

**COMMISSION FILE NO:** 20-064-4 **DATE INTRODUCED:** April 15, 2020

**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 2019 Operations and Maintenance Budget and the Transfer of Funds in the 2019 Capital Budget

**SUMMARY:**

The Commission is requested to approve the transfer of funds in the 2019 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 2019 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 2019. A preliminary analysis of the 2019 surplus, subject to final audit, indicates a yearend surplus of \$3,199,626. The surplus is to be used in the 2021 O&M Budget as surplus applied and a reduction to user charge billings.

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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03-19-20

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

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

## SUMMARY (Cont'd)

### Authorizing the Transfer of Funds in the 2019 Operations and Maintenance Budget and the Transfer of Funds in the 2019 Capital Budget

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**Division:** Technical Services Division

**Transfer Amount:** \$4,410,000

The transfer is needed to offset the unfavorable variance of \$4,400,413 within the Technical Services Division. The unfavorable variance results primarily from the Office of Contract Compliance cost center and is due to higher than anticipated contract operator costs, permit costs, and the cost center completing more Material Capital Repair and Replacements (MCRR's) than budgeted. In 2019, the number and costs of MCRR's exceeded the 2019 budgeted level because of unplanned needed repairs. These result in a \$4.6 million unfavorable variance in the Office of Contract Compliance cost center which is partially offset by favorable variances in the Division's other cost centers. A transfer of \$4,410,000 is requested from the Unallocated Reserve and Fringe Benefits accounts.

**Division:** Planning, Research, and Sustainability Division

**Transfer Amount:** \$257,000

The transfer is needed to offset the unfavorable variance of \$256,102 within the Planning, Research, and Sustainability Division. In 2019, the Division spent more on O&M funded research projects than originally anticipated. A number of contracts are multiyear and had received no cost time extensions. The extensions spread the cashflow into 2019, which was not anticipated at the time the budget was prepared. The Division also awarded an unbudgeted professional services contract to complete the District's Asset Management Plan. A transfer is requested from the Unallocated Reserve and Fringe Benefits accounts.

**Division:** Legal Services Division

**Transfer Amount:** \$92,000

The transfer is needed to offset the unfavorable variance of \$91,078 within the Legal Services Division. In 2019, additional unbudgeted external counsel services were required to assist in the We Energies rate setting matter. A transfer of \$92,000 is requested from the Unallocated Reserve and Fringe Benefits.

## BACKGROUND

### Authorizing the Transfer of Funds in the 2019 Operations and Maintenance Budget and the Transfer of Funds in the 2019 Capital Budget

#### O&M Transfers

	2019 Adopted Budget	2019 Preliminary Actual	2019 Preliminary Variance	Transfer From	Transfer To	2019 Amended Budget
<b>Commission</b>	\$236,282	\$207,197	\$29,085			\$236,282
<b>Office of Executive Director</b>	\$2,872,288	\$2,773,992	\$98,296			\$2,872,288
<b>Information Technology Services</b>	\$4,888,076	\$4,330,596	\$557,480			\$4,888,076
<b>Legal Services</b>	\$678,786	\$769,864	(\$91,078)		\$92,000	\$770,786
<b>Finance</b>	\$2,280,081	\$1,987,292	\$292,789			\$2,280,081
<b>Technical Services</b>	\$64,728,130	\$69,128,273	(\$4,400,143)		\$4,410,000	\$69,138,130
<b>Planning, Research, &amp; Sustainability</b>	\$2,694,960	\$2,951,062	(\$256,102)		\$257,000	\$2,951,960
<b>Water Quality Protection</b>	\$5,232,412	\$4,515,626	\$716,786			\$5,232,412
<b>Community Outreach &amp; Business Engagement</b>	\$6,715,451	\$6,457,990	\$257,461			\$6,715,451
<b>Fringe Benefits</b>	\$11,726,051	\$9,941,822	\$1,784,229	(\$1,759,000)		\$9,967,051
<b>Unallocated Reserve</b>	\$3,000,000	\$0	\$3,000,000	(\$3,000,000)		\$0
<b>Total</b>	<b>\$105,052,517</b>	<b>\$85,467,330</b>	<b>\$4,297,868</b>	<b>(\$4,759,000)</b>	<b>\$4,759,000</b>	<b>\$105,052,517</b>

In the 2019 Capital Budget, the Watercourse and Flood Management capital account exceeded the budgeted level by \$7.219 million. The unfavorable variance is due primarily to the timing of expenditures and an unbudgeted land purchase. Project W40002, Kinnickinnic River Real Estate Deconstruction/Demolition, completed more construction work than anticipated and project W40009, Jackson Park, had a purchase of a land parcel that was unplanned in 2019. The unfavorable variance does not affect the project's 2020 approved total project cost. These unfavorable variances do not negatively affect the District's Six-year Financing Plan. If approved, \$7.3 million of unspent budgeted funds will be transferred from the Water Reclamation Facilities capital account and the Conveyance Facilities capital account to the Watercourse and Flood Management capital account to offset overruns.

	2019 Adopted Budget	2019 Actual	Year- End Variance	Transfer From	Transfer To	2019 Amended Budget
<b>Water Reclamation Facilities</b>	\$44,898	\$38,155	\$6,743	(\$5,300)		\$32,955
<b>Conveyance Facilities</b>	\$8,055	\$5,641	\$2,414	(\$2,000)		\$3,641
<b>Watercourse &amp; Flood Management Projects</b>	\$14,534	\$21,753	(\$7,219)		\$7,300	\$29,053
<b>Other Projects</b>	\$25,388	\$24,591	\$797			\$24,591
<b>Totals</b>	<b>\$92,875</b>	<b>\$90,140</b>	<b>\$2,735</b>	<b>(\$7,300)</b>	<b>\$7,300</b>	<b>\$90,140</b>

Note, all dollars are in thousands.

## RESOLUTION

Authorizing the Transfer of Funds in the 2019 Operations and Maintenance Budget and the Transfer of Funds in the 2019 Capital Budget

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**RESOLVED**, by the Milwaukee Metropolitan Sewerage Commission, that funds from the 2019 Operations and Maintenance Budget be transferred as follows:

1. A total of \$4,410,000 from Unallocated Reserve and Fringe Benefits to the Technical Services Division;
2. A total of \$257,000 from Unallocated Reserve and Fringe Benefits to the Planning, Research, and Sustainability Division;
3. A total of \$92,000 from Unallocated Reserve and Fringe Benefits to the Legal Services Division,

and that funds from the 2019 Capital Budget are transferred as follows:

4. A total of \$7.3 million from the the Water Reclamation Facilities capital account and the Conveyance Facilities capital account to the Watercourse and Flood Management capital account.