

Memo

To: Village Board
Fr: Craig Berndt
Re: GBMSD 2015 Rate Presentation
Date: November 18, 2014

This information is in regard to the proposed 2015 rate increase from the Green Bay Metro Sewerage District.

A one-page GBMSD flyer on the sewer rate is attached.

Attached is the October 13, 2014, DPW letter to GBMSD on the 2015 budget. The key points in this letter are:

1. Include a customer meeting on the proposed GBMSD budget each year.
2. Part of the justification for the rate increases in 2012/2013/2014 was to accumulate funds to offset borrowing for the R2E2 project. Unfortunately, only a portion of the budgeted funds have actually been set aside in a reserve fund. This is of concern because it means more funds must be borrowed in the future.
3. GBMSD is asked to be frugal with our money and be as thrifty as the municipalities are when budgeting.

The R2E2 Project Funding Set-Asides memo was to further explain the questions regarding the R2E2 reserve funds.

The GBMSD response letter dated October 21, 2014 covers the response to the DPW's questions and comments. A couple comments:

1. A rate stabilization fund, recommended by the DPW's in the past, has been established with some funds in reserve.
2. An annual capital project fund with a fixed annual funding level was recommended by the DPW's and GBMSD plans to implement this fund in 2017.

This information is provided to help understand the GBMSD budget process and proposed rate increase for 2015.

NEW Water 2015 Budget Information

Who is NEW Water?

Round-the-Clock Water Stewards. NEW Water is the brand of the Green Bay Metropolitan Sewerage District, and has been proudly serving the greater Green Bay community since 1931. NEW Water treats on average 38 million gallons of water per day, maintains 110 miles of sewer pipes across a 285-square mile service area, to 219,000 residents. NEW Water is a wholesale provider of services to 18 municipal customers.



NEW Water operates 24-7-365, is federally and locally regulated, is capital-intensive, and has a state-certified labor force. NEW Water manages \$300 million in fixed assets, which includes highly complex wastewater treatment machinery, 110 miles of pipes and interceptors, 1,183 manhole structures, which includes air releases, lift stations, wet wells, meter stations, and junction chambers. NEW Water manages nearly 4,000 Diggers Hotline queries annually to help homeowners, businesses, etc., avoid underground sewer pipes during excavations.

What are NEW Water's proposed rates for 2015? Why are rates increasing from last year?

The proposed 2015 budget includes a 9.9% rate increase over the 2014 budget. This equates to a combined municipal rate of \$2.89 per thousand gallons. The projected 2015 budget is \$34.8 million, with 55% earmarked for operating & maintenance, and 45% to capital and debt service.

The main drivers for this increased rate are: debt service for the new solids handling facility, Resource Recovery and Electrical Energy (R2E2) project; other capital projects including a Green Bay Disinfection System; a decrease in customer loadings including a 10% reduction in Biochemical Oxygen Demand, resulting in cost sharing amongst fewer customers; and compliance with the new Wisconsin Pollutant Discharge Elimination System permit.

The 2015 budget also reflects a lack of government subsidies, which the community once enjoyed: 70% of the Green Bay Facility was paid for by Clean Water Act grants. Nowadays, 100% of capital projects are funded locally. Cost savings and efficiencies are continually sought and implemented by NEW Water, including Lean projects and working with governmental entities to find cost-effective solutions to regulatory requirements. NEW Water will continue to look for the most cost-effective ways to provide the reliable, round-the-clock service customers have come to expect.

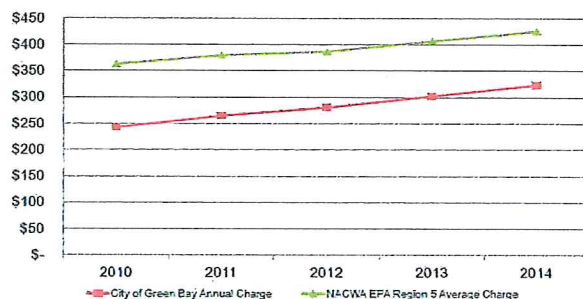
What is the R2E2 Project? How much will it cost?

R2E2 is an energy-forward solution to NEW Water's solids handling needs: the facility will replace aging infrastructure, comply with increased environmental regulations, and meet needs for increased capacity. The project will harness thermal processing and heat recovery for electricity, resulting in an estimated 50% in energy savings. Groundbreaking is scheduled for 2015, and project completion in 2018. Projected cost is approximately \$147 million.

How do NEW Water's rates compare with the region?

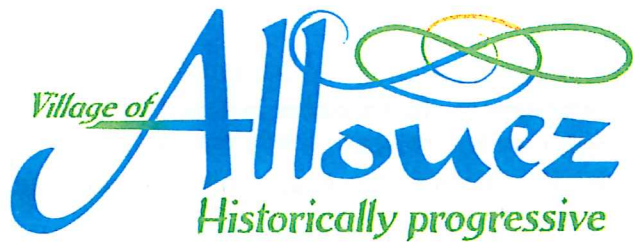
NEW Water's rates fall below the regional average (Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin), see graphic at right.

NEW Water Sewer Service Charge Comparison



How can I get more information?

Please visit our website: www.newwater.us



Allouez Village Hall • 1900 Libal Street • Green Bay, WI 54301-2453 • (920) 448-2800 • Fax (920) 448-2850
www.villageofallouez.com

Mr. Thomas Sigmund, Executive Director
Green Bay Metropolitan Sewerage District
2231 North Quincy Street
Green Bay, WI 54302

October 13, 2014

RE: Proposed NEW Water (GBMSD) 2015 Budget
Green Bay Public Works Directors Comments

Dear Mr. Sigmund;

This correspondence is in regard to the proposed GBMSD 2015 budget dated August 27, 2014.

The following comments are on behalf of the Green Bay Area Public Works Directors regarding the proposed 2015 GBMSD budget.

GBMSD Customer Involvement

The Public Works Directors appreciate the efforts of Mr. Sigmund and the GBMSD staff to involve customers in the various projects over the past 3 years. These projects include the R2E2 design and construction, the Billing Methodology project, and the Billing Procedures development. We feel that this collective team approach results in the best decisions for all parties, and enhances customer support of the projects. Please continue to approach projects in this manner.

We ask that the Customer Update meetings continue, and that a September meeting be held annually to review the proposed GBMSD budget with customers.

Customer Goal for GBMSD Annual Budgeting

The customer goal for GBMSD is to budget in a manner similar to how the municipalities must budget—spend wisely; budget only for what is needed; budget only for tasks and projects that will be completed in the budget year; and show good fiscal responsibility to customers. We believe that GBMSD is moving in this direction with its budgeting.

It would be helpful for GBMSD to discuss with customers some details of the internal budget deliberations and evaluation to better understand the proposed annual budget.

Craig

GBMSD Budget Variances

There appear to be some budget variances in the 2013 and 2014 to date budgets, particularly in revenue. Please provide further information on the variances in actual revenues and expenses, and where any excess revenue (which may be intended for R2E2 debt service) has been allocated. A simple summary of this is sufficient. The goal is to better understand how each budget year ended and amount of funds allocated to R2E2.

Based on more recent information provided by yourself, a contribution was not made to the R2E2 debt reserve fund in 2012 but was planned. For 2013 only about half of the planned R2E2 reserve fund was allocated to the fund. We are concerned that the sewer rate increases were in part justified by the R2E2 debt service set-asides, which have not materialized to the planned extent. This will result in future debt costs that would not otherwise be incurred. We recognize part of the reason is the decrease in BOD plant loading.

2012 none
2013
\$1.67 M
vs \$3.6M
planned.
BOD loading
decrease
years
2014
\$2.4M
plan

R2E2 Debt Service and Rate Impact

Please provide an update of the expected rate increases due to R2E2 debt service and the years remaining for these rate increases. The projected fixed charge to customers for debt service is also requested to assist customers planning for this charge in their rate structure.

Proposed 2015 Budget Operation and Maintenance Costs

The following comments or questions are regarding the proposed 2015 GBMSD budget.

1. GBMSD has noted that the budgeted electrical power cost will be decreased if the WPS rate increase is less than the requested. It is assumed that the electrical rate increase will be less than the 5.6% WPS request and a lower budget power cost will result.
2. Please provide information on the increase of approximately \$900,000 over the budget annual capital cost of \$2,009,400 for 2014 (page 2 of the draft budget). Is this a project carryover from 2013?
3. It would be useful to include the 2013 actual revenue and expenditures as a column in the 2015 budget summary on page 2. This would help with understanding the 2015 budget as actual expenditures for a full year can be compared. Please provide the 2013 actual revenue and expenses information for our information.
4. What is the fund balance in the rate stabilization reserve fund as of the end of 2013 and projected for 2014?
5. The fund balance for the rate increase mitigation reserve is shown as zero. Has this fund balance been zero since its inception?
6. It appears that some reduction in conferences and training has been implemented, and we concur with a focused approach to training needs but also as cost conservative as possible. This comment is made based on no WEFTEC conference attendees and limited commissioner attendance at conferences. However, should the training budget cost be somewhat lower given these changes?
7. Contracted services is budgeted at slightly less than 2014. We still suggest that GBMSD consider a fixed annual capital funding amount with leveling of costs via an annual capital fund with a fund balance. If this can be implemented this might level this cost and rate impact to a greater extent.

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The Public Works Directors are concerned that the proposed 11% rate increase for 2015 has a significant financial impact on our residents. Please continue to scrutinize the GBMSD budget expenditures to minimize the rate increase to the extent possible.

Please feel free to contact the either of us should you have questions or wish to discuss this letter further.

Sincerely,



Craig L. Berndt, P.E.
Director, Public Works
Village of Allouez



Doug Martin
Director, Public Works
Village of Ashwaubenon

VILLAGE OF ALLOUEZ

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Department of Public Works

R2E2 Project Funding Set-Asides

The following information is in regard to the question of budgeted funds planned to be put in reserve for the R2E2 project in the 2012/2013 GBMSD budgets and the GBMSD letter dated October 3, 2014 addressing this question. We have reviewed the letter response and have the following comments and questions. Please recognize that our comments are from an engineering perspective, not from an accounting perspective thus there are most likely appropriate answers to these questions that we have not identified.

1. The GBMSD 2013 Adopted Budget dated November 28, 2012, on page 2 includes an ICR Reserve Transfer of \$2,945,713 as revenue, for total revenue of \$32,776,461. See attached Item A.

The adopted budget page 2 also includes an R2E2 Construction (Rate Stabilization) expense of \$3,600,000 for a Total Debt Service and Annual Capital of \$12,966,359 and Total Expenses of \$32,776,461.

2. In review of the October 3rd letter, GBMSD provided the audited 2013 Income Statement (attached Item B). This income statement does not appear in the GBMSD 2013 Financial Statement available on the GBMSD website.
3. Comparing the audited 2013 Income Statement (Item B) "Budget 2013" column to the adopted 2013 budget (Item A), the audit report Income Statement "Budget 2013" and "Actual 2013" do not include the ICR Reserve Transfer of \$2,945,713 or the R2E2 Rate Stabilization of \$3,600,000. It is not clear to us why these two significant revenue and cost items are not included in the audited Income Statement summary (Item B). There is no explanation of this change in the 2013 Financial Statement. As a result, the Total Revenues and the Total Expenses between these two documents do not agree.
4. In reviewing the 2013 Income Statement (Item B) the following questions arise:
 - a. An expense for the R2E2 reserve fund does not show up. It would seem that it should.
 - b. The Total Operating Revenue for 2013 was close to budget at \$130,788 less. It appears that there was not a significant revenue shortfall responsible for not allocating sufficient funds to R2E2.
 - c. The Total Operating Expenses for 2013 was below budget by \$1,537,339. This does not appear to be a factor in allocating funds to R2E2.

- d. A shortfall in Net Income does not appear to contribute to reduced funds for R2E2 because the budgeted Net Income for 2013 was \$1,940,858, which is much lower than the original adopted budget amount of \$3,600,000. Where was the \$3,600,000 budgeted in the audited income statement?
- e. It appears that the budgeted Depreciation for 2013 was underestimated by a large amount, and the estimated Interest Income was over budgeted—both of which reduced the Net Income for 2013. One would think that these should have been more accurate budget numbers.

Bottom line is that we do not see why the allocation to the R2E2 project did not occur. We do believe there is more information that would explain this but we do not see it in the information we have.

Our concern is that the rate increases to date—targeted to the R2E2 reserves—have not materialized to the extent planned. This could have a financial impact on the GBMSD customers.

ITEM A

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
2013 Budget - Adopted 11-28-2012
SUMMARY OF REVENUES AND EXPENSES

REVENUES	2012	% of Overall	2013	% of Overall	2012 & 2013 Budget	
	BUDGET	REVENUES	BUDGET	REVENUES	Favorable/(Unfavorable)	VARIANCE
MUNICIPAL USER FEES	25,158,129	77.9%	26,653,608	81.3%	1,495,479	5.9%
MILL USER FEES	1,096,508	3.4%	1,165,497	3.6%	68,989	6.3%
MILL DIRECT CHARGES	122,899	0.4%	151,683	0.5%	28,784	23.4%
MILL CAPITAL CHARGES (1)	1,397,252	4.3%	1,531,275	4.7%	134,023	9.6%
GENERAL RESERVE INTEREST	11,003	0.0%	6,210	0.0%	(4,793)	-43.6%
OTHER REVENUES	362,887	1.1%	322,475	1.0%	(40,412)	-11.1%
	\$ 28,148,678	87.1%	\$ 29,830,747	91.0%	\$ 1,682,069	6.0%
RATE STABILIZATION RESERVE TRANSFERS	42,000	0.1%	-	0.0%	(42,000)	-100.0%
ICR RESERVE TRANSFERS	3,950,599	12.2%	2,945,713	9.0%	(1,004,886)	-25.4%
PERF RESERVE TRANSFERS	165,960	0.5%	-	0.0%	(165,960)	-100.0%
GENERAL FUND TRANSFERS	-	-	-	0.0%	-	100.0%
TOTAL REVENUES	\$ 32,307,237	100.0%	\$ 32,776,461	100.0%	\$ 469,223	1.5%
EXPENSES	2012	% of Overall	2013	% of Overall	2012 & 2013 Budget	
	BUDGET	EXPENSES	BUDGET	EXPENSES	Favorable/(Unfavorable)	VARIANCE
SALARIES & BENEFITS	9,190,405	28.4%	9,667,173	29.5%	(476,768)	-5.2%
POWER	2,840,539	8.8%	2,599,489	7.9%	241,050	8.5%
CONTRACTED SERVICES	1,878,324	5.8%	1,807,414	5.5%	70,910	3.8%
MAINTENANCE & REPAIRS	1,284,449	4.0%	1,556,511	4.7%	(272,062)	-21.2%
CHEMICALS	719,388	2.2%	671,171	2.0%	48,217	6.7%
NATURAL GAS & FUEL OIL	1,463,540	4.5%	1,325,095	4.0%	138,445	9.5%
SOLID WASTE DISPOSAL	566,196	1.8%	385,638	1.2%	180,558	31.9%
INTERCEPTOR SYSTEM (2)	840,350	2.6%	707,477	2.2%	132,873	15.8%
OFFICE & ADMINISTRATIVE	380,389	1.2%	403,681	1.2%	(23,292)	-6.1%
INSURANCE	172,386	0.5%	175,692	0.5%	(3,306)	-1.9%
SUPPLIES	141,644	0.4%	156,998	0.5%	(15,354)	-10.8%
EMPLOYEE TRAINING & DEVELOPMENT	131,058	0.4%	119,077	0.4%	11,981	9.1%
TRAVEL AND MEETINGS	79,058	0.7%	82,686	0.6%	(3,628)	-4.6%
DNR ENVIRONMENTAL FEES	148,000	0.5%	152,000	0.5%	(4,000)	-2.7%
TOTAL O & M EXPENSES	\$ 19,835,726	61.8%	\$ 19,810,102	60.8%	\$ 25,624	0.1%
DEBT SERVICE (3)	9,030,429	28.0%	7,453,539	22.7%	1,576,891	17.5%
ANNUAL CAPITAL	1,941,082	6.0%	1,912,820	5.8%	28,262	1.5%
R2E2 CONSTRUCTION (RATE STABILIZATION)	1,500,000	4.6%	3,600,000	11.0%	(2,100,000)	-140.0%
TOTAL DEBT SERVICE AND ANNUAL CAPITAL	\$ 12,471,511	38.6%	\$ 12,966,359	39.6%	\$ (494,847)	-4.0%
TOTAL EXPENSES	\$ 32,307,237	100%	\$ 32,776,461	100%	\$ (469,223)	-1.5%

Notes:

(1) Includes Fox River Fiber Capital Cost.

(2) Interceptor System includes all expenses related to Interceptors, Meter and Lift Stations, including chemicals, power, phones, pretreatment program and water.

(3) Debt Service for 2012 reflects collection and payments for 2013 Debt Payments.

Item 5

**NEW Water
Green Bay Metropolitan Sewerage District
INCOME STATEMENT
For the Twelve Months Ending December 31, 2013**

Audited 05-09-2014

	Current Month			Year to Date			
	Budget 2013	Actual 2013	Budget vs. Actual Favorable/ (Unfavorable)	Budget 2013	Actual 2013	Budget vs. Actual Favorable/ (Unfavorable)	Actual 2012
Operating Revenues							
User Fees - Municipal Waste	\$ 2,025,360	\$ 2,000,219	\$ (25,141)	\$ 26,098,560	\$ 25,606,909	\$ (491,651)	\$ 22,745,420
User Fees - Mill Waste	107,964	104,233	(3,730)	1,317,181	1,152,849	(164,332)	1,257,107
Capital and Direct Revenue - Mills	-	-	-	1,135,259	1,135,259	-	1,158,473
Other Revenues	55,403	24,041	(31,362)	901,327	1,426,522	525,195	809,228
Total Operating Revenues	\$ 2,188,727	\$ 2,128,493	\$ (60,234)	\$ 29,452,327	\$ 29,321,539	\$ (130,788)	\$ 25,970,229
Operating Expenses							
Salaries	\$ 689,554	\$ 673,980	\$ 15,573	\$ 6,948,382	\$ 6,727,917	\$ 220,465	\$ 6,658,140
Benefits	259,580	335,884	(76,303)	2,796,464	2,756,681	39,783	2,529,797
Employee Development	10,164	12,902	(2,738)	122,577	108,919	13,658	87,050
Travel and Meetings	1,502	2,631	(1,129)	92,550	59,707	32,843	49,751
Power	222,366	190,710	31,656	2,668,664	2,375,661	293,003	2,277,060
Natural Gas & Fuel Oil	161,095	151,898	9,197	1,325,095	1,310,263	14,832	1,116,351
Chemicals	58,798	5,027	53,771	946,371	479,759	466,612	687,751
Maintenance - Plant	76,157	118,073	(41,916)	1,382,271	1,423,233	(40,962)	1,282,109
Maintenance - Interceptors	15,726	22,403	(6,677)	318,442	295,947	22,495	395,980
Contracted Services	85,354	266,372	(181,018)	1,977,714	1,723,366	254,348	1,456,654
Insurance	14,961	16,989	(2,028)	175,692	193,419	(17,727)	162,946
Solid Waste Disposal	29,516	24,668	4,848	385,638	245,785	139,853	164,284
Office Related Expenses	34,382	31,832	2,550	336,360	303,639	32,721	277,201
Supplementary Expenses	32,327	35,212	(2,885)	411,555	346,139	65,416	345,512
(See Legend)							
Total Operating Expenses	\$ 1,691,482	\$ 1,888,582	\$ (197,100)	\$ 19,887,775	\$ 18,350,435	\$ 1,537,339	\$ 17,492,585
Operating Income	\$ 497,245	\$ 239,911	\$ (257,334)	\$ 9,564,552	\$ 10,971,103	\$ 1,406,551	\$ 8,477,643
Non-Operating Revenues and Expenses							
Investment Income	\$ 58,985	\$ (459,729)	\$ (518,714)	\$ 1,015,874	\$ 328,760	\$ (687,114)	\$ 827,897
Depreciation	(505,329)	(1,753,254)	(1,247,925)	(6,063,926)	(7,311,851)	(1,247,925)	(6,312,357)
Gain (Loss) on Disposal of Fixed Assets	-	(281,113)	(281,113)	-	(281,113)	(281,113)	(1,058,481)
Interest Expense	(214,646)	(20,916)	193,730	(2,575,642)	(2,040,006)	535,636	(1,971,778)
Total Non-Operating Revenues and Expenses	\$ (660,990)	\$ (2,515,012)	\$ (1,854,021)	\$ (7,623,694)	\$ (9,304,210)	\$ (1,680,516)	\$ (8,514,719)
Net Income (Loss)	\$ (163,746)	\$ (2,275,101)	\$ (2,111,355)	\$ 1,940,858	\$ 1,666,893	\$ (273,965)	\$ (37,076)

Note: Please reference attached legends by categories.

Executive Director
Thomas W. Sigmund, P.E.
Commissioners
Kathryn Hasselblad, President
James Blumreich, Secretary
Thomas P. Meinz, Vice President
Mark D. Tumpach, Vice President
Lee D. Hoffmann, Vice President



October 21, 2014

Mr. Craig Berndt, P.E.
Director, Public Works
Village of Allouez
1900 Libal Street
Green Bay, WI 54301-2453

Mr. Doug Martin
Director, Public Works
Village of Ashwaubenon
2155 Holmgren Way
Ashwaubenon, WI 54304-4605

RE: Response to Letter Dated October 13, 2014 on Proposed NEW Water 2015 Budget, Green Bay Public Works Directors Comments

Dear Craig and Doug:

Thank you for your correspondence dated October 13, 2014 regarding NEW Water's proposed 2015 budget. NEW Water appreciates the interest and involvement of its customers in the various projects it undertakes as well as the financial aspects of the operation. Your involvement has improved NEW Water's overall operation.

NEW Water keeps service to its customers in mind during development of the annual budget as well as throughout the year in the day to day operation of this valuable community resource. NEW Water continually benchmarks its activities with peer utilities to ensure that its facilities, staff, and operations represent the best that the Clean Water Industry has to offer. NEW Water scrutinizes its budget process and expenditures to make sure it delivers high performance combined with fiscal responsibility.

NEW Water has addressed your questions regarding NEW Water's proposed 2015 budget, as follows:

NEW Water Budget Variances

In 2013 NEW Water budgeted for \$29,452,327 of operating revenue and actually received \$29,321,539, which was 99.6% of budget. Operating expenses in 2013 were 7.7% below budget. When combined with Non-Operating Revenues and Expenses, NEW Water had \$1,666,896 of Net Income for 2013. That entire amount was credited to the Capital R2E2 Rate Stabilization Reserve account.

NEW Water budget performance January through September 2014 for both operating revenue and expenses has been favorable to budget. Operating revenue year to date is 9% over budget and operating expense is 7% under budget. NEW Water forecasts operating income to be favorable to budget at year-end, but not as favorable as it has been through September.

As discussed in a letter on October 3 and an e-mail on October 7, Net Income or Loss is determined after inclusion of non-operating expenses and income, and is known when the financial audit is complete at the end of April. Actual



Mr. Craig Berndt
Mr. Doug Martin
October 21, 2014
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investment income, depreciation, gain or loss on disposal of fixed assets, and interest expenses will impact Net Income before Capital Contributions for a given year.

It is anticipated that the eventual debt service for the R2E2 project will be about \$11.0 million per year. In order to avoid a very large rate increase in a given year, rates have been increased each year (specifically on biochemical oxygen demand (BOD) and total suspended solids (TSS), the primary cost functions of the R2E2 project) in order to meet the eventual debt service obligation, with any excess amount designated to be deposited in the Capital R2E2 Rate Stabilization reserve account to be used in later years to offset debt service increases for the project. Net Income determined by the annual audit did not allow for any contribution to the R2E2 reserve in 2012 but did allow for about 46% of the \$3.6 million amount identified to be contributed in 2013. While the reserve did not increase as much as projected, the steady increase in the user charge rate to fund the eventual debt service amount did occur.

R2E2 Debt Service and Rate impact

During informational meetings for the R2E2 project in 2012, it was proposed that overall rate increases of 9-10% per year would be needed for budget years 2013 through 2016. That estimate assumed no changes in budgeted flows and loadings. Unanticipated decreases in budgeted flow and BOD loadings occurred in 2013 and 2014 and decreases in BOD and TSS loadings are projected for 2015. These reductions have made it difficult to maintain the previous projections. NEW Water anticipates a 9-10% overall rate increase in 2016 and 2017 (assuming flows and loads stabilize), but does anticipate a significant reduction in the impact of the R2E2 project on NEW Water's budget beginning in 2018.

Proposed 2015 Budget Operation and Maintenance Costs

Question 2: At the time of the August 27, 2014 draft budget proposal, it was estimated that Annual Capital expenditures in 2014 would exceed the budgeted amount by about \$900,000. The revised budget proposal to be presented to the Commission on October 22 estimates that Annual Capital expenses in 2014 will exceed the budget by about \$60,000. Both estimates were influenced by the timing of the start and completion of capital projects.

Question 3: Enclosed is the income statement for 2013 showing actual revenue and expenses for your use in comparison to the 2014 and 2015 budget.

Question 4: NEW Water's Rate Stabilization Reserve (including the Capital R2E2 Rate Stabilization Reserve amount) was \$1,017,000 at the end of 2013 and is expected to be \$2,685,000 at the end of 2014. The changes over the two years are due to the addition of the R2E2 rate stabilization amount from 2013 and the minimal investment returns earned on the reserve amount.

Question 5: The line item called out on the August 27 draft budget proposal under Expenses as *Rate Increase Mitigation Reserve*, was intended as a place holder to show any use of reserves to offset expenses. That line item has been removed from the most recent version of the budget, since use of any reserve in the future will show up as a transfer under the Revenues category. NEW Water does not have a separate Rate Increase Mitigation Reserve, only a Rate Stabilization Reserve and Capital R2E2 Rate Stabilization Reserve.

Question 6: NEW Water continues to provide its staff necessary continuing education and training in a focused and cost-effective manner. Staff will continue to attend the valuable WEFTEC Conference in 2015. Since the conference is in Chicago in 2015, travel costs are significantly reduced.

Question 7: NEW Water staff intends to propose establishing a Capital Project Reserve that can be used to accumulate funds for future budgeted capital projects and mitigate some of the variations on the rate that come from

Mr. Craig Berndt
Mr. Doug Martin
October 21, 2014
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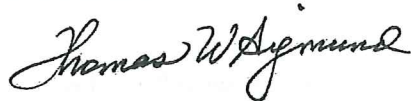
funding large capital projects. That reserve will likely be proposed to the Commission in 2017 to be established in 2018 after the financial impacts of the R2E2 Project have stabilized.

NEW Water proposes an overall 9.8% increase in the combined rate for 2015.

Please contact me if you have additional questions or comments.

Sincerely,

**GREEN BAY METROPOLITAN
SEWERAGE DISTRICT**

A handwritten signature in cursive script that reads "Thomas W. Sigmund".

Thomas W. Sigmund, P.E.
Executive Director

Enclosure

NEW Water
Green Bay Metropolitan Sewerage District
INCOME STATEMENT
For the Twelve Months Ending December 31, 2013

Audited 05-09-2014

	Current Month			Year to Date			
	Budget 2013	Actual 2013	Budget vs. Actual Favorable/ (Unfavorable)	Budget 2013	Actual 2013	Budget vs. Actual Favorable/ (Unfavorable)	Actual 2012
Operating Revenues							
User Fees - Municipal Waste	\$ 2,025,360	\$ 2,000,219	\$ (25,141)	\$ 26,098,560	\$ 25,606,909	\$ (491,651)	\$ 22,745,420
User Fees - Mill Waste	107,964	104,233	(3,730)	1,317,181	1,152,849	(164,332)	1,257,107
Capital and Direct Revenue - Mills	-	-	-	1,135,259	1,135,259	-	1,158,473
Other Revenues	55,403	24,041	(31,362)	901,327	1,426,522	525,195	809,228
Total Operating Revenues	\$ 2,188,727	\$ 2,128,493	\$ (60,234)	\$ 29,452,327	\$ 29,321,539	\$ (130,788)	\$ 25,970,229
Operating Expenses							
Salaries	\$ 689,554	\$ 673,980	\$ 15,573	\$ 6,948,382	\$ 6,727,917	\$ 220,465	\$ 6,658,140
Benefits	259,580	335,884	(76,303)	2,796,464	2,756,681	39,783	2,529,797
Employee Development	10,164	12,902	(2,738)	122,577	108,919	13,658	87,050
Travel and Meetings	1,502	2,631	(1,129)	92,550	59,707	32,843	49,751
Power	222,366	190,710	31,656	2,668,664	2,375,661	293,003	2,277,060
Natural Gas & Fuel Oil	161,095	151,898	9,197	1,325,095	1,310,263	14,832	1,116,351
Chemicals	58,798	5,027	53,771	946,371	479,759	466,612	687,751
Maintenance - Plant	76,157	118,073	(41,916)	1,382,271	1,423,233	(40,962)	1,282,109
Maintenance - Interceptors	15,726	22,403	(6,677)	318,442	295,947	22,495	395,980
Contracted Services	85,354	266,372	(181,018)	1,977,714	1,723,366	254,348	1,458,654
Insurance	14,961	16,989	(2,028)	175,692	193,419	(17,727)	162,946
Solid Waste Disposal	29,516	24,668	4,848	385,638	245,785	139,853	164,284
Office Related Expenses	34,382	31,832	2,550	336,360	303,639	32,721	277,201
Supplementary Expenses	32,327	35,212	(2,885)	411,555	346,139	65,416	345,512
(See Legend)							
Total Operating Expenses	\$ 1,691,482	\$ 1,888,582	\$ (197,100)	\$ 19,887,775	\$ 18,350,435	\$ 1,537,339	\$ 17,492,585
Operating Income	\$ 497,245	\$ 239,911	\$ (257,334)	\$ 9,564,552	\$ 10,971,103	\$ 1,406,551	\$ 8,477,643
Non-Operating Revenues and Expenses							
Investment Income	\$ 58,985	\$ (459,729)	\$ (518,714)	\$ 1,015,874	\$ 328,760	\$ (687,114)	\$ 827,897
Depreciation	(505,329)	(1,753,254)	(1,247,925)	(6,063,926)	(7,311,851)	(1,247,925)	(6,312,357)
Gain (Loss) on Disposal of Fixed Assets	-	(281,113)	(281,113)	-	(281,113)	(281,113)	(1,058,481)
Interest Expense	(214,646)	(20,916)	193,730	(2,575,642)	(2,040,006)	535,636	(1,971,778)
Total Non-Operating Revenues and Expenses	\$ (660,990)	\$ (2,515,012)	\$ (1,854,021)	\$ (7,623,694)	\$ (9,304,210)	\$ (1,680,516)	\$ (8,514,719)
Net Income (Loss)	\$ (163,746)	\$ (2,275,101)	\$ (2,111,355)	\$ 1,940,858	\$ 1,666,893	\$ (273,965)	\$ (37,076)

Note: Please reference attached legends by categories.

