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CAPITAL IMPROVEMENTS PLAN

DRAFT JUNE 25, 2020

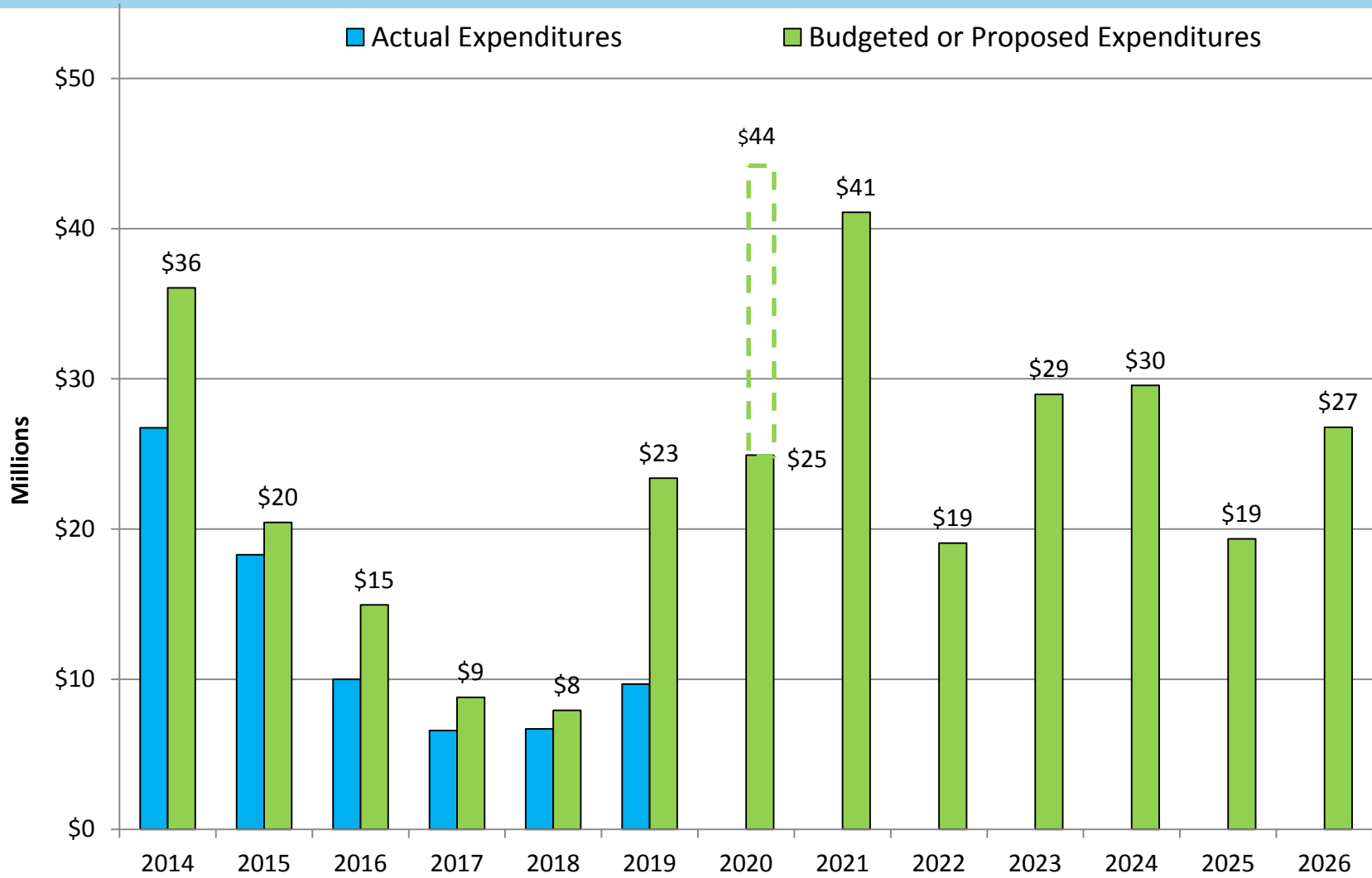


Topics

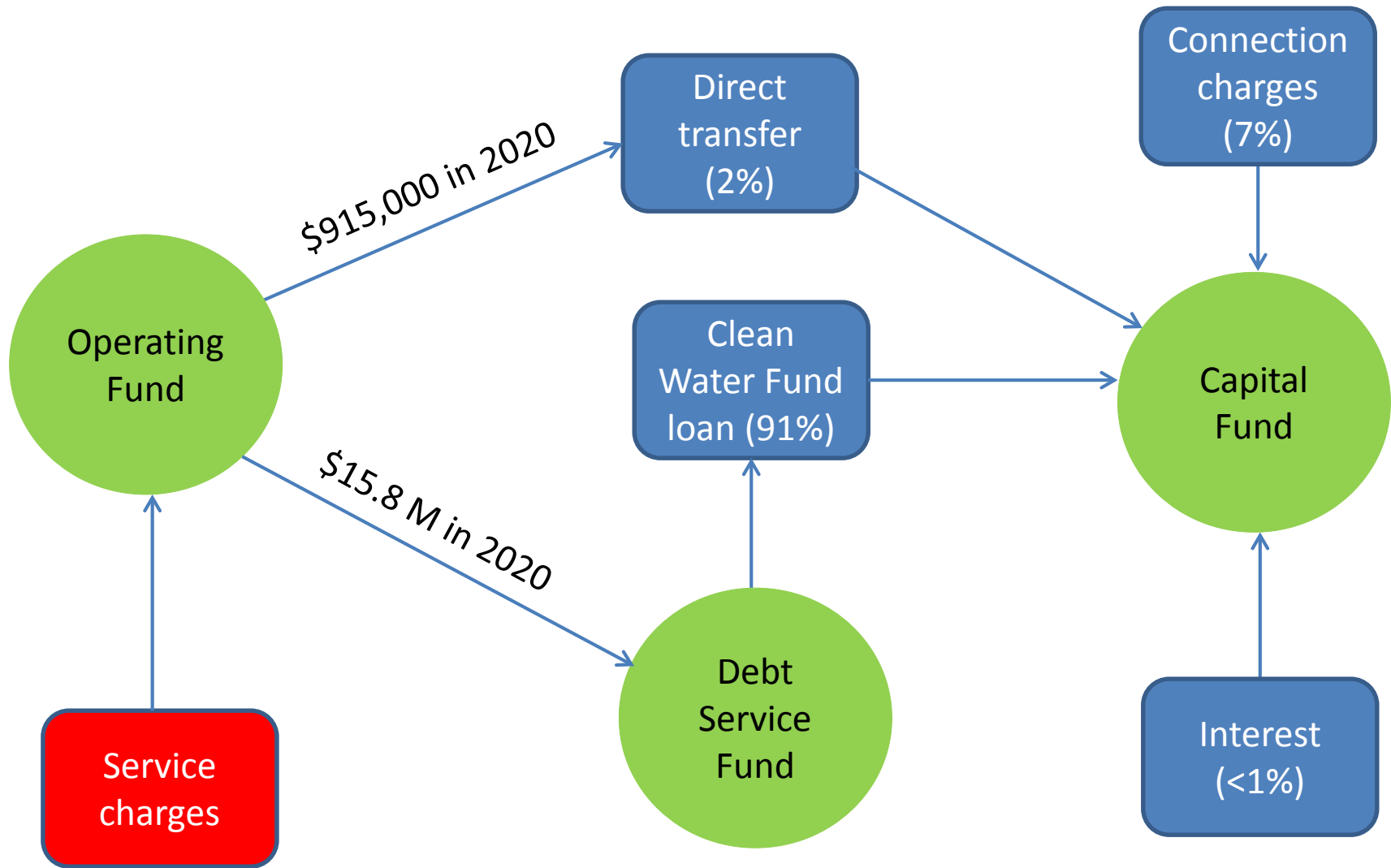
1. Annual expenditures for planning period
2. Cash reserves projections
3. Connection charge projections
4. Financing alternatives



Annual Expenditures



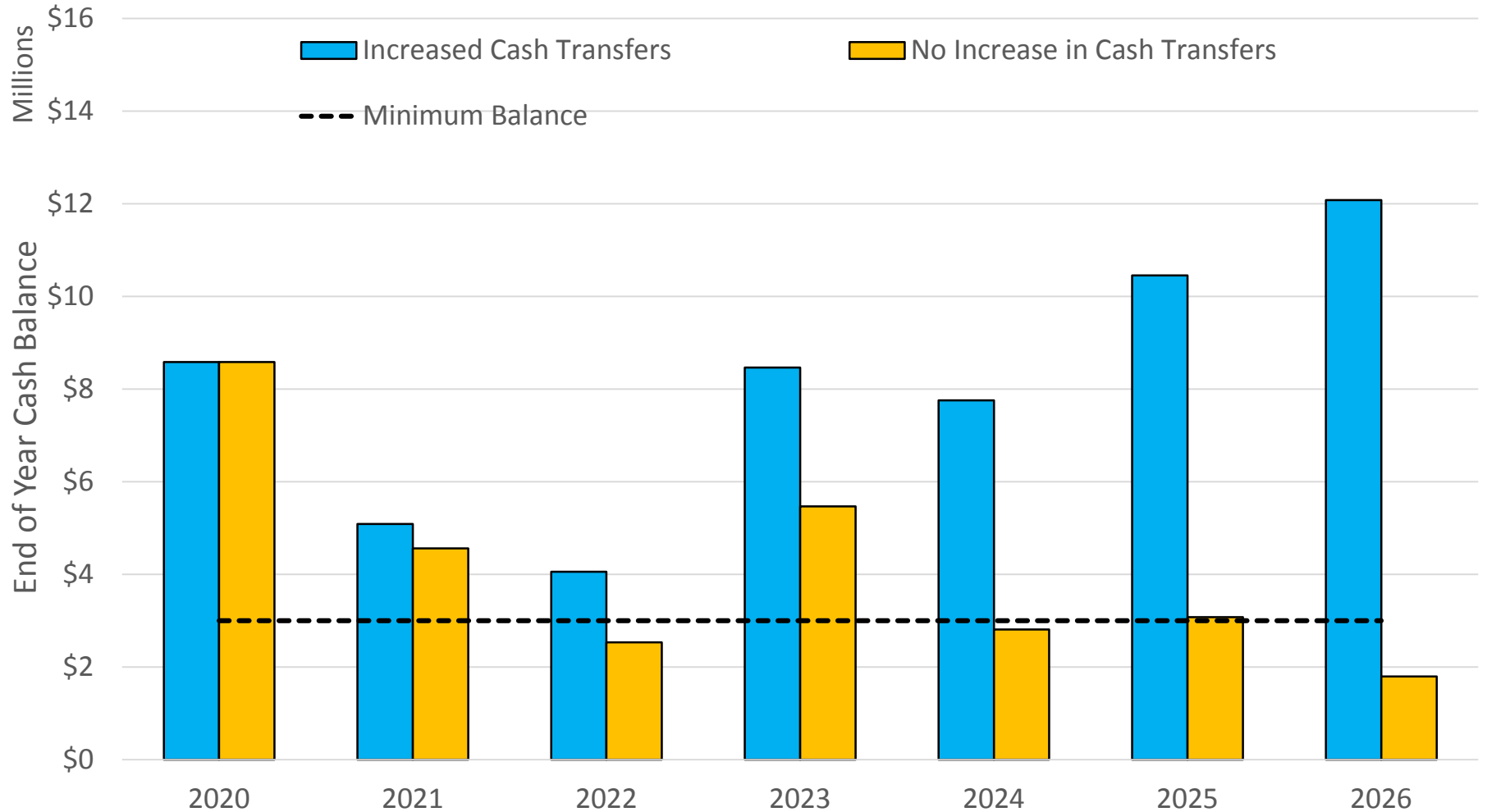
District Funds



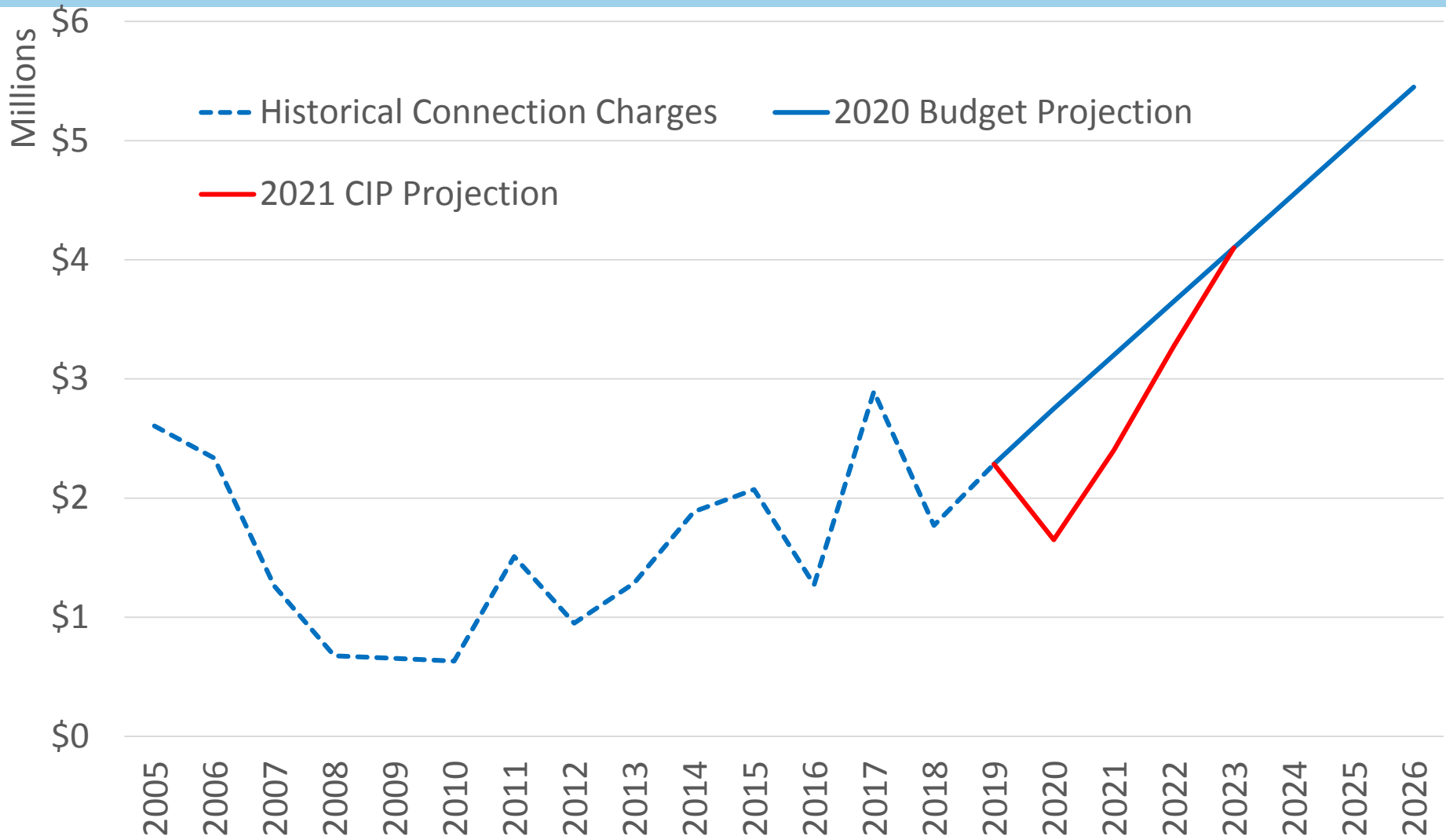
Transfer from Operating Fund to Capital Fund

Year	2020 Capital Budget (Actuals through 2019)	Proposed 2021 Capital Improvements Plan	Difference
2016	\$0		
2017	172,000		
2018	0		
2019	1,200,000		
2020	915,000		
2021	961,000	\$1,486,000	\$525,000
2022	1,009,000	2,001,000	992,000
2023	1,059,000	2,506,000	1,447,000
2024	1,112,000	3,021,000	1,909,000
2025	1,168,000	3,542,000	2,374,000
2026	1,226,000	4,040,000	2,814,000
2021-2026 Total	\$6,535,000	\$16,596,000	\$10,061,000

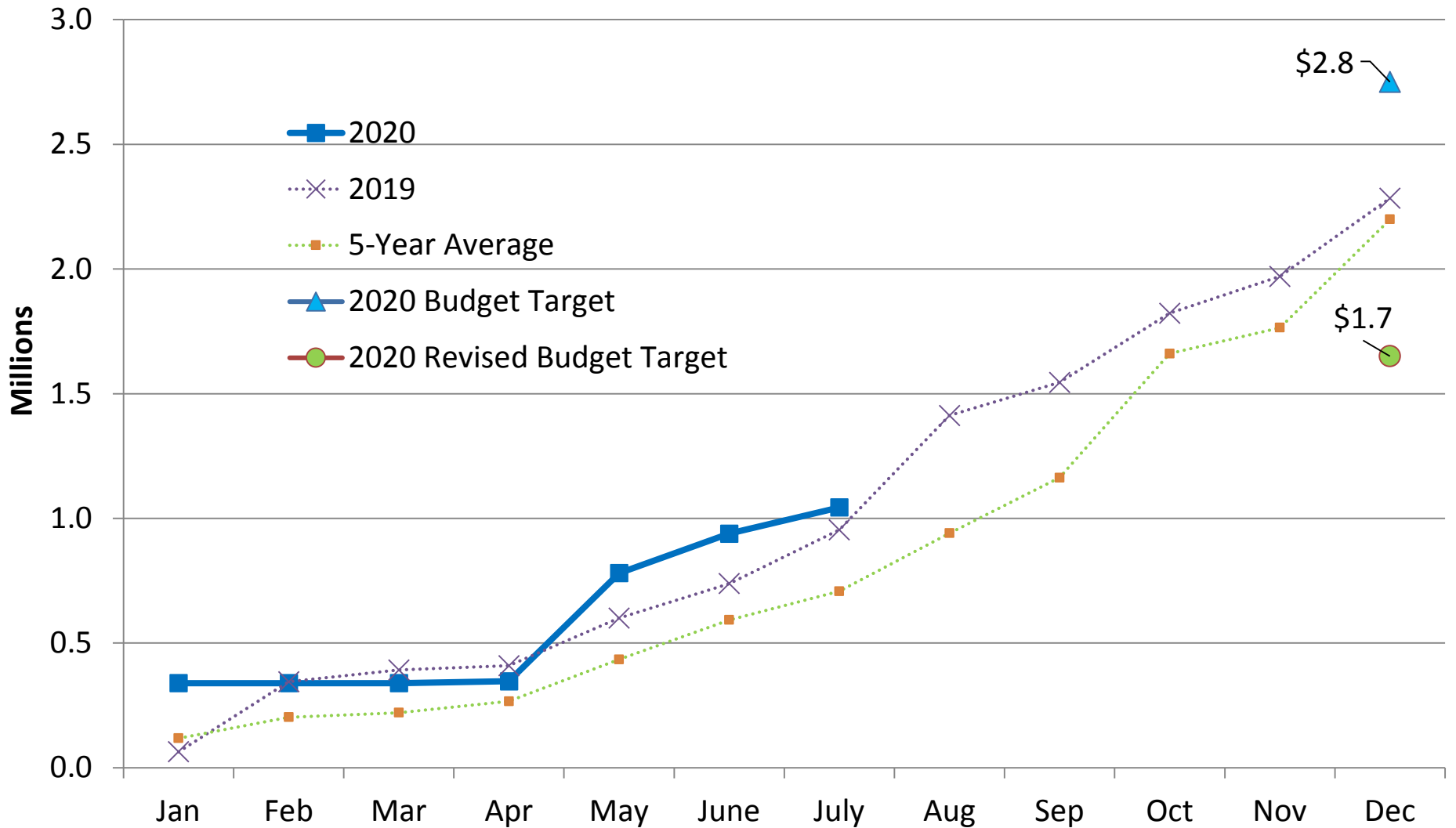
Cash Reserve Projections



Connection Charge Projection



Connection Charges – 2020



Outstanding Connection Charges

SewerPlanNum	DateApproved	DateExpired	CalcBalanceDue	DeedRestriction	Project/Comments
2020-007	1/30/2020	7/30/2020	0	Yes	
2020-008	1/30/2020	7/30/2020	0	Yes	
2020-021	3/12/2020	9/12/2020	148,730.19		Covered Bridge Residences of Bear Tree Farms
2020-027	3/26/2020	9/26/2020	26,194.06		Village at Autumn Lake Phase 10 Rockstream Drive Assessment District - 2020
2020-034	4/16/2020	10/16/2020	58,853.31		
2020-035	4/16/2020	10/16/2020	49,851.41		Stoner Prairie Phase 3
2020-042	4/30/2020	10/30/2020	0	Yes	
2020-045	4/30/2020	10/30/2020	14,561.01		Vang Homesites
2020-055	5/28/2020	11/28/2020	52,424.81		The Meadowlands Phase 11 The Woods at Cathedral Point
2020-063	6/11/2020	12/11/2020	78,007.20	Yes	Phase 1
2020-064	6/11/2020	12/11/2020	274,206.48	Yes	Whispering Coves Phase 1
2020-071	6/25/2020	12/25/2020	644,386.17	Yes	Fox Hill Estates Phase 3
TOTAL			1,347,214.64		

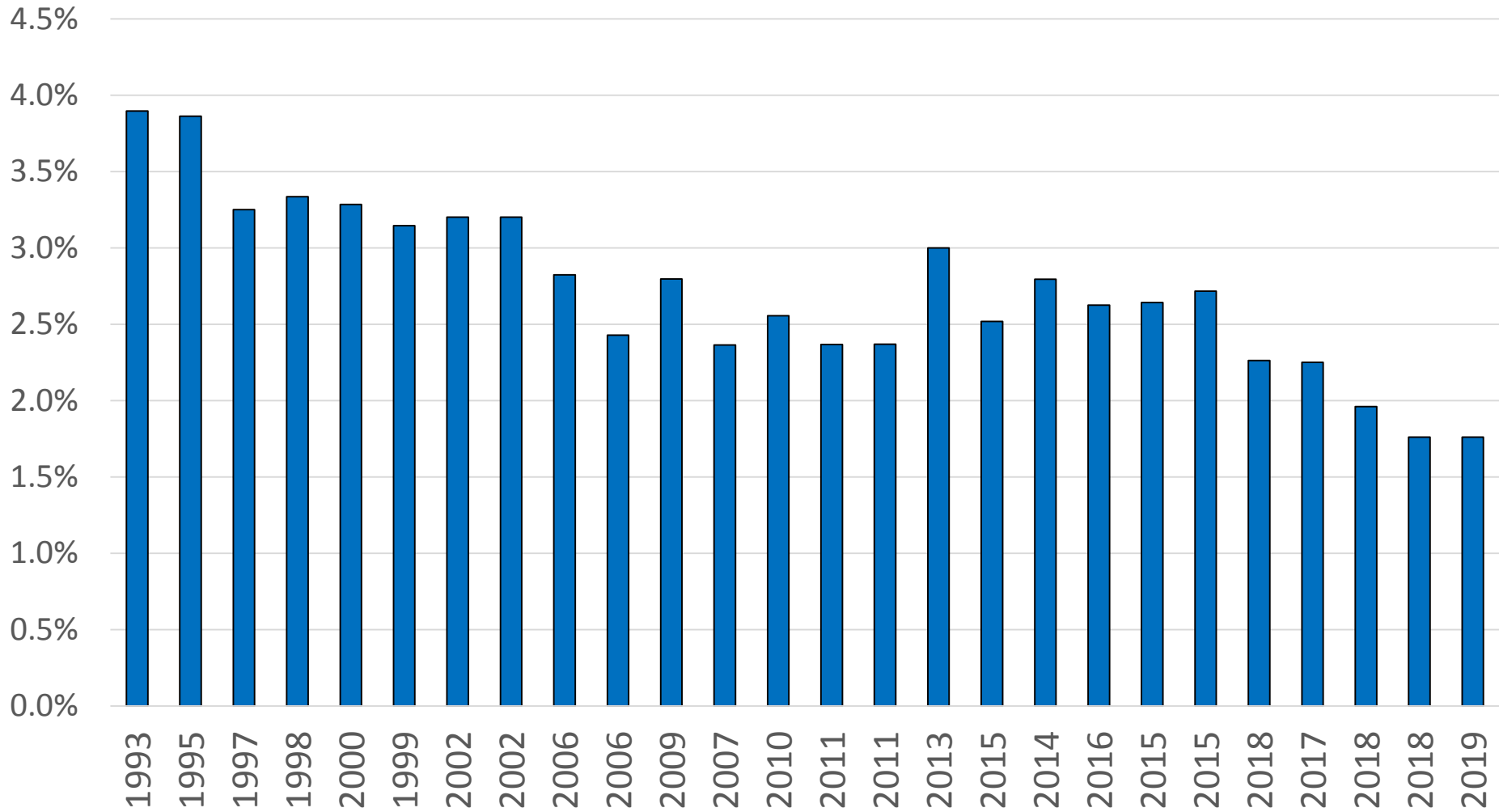


Financing Alternatives

Scenario Description	Alt. No.	Transfer from Operating Fund to Capital Fund		Transfer from Operating Fund to Debt Service Fund		Projected increase in annual service charges		Six Year Debt Incurred	Capital Reserve Minimum Met?
		2021	2021-2026	2021	2021-2026	2021	2021-2026		
CIP (base)	0	\$1.486 M	\$16.596 M	\$16.552 M	\$111.2 M	3.1%	3.0%	\$126.5 M	Yes
Reduce transfer to Debt Service Fund	1	\$1.486 M	\$16.596 M	\$16.027 M	\$107.7 M	1.8%	2.8%	\$126.5 M	Yes
No Increases in transfer to Capital Fund	2	\$0.961 M	\$6.535 M	\$16.552 M	\$111.2 M	1.8%	2.0%	\$136.5 M	No



Interest Rates for Clean Water Fund loans



Madison Metropolitan Sewerage District



Debt Financing

Advantages

- Large capital costs can be spread out over time
- Future users participate in cost of improvements
- Subsidized interest rates through Clean Water Fund
- Steady revenue source for repayment of loans via service charges

Disadvantages

- Interest payments, even at subsidized rates.
- Debt burden on future users, limits flexibility
- Future of Clean Water Fund is not guaranteed
- High debt to expense ratio hurts bond rating



Next Steps

- Accept draft 2021 CIP for planning purposes
- Formal approval of Capital Budget in October
- Project details available on District website

<http://www.madsewer.org/Planning/Budget-Finance>





Questions?



Thank you!



Cash spending in 2021

Project	2021 Spending
Metrogro Applicators & Equipment	\$0.9 M
CMMS Replacement	\$1.3 M
Pump Station 17 Relief Force Main – Phase 1	\$2.8 M
Total	\$5.0 M



Service Charge Impacts

Year	Operating Fund Support for the Capital Program (From Service Charges)	Increase Over Prior Year	Implied Percentage Increase in Service Charge Revenue Over Prior Year
2016	\$12,909,000	\$1,066,000	4%
2017	13,856,000	947,000	3%
2018	14,505,000	649,000	2%
2019	16,358,000	1,853,000	5%
2020	16,755,000	397,000	1%
2021	18,038,000	1,283,000	3%
2022	19,298,000	1,260,000	3%
2023	20,582,000	1,283,000	3%
2024	21,910,000	1,328,000	3%
2025	24,667,000	1,371,000	3%
2026	\$24,667,371	\$1,386,000	3%