

COMMISSION FILE NO: 19-143-10 **DATE INTRODUCED:** October 14, 2019

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 2020 Fiscal Year

SUMMARY:

The Commission is asked to consider the 2020 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 2020 Proposed Capital Budget includes total project cost estimates totaling \$1,498,436,015 for 222 capital projects that are currently active in 2019 or expected to be active during 2020.
2. 2020 Annual Capital Budget – The 2020 Proposed Capital Budget anticipates capital project, capital program, and debt service expenditures of \$227,148,000. These expenditures will be funded from the property tax levy of \$101,853,000, federal and state aid and grants, proceeds from state loans, non-member billings, interest, other income, District bonds, and available funds on hand totaling \$162,388,000.
3. The Six-year Long-range Financing Plan – The Long-range Financing Plan estimates \$853,318,000 in capital project and capital program expenditures and \$656,428,000 in debt service expenditures for a combined total of \$1,509,746,000 in capital expenditures from 2020 through 2025. The capital expenditures are expected to be funded from \$675,591,000 in tax levies; \$182,618,000 in non-member billings; \$243,000,000 in District-issued general obligation bonds and notes; \$398,333,000 in state loans; \$17,984,000 in federal and state aid and grants; \$12,305,000 in interest and other income; and \$20,084,000 in additions to available funds on hand for a combined total of \$1,509,746,000.

ATTACHMENTS: **BACKGROUND** ☒ **KEY ISSUES** ☐ **RESOLUTION** ☒
FISCAL NOTE ☐ **S/W/MBE** ☐ **OTHER** ☒ 2020 Proposed Capital Budget; 2020 Proposed Long-range Financing Plan; 2020 Total Project Cost List

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

SUMMARY (Cont'd)

Adopting the Capital Budget for the 2020 Fiscal Year

Total Project Cost Summary

The total cost of projects included in the Executive Director's 2020 Proposed Capital Budget is \$1,498,436,015 for capital expenditures related to 222 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:

\$398,461,148 for 92 projects in Water Reclamation Facilities;
\$225,701,514 for 39 projects in Conveyance;
\$709,602,109 for 57 projects in Watercourse and Flood Management; and
\$164,671,244 for 34 projects in other projects.

Annual Capital Budget Summary

The Executive Director's 2020 Proposed Capital Budget of \$202,374,000 includes the following expenditures for capital projects and capital programs:

\$50,509,000 for Water Reclamation Facilities projects;
\$13,045,000 for Conveyance projects;
\$16,977,000 for Watercourse and Flood Management projects;
\$34,992,000 for other projects; and
\$111,625,000 for debt service.

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

\$6,323,000 in Debt Service Funds are available to pay 2020 general obligation debt service, reducing the required 2019 tax levy for 2020 purposes to \$101,853,000.

Sources of funds for the \$227,148,000 in capital budget expenditures in the 2020 fiscal year are as follows:

\$101,853,000 in tax levy;
\$28,419,000 in non-member billings;
\$49,024,000 in State Clean Water Fund loans;
\$2,419,000 in federal and state aid and grants; and
\$2,526,000 in interest and other income.

The 2020 Capital Budget also includes addition of \$37,093,000 to available funds. Total available capital funds on hand at the beginning of the 2020 fiscal year are estimated at \$41.7 million.

BACKGROUND

Adopting the Capital Budget for the 2020 Fiscal Year

The proposed property tax levy for 2020 of \$101,853,000 represents a 1.75% increase over the tax levy for the 2019 Capital Budget. The proposed levy yields a rate of \$1.65 per \$1,000 of equalized property value for member communities, a decrease of 2.9% from the 2019 tax rate of \$1.69 per \$1,000 of equalized property value.

Six-year Long-range Financing Plan Summary

The 2020 Proposed Capital Budget Long-range Financing Plan achieves the District's financing objectives:

- Cash financing of at least 25%. From 2020 through 2025, 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 year end is projected to increase from \$736.6 million at the end of 2019 to \$779.1 million at the end of 2020, estimated to be 1.23% of the District's equalized property value. After 2020, outstanding general obligation debt is projected to increase to \$883.2 million by the end of 2025, estimated to be 1.27% of the District's equalized property value.

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 2019 and 2020. 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 2020 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. **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 2020 Fiscal Year

RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that the Executive Director's 2020 Proposed Capital Budget, setting forth:

- Total project cost estimates for 222 capital projects totalling \$1,498,436,015;
- Anticipated revenues and available funds of the District for capital purposes of \$162,388,000 and the anticipated capital expenditures of the District of \$227,148,000 resulting in a net local share of \$101,853,000 for the fiscal year ending December 31, 2020; and
- The Six-year Long-range Financing Plan, including \$853,318,000 in project expenditures and \$656,428,000 in debt service expenditures for a combined total of \$1,509,746,000 in capital expenditures from 2020 through 2025. The capital expenditures are expected to be funded from \$675,591,000 in tax levies; \$182,618,000 in non-member billings; \$243,000,000 in District-issued General Obligation bonds and notes; \$398,333,000 in state loans; \$17,984,000 in federal and state aid and grants; \$12,305,000 in interest and other income; and \$20,084,000 in additions to funds on hand for a combined total of \$1,509,746,000

is hereby adopted.