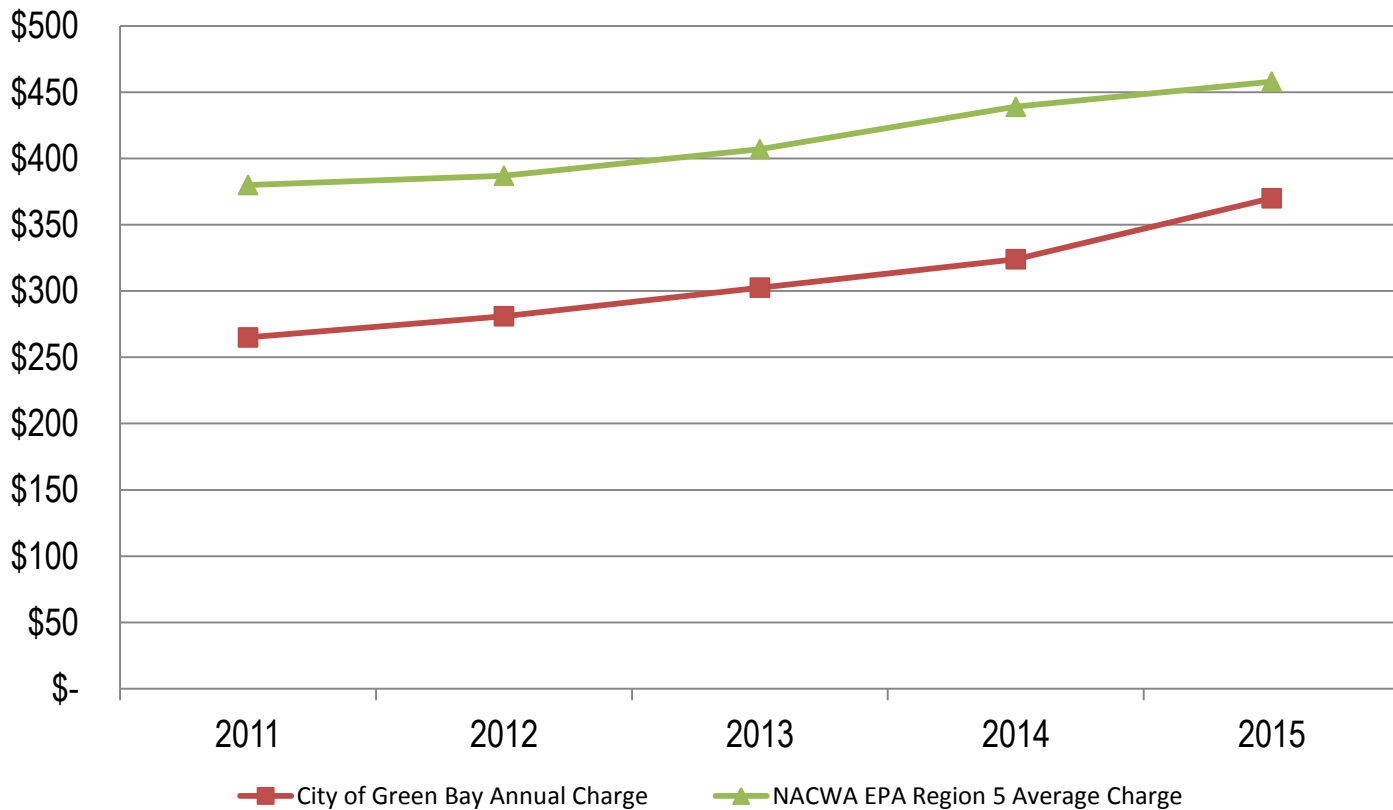


Other includes: Villages of Hobart, Luxemburg, Pulaski, and Suamico; Towns of Lawrence, Ledgeview, and Scott; and Sanitary Districts Dyckesville, New Franken, and Pittsfield



NEW Water Sewer Service Charge Comparison

How NEW Water Compares to Others: Rates





2016 Budget Summary

- Recommend a 9.7% increase in the combined municipal rate to \$3.180 per thousand gallons
- O&M expenses increased by 4.2% over 2015 budget
- WPS 6.6% electricity rate increase (request 9.4%)
- 11.9% increase in capital cost over 2015 budget
- Offsetting most interceptor debt service using ICR reserve



Next Steps

- One-on-one meetings for customers not able to attend the all customer meeting
- Second budget workshop (*September 30*)
- Customer meeting(s)
- Budget hearing and adoption (*December 2*)
- Customer notification





Resource Recovery & Electrical Energy (R2E2)

- Contract 33 Update
- Contract 34 Construction Team
- Contract 34 Timeline
- Contract 34 Update





Contract 33 Update

- Construction complete
- New switchgear operational
- Abandoned utilities ahead of Contract 34
- Corrected issues starting generators from a total blackout
- Working towards project closeout in September











Contract 34 Construction Team

- Contractor
 - CD Smith - General Contractor
 - JF Ahern – Mechanical Subcontractor
 - Faith Electric – Electrical Subcontractor
- Engineer – ch2m
 - Kurt Hellerman – Project Manager
 - Alan Jones – Construction Manager
 - Team of Resident Engineers & Inspectors
- NEW Water





Contract 34 Timeline

- June 24 – Commission approved construction contract
- July 20 – Notice to Proceed
- August 2015 – Contractor mobilization & engineer offices
- Project Milestones
 - November 2015 – Complete stormwater pond
 - October 2016 – Septage receiving improvements
 - January 2018 – Solids facility including dewatering & incineration
 - March 2018 – Digestion & biogas facilities
 - April 2018 – Substantial completion
 - August 2018 – Final completion





Contract 34 Update

- Clean Water Fund Loan Application
- Permits to be finalized
- Reviewing submittals
- Engineer & Contractor office trailers
- Electrical demolition work in thickening building
- Development of deductive change order
- Next Steps:
 - Stormwater pond construction
 - Temporary septage receiving





