

COMMISSION FILE NO: 16-133-10 **DATE INTRODUCED:** October 10, 2016

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 2017 Fiscal Year

SUMMARY:

The Commission is asked to consider the 2017 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 2017 Proposed Capital Budget includes Total Project Cost estimates totalling \$1,1697,819,755 for 21009 capital projects that are currently active in 2016 or expected to be active during 2017.
2. 2017 Annual Capital Budget – The 2017 Proposed Capital Budget anticipates capital project, capital program, and debt service expenditures of \$219,233,000. These expenditures will be funded from the property tax levy of \$98,380,000, federal and state aid and grants, proceeds from state loans, non-member billings, interest, other income, District bonds, and available funds on hand totalling \$120,853,000.
3. The Six-year Long-range Financing Plan – The Long-range Financing Plan estimates \$619,723,000 in capital project and capital program expenditures and \$705,306,000 in debt service expenditures for a combined total of \$1,325,030,000 in capital expenditures from 2017 through 2022. The capital expenditures are expected to be funded from \$652,549,000 in tax levies; \$189,774950,000 in non-member billings; \$270,000,000 in District-issued general obligation bonds and notes; \$191,848,000 in state loans; \$9,699,000 in federal and state aid and grants; \$6,338,000 in interest and other income; and \$4,825645,000 in available funds on hand for a combined total of \$1,325,030,000.

ATTACHMENTS: **BACKGROUND** ☒ **KEY ISSUES** ☐ **RESOLUTION** ☒
FISCAL NOTE ☐ **S/W/MBE** ☐ **OTHER** ☒ 2017 Proposed Capital Budget; 2017 Proposed Long-range Financing Plan; 2017 Total Project Cost List

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

SUMMARY (Cont'd)

Adopting the Capital Budget for the 2017 Fiscal Year

Total Project Cost Summary

The total cost of projects included in the Executive Director's 2017 Proposed Capital Budget is \$1,169,819,755 for capital expenditures related to 2,100 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:

- \$349,937,437 for 96 projects in Water Reclamation Facilities;
- \$218,152,355 for 34 projects in Conveyance;
- \$493,334,158 for 424 projects in Watercourse and Flood Management; and
- \$108,395,805 for 38 projects in other projects.

Annual Capital Budget Summary

The Executive Director's 2017 Proposed Capital Budget of \$219,233,000 includes the following expenditures for capital projects and capital programs:

- \$44,937,000 for Water Reclamation Facilities projects;
- \$10,743,000 for Conveyance projects;
- \$11,889,000 for Watercourse and Flood Management projects;
- \$25,029,000 for other projects; and
- \$126,636,000 for debt service

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

\$24,585,000 in Debt Service Funds are available to pay 2017 general obligation debt service, reducing the required 2016 tax levy for 2017 purposes to \$98,380,000.

Sources of funds for the \$219,233,000 in capital budget expenditures in the 2017 fiscal year are as follows:

- \$98,380,000 in tax levy;
- \$30,869,000 in non-member billings;
- \$80,000,000 in District-issued general obligation bonds or notes;
- \$33,820,000 in State Clean Water Fund loans;
- \$1,906,000 in federal and state aid and grants; and
- \$815,000 in interest and other income.

The 2017 Capital Budget also includes addition of \$26,556,000 to available funds for future capital project expenditures. Total available capital funds on hand at the beginning of the 2017 fiscal year are estimated at \$47.6 million.

SUMMARY (Cont'd)

Adopting the Capital Budget for the 2017 Fiscal Year

The proposed property tax levy for 2017 of \$98,380,000 represents a 2.50% increase over the tax levy for the 2016 Capital Budget. The proposed levy yields a rate of \$1.75 per \$1,000 of equalized property value for member communities, an increase of 0.6% from the 2016 tax rate of \$1.74 per \$1,000 of equalized property value.

Six-year Long-range Financing Plan Summary

The 2017 Proposed Capital Budget Long-range Financing Plan achieves the District's financing objectives:

- *Cash financing of at least 25%.* From 2017 through 2022, an average of 25% of capital project expenditures are projected to be cash financed with the remaining 75% 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 \$888.4 million at the end of 2016 to \$907.9 million at the end of 2017, estimated to be 1.54% of the District's equalized property value. After 2017, outstanding general obligation debt is projected to decline to \$829.6 million by the end of 2022, estimated to be 1.21% of the District's equalized property value.

BACKGROUND

Adopting the Capital Budget for the 2017 Fiscal Year

In accordance with Commission Policy 1-15.02, Capital Budget, the Commission will be 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 2016 and 2017. 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 2017 Annual Capital Budget** – Commission action on the Capital Budget sets the property tax level and other sources of funds for the current year's capital expenditures.
3. **Six-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 2017 Fiscal Year

RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that the Executive Director's 2017 Proposed Capital Budget, setting forth:

- Total Project Cost estimates for 2~~10~~⁹⁹ capital projects totalling \$1,16~~97~~⁹⁷,819,755;
- Anticipated revenues and available funds of the District for capital purposes of \$120,853,000 and the anticipated capital expenditures of the District of \$219,233,000 resulting in a net local share of \$98,380,000 for the fiscal year ending December 31, 2017; and
- The Six-year Long-range Financing Plan, including \$619,723,000 in project expenditures and \$705,306,000 in debt service expenditures for a combined total of \$1,325,030,000 in capital expenditures from 2017 through 2022. The capital expenditures are expected to be funded from \$652,549,000 in tax levies; \$189,~~950~~⁷⁷⁴,000 in non-member billings; \$270,000,000 in District-issued General Obligation bonds and notes; \$9,699,000 in federal, state aid and grants; \$191,848,000 in state loans; \$6,338,000 in interest and other income; and \$4,~~825~~⁶⁴⁵,000 in available funds on hand for a combined total of \$1,325,030,000

is hereby adopted.