

**COMMISSION FILE NO:** 25-053-4 **DATE INTRODUCED:** April 14, 2025

**INTRODUCED BY:** Executive Director (Signature on File in the Office of the Commission)

**REFERRED BY COMMISSION CHAIRPERSON TO:** Policy, Finance, and Personnel Committee

**RELATING TO:** Authorizing the Transfer of Funds in the 2024 Operations and Maintenance Budget and the Transfer of Funds in the 2024 Capital Budget

**SUMMARY:**

The Commission is requested to approve the transfer of funds in the 2024 Operations and Maintenance (O&M) Budget. Commission Policy 1-15.01, Operations and Maintenance Budget, requires Commission approval to offset overruns in one division with a surplus from another division or the unallocated reserve, as appropriate.

Likewise, the Commission is asked to approve the transfer of funds between capital accounts in the 2024 Capital Budget. Commission Policy 1-15.02, Capital Budget, requires Commission approval to offset overruns in one capital account with a surplus from another capital account.

The amount of requested transfers is based on preliminary financial reports for 2024. A preliminary analysis of the 2024 O&M surplus, subject to final audit, indicates a yearend surplus of \$10,351,097. The surplus is to be used in the 2026 O&M Budget as surplus applied and a reduction to user charge billings. A preliminary analysis of the Capital surplus, subject to final audit, indicates a yearend deficit in available funds of \$78,901,822.

A two-thirds affirmative vote of the Commission is required for adoption.

**ATTACHMENTS:** **BACKGROUND** ☒ **KEY ISSUES** ☐ **RESOLUTION** ☒  
**FISCAL NOTE** ☐ **S/W/MBE** ☐ **OTHER** ☐ \_\_\_\_\_

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03-26-25

**COMMITTEE ACTION:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

**COMMISSION ACTION:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

## BACKGROUND

### Authorizing the Transfer of Funds in the 2024 Operations and Maintenance Budget and the Transfer of Funds in the 2024 Capital Budget

**Division:** Technical Services  
**Transfer Amount:** \$2,382,095

The transfer is needed to offset the unfavorable variance of \$2,382,095 within the Technical Services division. The unfavorable variance is primarily due to an increased use of electricity, and higher costs on equipment repairs and replacements. A limited amount of landfill gas for the turbines increased energy costs in 2024, as the District was forced to turn to higher priced electricity to run the water reclamation facilities. In addition, power generation equipment used to create more cost effective energy sources faced unexpected downtime, which also led to increased energy costs over the year. Along with energy, equipment repair and replacement costs were higher than budgeted in 2024. This unfavorable variance of \$2,382,095 is recommended to be offset by the favorable variance in Fringe Benefits.

**Division:** Information Technology Services  
**Transfer Amount:** \$18,152

The transfer is needed to offset the unfavorable variance of \$18,152 within the Information Technology Services division. The slightly unfavorable variance is primarily due to higher than budgeted spending on maintenance contracts for both hardware and software because of a timing issue involving invoice payment. The unfavorable variance is recommended to be offset by the favorable variance in Fringe Benefits.

### O&M Transfers

	2024 Adopted Budget	2024 Preliminary Actual	2024 Preliminary Variance	Transfer From	Transfer To	2024 Amended Budget
<b>Commission</b>	\$246,107	\$233,540	\$12,567			\$246,107
<b>Office of Executive Director</b>	\$4,505,229	\$3,599,818	\$905,411			\$4,505,229
<b>Information Technology Services</b>	\$5,682,011	\$5,700,163	(\$18,152)		\$18,152	\$5,700,163
<b>Legal Services</b>	\$1,244,399	\$1,066,112	\$178,287			\$1,244,399
<b>Finance</b>	\$4,233,536	\$4,164,587	\$68,949			\$4,233,536
<b>Technical Services</b>	\$86,595,397	\$88,977,492	(\$2,382,095)		\$2,382,095	\$88,977,492
<b>Integrated Watershed Management</b>	\$2,787,222	\$2,459,778	\$327,444			\$2,787,222
<b>Water Quality Protection</b>	\$7,096,168	\$6,904,396	\$191,772			\$7,096,168
<b>Community Outreach &amp; Business Engagement</b>	\$8,186,050	\$7,481,314	\$704,736			\$8,186,050
<b>Fringe Benefits</b>	\$20,119,013	\$16,036,848	\$4,082,165	(\$2,400,247)		\$17,718,766
<b>Unallocated Reserve</b>	\$3,128,711	\$0	\$3,128,711			\$3,128,711
<b>Total</b>	<b>\$143,823,843</b>	<b>\$136,624,048</b>	<b>\$7,199,795</b>	<b>(\$2,400,247)</b>	<b>\$2,400,247</b>	<b>\$143,823,843</b>

## BACKGROUND (Cont'd)

### Authorizing the Transfer of Funds in the 2024 Operations and Maintenance Budget and the Transfer of Funds in the 2024 Capital Budget

The District's annual Capital Budget is subject to variations in spending associated with progress of multiyear projects, which is the reason the District focuses its capital budget around the concept of a 10-year financing plan and total project cost authorization. In 2024, the spending on these multiyear projects exceeded the annual budget for capital projects. Due to the dynamic nature of financing related to these projects, staff recommends amending the budget as follows.

	2024 Adopted Budget	2024 Actual	Year-End Variance from Adopted Budget	Transfer From	Transfer To	2024 Amended Budget	Year-End Variance from Amended Budget
<b><u>Expenditures</u></b>							
Water Reclamation Facilities	\$53,446	\$60,617	-\$7,171		\$7,171	\$60,617	\$0
Conveyance Facilities	\$20,895	\$48,825	-\$27,930		\$27,930	\$48,825	\$0
Watercourse & Flood Management Projects	\$20,574	\$53,218	-\$32,644		\$32,644	\$53,218	\$0
Other Projects	\$95,690	\$106,847	-\$11,157		\$11,157	\$106,847	\$0
<b>Total Project Expenses</b>	<b>\$190,605</b>	<b>\$269,507</b>	<b>-\$78,902</b>	<b>\$0</b>	<b>\$78,902</b>	<b>\$269,507</b>	<b>\$0</b>
Debt Service	\$105,278	\$100,124	\$5,154	-\$5,154	\$0	\$100,124	\$0
<b>Total Expenditures</b>	<b>\$295,883</b>	<b>\$369,631</b>	<b>-\$73,748</b>	<b>-\$5,154</b>	<b>\$78,902</b>	<b>\$369,631</b>	<b>\$0</b>
<b><u>Revenues and Available Funds</u></b>							
Tax levy	\$112,400	\$112,401	\$1			\$112,400	\$1
Non-Member Communities	\$26,374	\$26,346	-\$28			\$26,374	-\$28
Federal & State Aid	\$28,955	\$27,752	-\$1,203	-\$1,203		\$30,158	-\$2,406
Interest and Other Income	\$1,653	\$13,253	\$11,600	-\$1,653		\$3,306	\$9,947
State Loans	\$30,000	\$28,139	-\$1,861	-\$13,882		\$43,882	-\$15,743
WIFIA Loans	\$0	\$8,228	\$8,228	\$0		\$0	\$8,228
Bonds	\$90,000	\$95,100	\$5,100	-\$5,100		\$95,100	\$0
<b>Total Revenues</b>	<b>\$289,382</b>	<b>\$311,219</b>	<b>\$21,837</b>	<b>-\$21,838</b>	<b>\$0</b>	<b>\$311,220</b>	<b>-\$1</b>
Additions to Available Funds	\$6,501	\$58,411	\$51,910	-\$51,910		\$58,411	\$0
<b>Total Revenues and Available Funds</b>	<b>\$295,883</b>	<b>\$369,630</b>	<b>\$73,747</b>	<b>-\$73,748</b>	<b>\$0</b>	<b>\$369,631</b>	<b>-\$1</b>
<b>Total Revenues less Total Expenditures</b>	<b>\$0</b>	<b>-\$1</b>	<b>-\$1</b>	<b>-\$78,902</b>	<b>\$78,902</b>	<b>\$0</b>	<b>-\$1</b>
Notes - dollars in thousands							

In the 2024 Capital Budget, project expenditures exceeded budget by \$78.9 million. The Watercourse and Flood Management capital account exceeded the budgeted level by \$32.6 million. The unfavorable variance is due to spending more on construction than budgeted in Projects W24010, State Fair Culvert Preliminary Engineering, and W20028, Western Milwaukee Phase 2B. Additionally, Project W11031, North 30<sup>th</sup> Street Corridor Wet Weather Relief – West, had unexpected soil excavation and disposal that was not budgeted in 2024. Completing this work in 2024 allowed the District to save an estimated \$12.0 million on contaminated soil disposal.

## **BACKGROUND (Cont'd)**

### **Authorizing the Transfer of Funds in the 2024 Operations and Maintenance Budget and the Transfer of Funds in the 2024 Capital Budget**

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The Water Reclamation Facilities capital account exceeded budget by \$7.1 million. The unfavorable variance is due to construction progressing faster than anticipated and budgeted in Projects J04075, Dewatering & Drying Belt Filter Press Overhaul, and S02015, Aeration System Upgrade.

The Conveyance Facilities capital account exceeded budget by \$27.9 million. The unfavorable variance is due to construction progressing faster than anticipated and budgeted in Projects I06001, NS12 Collector System Improvements, and C05055, N 35<sup>th</sup> and Roosevelt Improvements. The variance is also due to construction spending forecasted for 2023 spilling into 2024 on Project I05002, Combined Sewer Outfall 195 Relocation. This project was required for work to begin on the Dredged Material Management Facility (DMMF). Lastly higher than expected material capital repair and replacement spending on Project C98055, Conveyance Equipment Replacement, contributed to the unfavorable variance.

The Other Projects capital account exceeded budget by \$11.1 million. The unfavorable variance is due to construction focused more heavily in 2024 than budgeted on Project M98001, Milwaukee Estuary Area of Concern DMMF. In addition, Project M06016, Enterprise Resource Planning Implementation, contributed to the unfavorable variance due to spending budgeted in 2023 spilling into 2024.

The unfavorable variances within the capital project accounts are recommended to be offset by a combination of the favorable variances within the Additions to Available Funds account of \$51.9 million and the Debt Service account of \$5.1 million. Additionally the unfavorable variances will also be offset by revenues from the Federal and State Aid account, Interest and Other Income account, State Loans account, and Bonds account in the amounts of \$1.2 million, \$1.6 million, \$13.8 million, and \$5.1 million, respectively.

## RESOLUTION

Authorizing the Transfer of Funds in the 2024 Operations and Maintenance Budget and the Transfer of Funds in the 2024 Capital Budget

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**RESOLVED**, by the Milwaukee Metropolitan Sewerage Commission, that funds from the 2024 Operations and Maintenance Budget be transferred as follows: a total of \$2,400,247 from Fringe Benefits, with \$2,382,095 going to Technical Services, and \$18,152 going to Information Technology Services.

**FURTHER RESOLVED**, by the Milwaukee Metropolitan Sewerage Commission, that funds from the 2024 Capital Budget be transferred as follows: \$5.1 million from the Debt Service account, \$1.2 million from the Federal & State Aid account, \$1.6 million from the Interest & Other Income account, \$13.8 million from the State Loans account, \$5.1 million from the bonds account, and \$51.9 million from the Additions to Available Funds account to be used to cover the unfavorable variance in Water Reclamation Facilities, Conveyance Facilities, Watercourse & Flood Management Projects, and Other Projects capital accounts.