



**COMMISSION FILE NO:** 24-134-10      **DATE INTRODUCED:** October 14, 2024

**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:**                      Adopting the Capital Budget for the 2025 Fiscal Year

**SUMMARY:**

The Commission is asked to consider the 2025 Proposed Capital Budget. In accordance with Commission Policy 1-15.02, Capital Budget, the Commission is asked to approve the following three items:

1. Total Project Cost – The 2025 Proposed Capital Budget includes total project cost estimates totaling ~~\$3,523,631,992~~\$3,501,748,992 for 269 capital projects that are currently active in 2024 or expected to be active during 2025.
2. 2025 Annual Capital Budget – The 2025 Proposed Capital Budget anticipates capital project, capital program, and debt service expenditures of \$308,830,000. These expenditures will be funded from the property tax levy of \$115,771,773, federal and state aid and grants, proceeds from state loans, non-member billings, interest, other income, District bonds, and available funds on hand totaling \$193,058,000.
3. The 10-year Long-range Financing Plan – The Long-range Financing Plan estimates \$1,978,515,000 in capital project and capital program expenditures and \$1,340,579,000 in debt service expenditures for a combined total of \$3,319,094,000 in capital expenditures from 2025 through 2034. The capital expenditures are expected to be funded from \$1,407,860,000 in tax levies; \$337,961,000 in non-member billings; \$654,000,000 in District-issued general obligation bonds and notes; \$831,000,000 in Clean Water Fund state loans; \$33,387,000 in Water Infrastructure Financing and Innovation Act loans; \$55,461,000 in federal and state aid and grants; \$17,720,000 in interest and other income; and \$18,295,000 in use of available funds on hand for a combined total of \$3,319,094,000.

**ATTACHMENTS:**    **BACKGROUND**       **KEY ISSUES**       **RESOLUTION**

**FISCAL NOTE**     **S/W/MBE**     **OTHER**  2025 Proposed Capital Budget; 2025 Proposed Long-Range Financing Plan; 2025 Total Project Cost List

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09-17-24*

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

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

## SUMMARY (Cont'd)

### Adopting the Capital Budget for the 2025 Fiscal Year

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#### Total Project Cost Summary

The total project cost of projects included in the Executive Director's 2025 Proposed Capital Budget is ~~\$3,523,631,992~~~~\$3,501,748,992~~ for capital expenditures related to 269 capital projects. The total project cost includes the current estimate of total spending which may include prior expenditures and outyears' expenditures. Total project cost schedules for each capital account are summarized as follows:

- \$1,532,405,469 for 100 projects in Water Reclamation Facilities;
- ~~\$434,685,291~~~~\$412,802,291~~ for 48 projects in Conveyance;
- \$942,615,179 for 61 projects in Watercourse and Flood Management; and
- \$613,926,053 for 60 projects in other projects and programs.

#### Annual Capital Budget Summary

The Executive Director's 2025 Proposed Capital Budget of \$308,830,000 includes the following expenditures for capital projects and capital programs:

- \$55,518,000 for Water Reclamation Facilities projects;
- \$38,721,000 for Conveyance projects;
- \$33,933,000 for Watercourse and Flood Management projects;
- \$80,043,000 for other projects; and
- \$100,615,000 for debt service.

Note, the sum of rounded components may not equal the total due to rounding.

Sources of funds for the \$308,830,000 in capital budget expenditures in the 2025 fiscal year are as follows:

- \$115,771,773 in tax levy;
- \$27,975,000 in non-member billings;
- \$55,000,000 in State Clean Water Fund loans;
- \$96,000,000 in General Obligation Bonds;
- \$28,645,000 in Water Infrastructure Financing and Innovation Act loans;
- \$7,483,000 in federal and state aid and grants; and
- \$1,710,000 in interest and other income.

The 2025 Capital Budget also includes \$23,755,000 in additions to available funds. Total available funds on hand at the beginning of the 2025 fiscal year are estimated at \$38.4 million.

## BACKGROUND

### Adopting the Capital Budget for the 2025 Fiscal Year

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The proposed property tax levy for 2025 of \$115,771,773 represents a three percent increase over the tax levy for the 2024 Capital Budget. The proposed levy yields a rate of \$1.24 per \$1,000 of equalized property value for member communities, a decrease of 3.13% from the 2024 tax rate of \$1.28 per \$1,000 of equalized property value.

#### **10-year Long-range Financing Plan Summary**

The 2025 Proposed Capital Budget Long-range Financing Plan achieves the District's financing objectives:

- Cash financing of at least 20%. From 2025 through 2034, an average of 23% of capital project expenditures are projected to be cash financed with the remaining 77% financed from debt.
- Outstanding debt no more than 2.5% of equalized value. In the Long-range Financing Plan, outstanding general obligation debt at yearend is projected to increase from \$795.1 million at the end of 2024 to \$868.3 million at the end of 2025, estimated to be 0.93% of the District's equalized property value. After 2025, outstanding general obligation debt is projected to increase to \$1.4 billion by the end of 2034, estimated to be 1.25% of the District's equalized property value.

In accordance with Commission Policy 1-15.02, Capital Budget, the Commission is asked to approve the following three items:

1. Total Project Cost – Commission action on the total project cost approves the current estimate for the total project cost for each project active in 2024 and 2025. Inflation estimates, allowance accounts, capital programs, risk management program, financial planning, and debt service capital program support expenditures are not included, as they are ongoing capital expenditures without a discrete end date. The completion of the work in the total project cost estimate may span more than one year.
2. The 2025 Annual Capital Budget – Commission action on the Capital Budget sets the property tax levy and other sources of funds for the current year's capital expenditures.
3. 10-year Long-range Financing Plan – Commission action on the Long-range Financing Plan approves the financial plan for outyears' capital financing and capital expenditures for planning purposes.

## RESOLUTION

### Adopting the Capital Budget for the 2025 Fiscal Year

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**RESOLVED**, by the Milwaukee Metropolitan Sewerage Commission, that the Executive Director's 2025 Proposed Capital Budget, setting forth:

- Total project cost estimates for 269 capital projects totaling ~~\$3,523,631,992~~ \$3,501,748,992;
- Anticipated revenues and available funds of the District for capital purposes of \$193,058,227 and the anticipated capital expenditures of the District of \$308,830,000 resulting in a net local share of \$115,771,773 for the fiscal year ending December 31, 2025; and
- The 10-year Long-range Financing Plan, including \$1,978,515,000 in project expenditures and \$1,340,579,000 in debt service expenditures for a combined total of \$3,319,094,000 in capital expenditures from 2025 through 2034. The capital expenditures are expected to be funded from \$1,407,860,000 in tax levies; \$337,961,000 in non-member billings; \$654,000,000 in District-issued general obligation bonds and notes; \$831,000,000 in Clean Water Fund state loans; \$33,387,000 in Water Infrastructure Financing and Innovation Act loans; \$55,461,000 in federal and state aid and grants; \$17,720,000 in interest and other income; and \$18,295,000 in use of available funds on hand for a combined total of \$3,319,094,000

is hereby adopted.