



2023 BUDGET FOLLOW-UP & DELIBERATION



Agenda

- Overview
- Cash Financing
- Market Adjustment
- Commission Deliberation

District Impact on Households

\$255

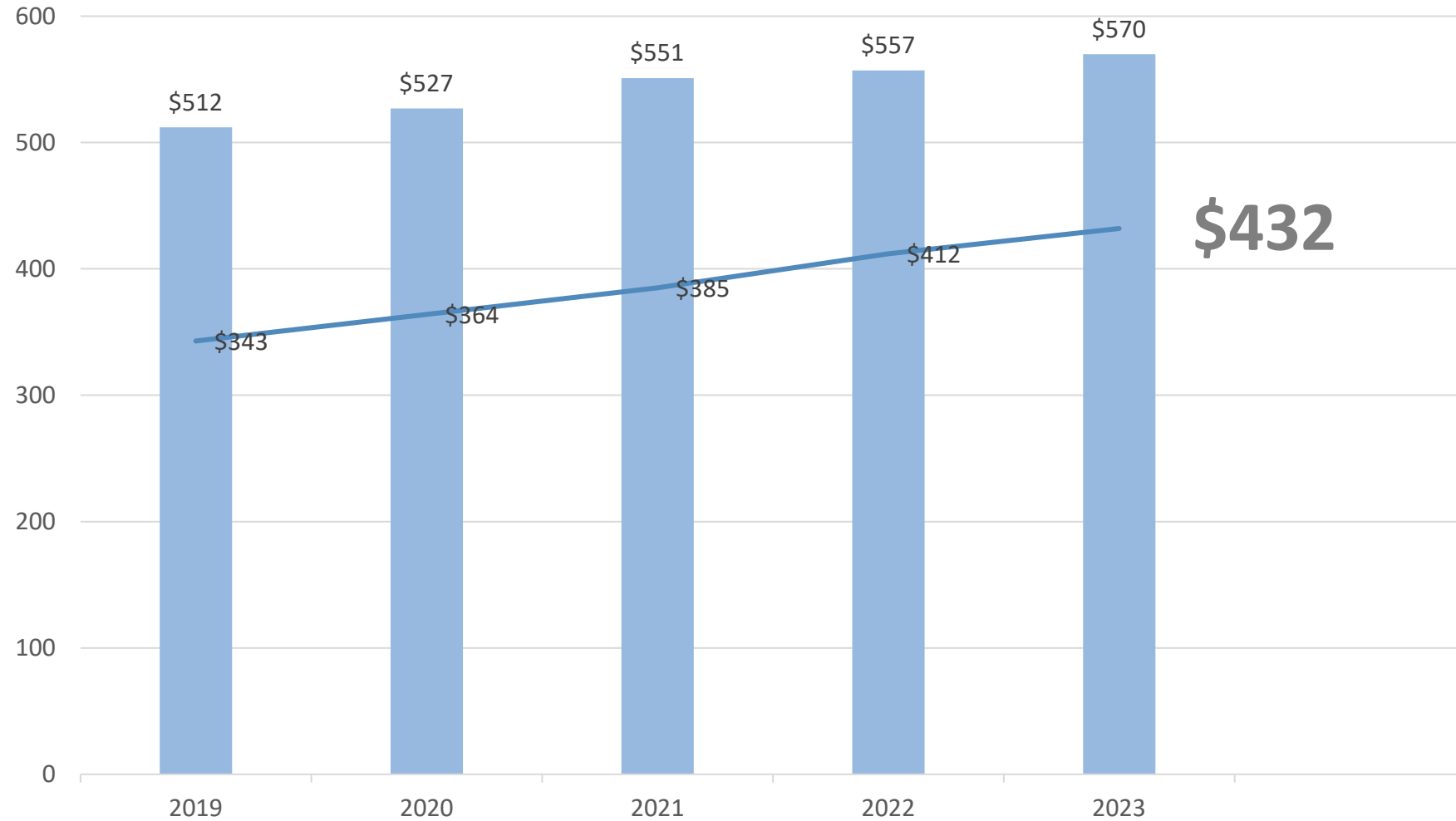
On average, per year

\$1.52

More per month



National Service Charge Trends



NACWA 2022

Madison Metropolitan Sewerage District







Pace of Cash Financing



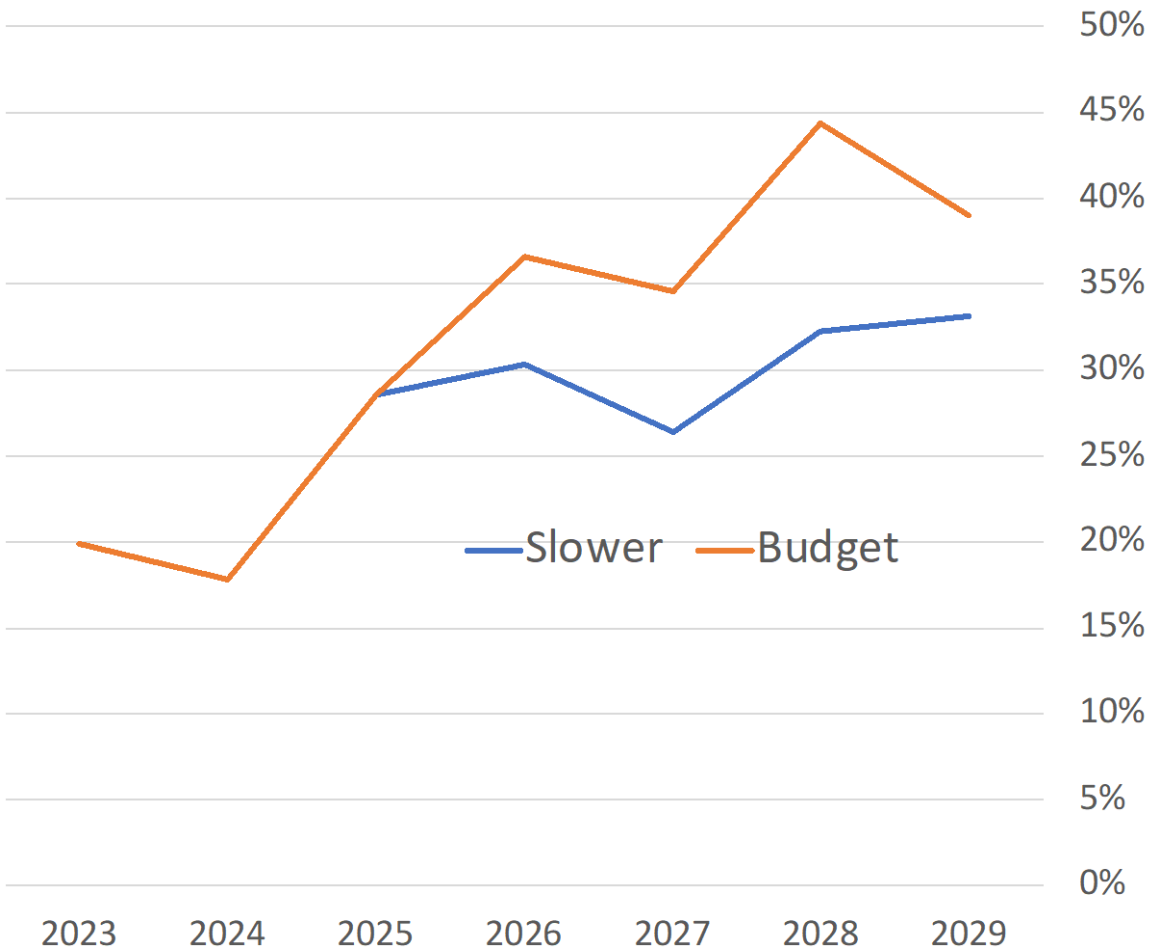
Madison Metropolitan Sewerage District

Straightforward Tradeoffs

	Cash	Debt
Long-Run Cost	Cheaper	Expensive 24%
Revenue Needed	Sooner <i>resilience</i>	Later



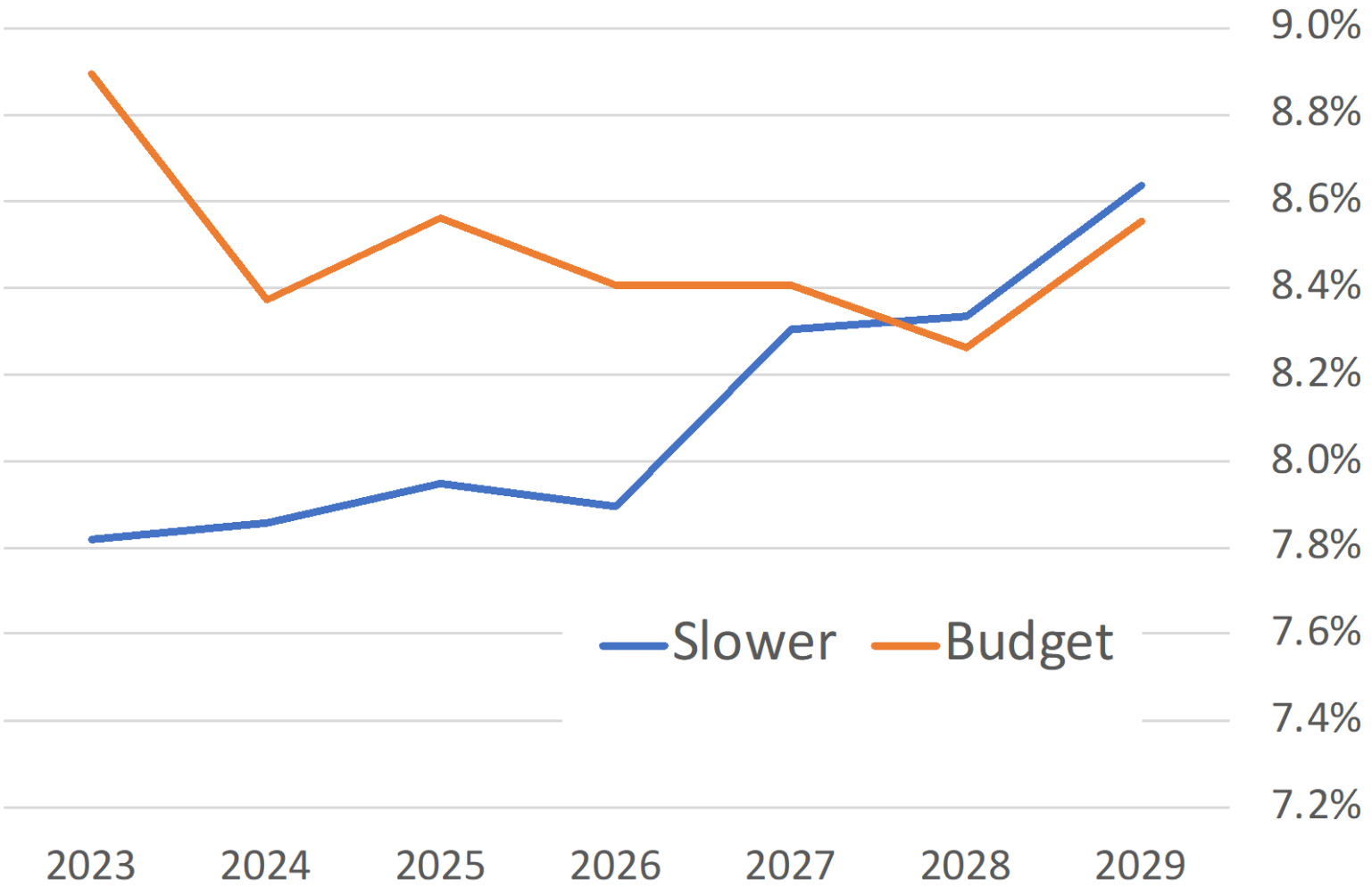
Example Comparison — % Cash Financing



Assumptions

- Borrow **\$12.1 million** more
- Borrow in **2026, '27, '28**
 - Earlier not available
- **Adjust finance path 2023–09**

Example Comparison — Service Charge Growth



Example Comparison — 2023 Service Charge

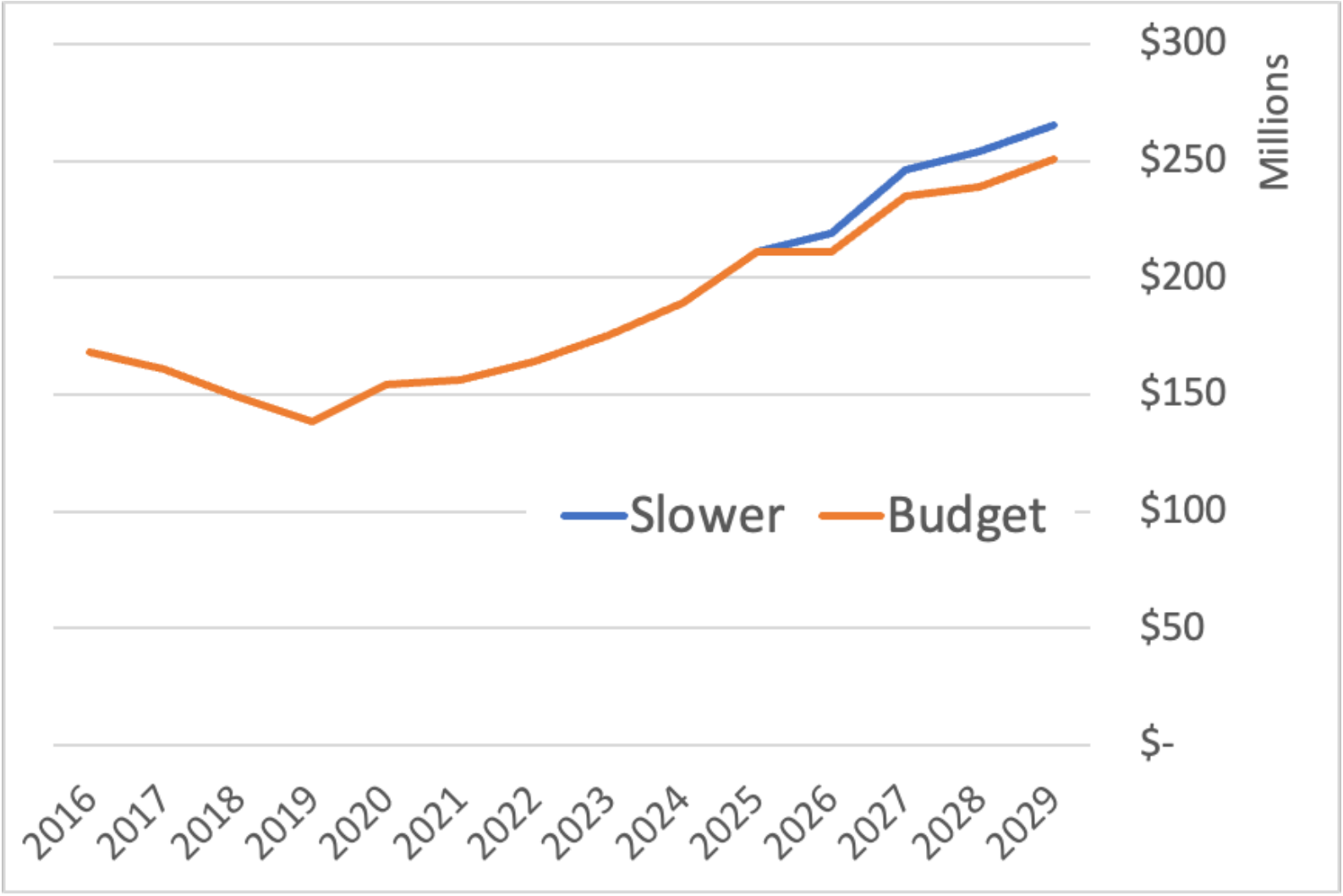
- Lower than budget:
 - \$0.5 million total
 - 1 percentage point
 - \$3.05/year for average household (26¢/month)



Example Comparison — Debt Costs

- \$14.7m higher debt **obligations** by 2029
 - \$12.1m principal
 - \$ 2.6m interest
- **Interest** is 6.8% of service charges revenue by 2029
 - vs. 6.3% in budget

Example Comparison — Debt Obligations



Tradeoffs

	Budget Recommendation	Slower Transition
2023	~ 8.9% y/y s.c.	Lower
By 2029	~ 8.5% s.c.	Slightly Higher
	40% cash	Less
	\$250m debt 6.3% of s.c.	Larger

s.c. = service charges

Remaining
competitive to
retain a
strong,
skilled
workforce



Turnover Data

- District not seeing a large turnover problem
- The problem is in hiring and making competitive job offers

	New Hires	Resignations	Retirements	Internal Promotions
2020	15	7	3	7
2021	10	5	5	12





Proposed Market Adjustment

- From a Carlson Dettmann memo to NEW Water Commission, September 23, 2022. NEW Water is one of our comparables:

Overview/Summary/Recommendations

1. Our recommendation for a 2023 structural increase would be to plan for a range of 3.0% to 4.0%, and we continue to encourage a number as close to 4% as economically feasible. However, this will likely need to be a starting point rather than an end.
- 5% market adjustment is to remain competitive given our reliance on STEM and skilled trades jobs:
 - Total FTE = 125.5
 - 70 skilled trades and STEM positions, or approximately 56% of the total workforce.





Impact of Proposed Market Adjustment on Service Charges

- 1% of service charge increase = \$500,000 of the overall operating budget, and
- Each 1% increment of the market adjustment for employees = \$90,000 of overall operating budget
- **Therefore, to save 1% on service charges, the market adjustment would need to be 0 ... and still be \$50,000 short.**
- Reducing the market adjustment from 5% to 4% moves the service charge from 8.9% to ~8.7%.





Commission Budget Deliberation