



2025 Proposed Operating Budget & Capital Improvements Plan

September 12, 2024

Madison Metropolitan Sewerage District





Budget Introduction

- Spending drivers
- Mitigating factors
- Proposed rate increase
- Next steps

Document at madsewer.org/2025-budget



Spending Drivers

Macro Factors

- Aging infrastructure
- Population growth
- Loan interest rates

Organizational Needs

- Maintenance needs
- Front-line positions
- Wage market adjustment



Spending Drivers

Macro Factors

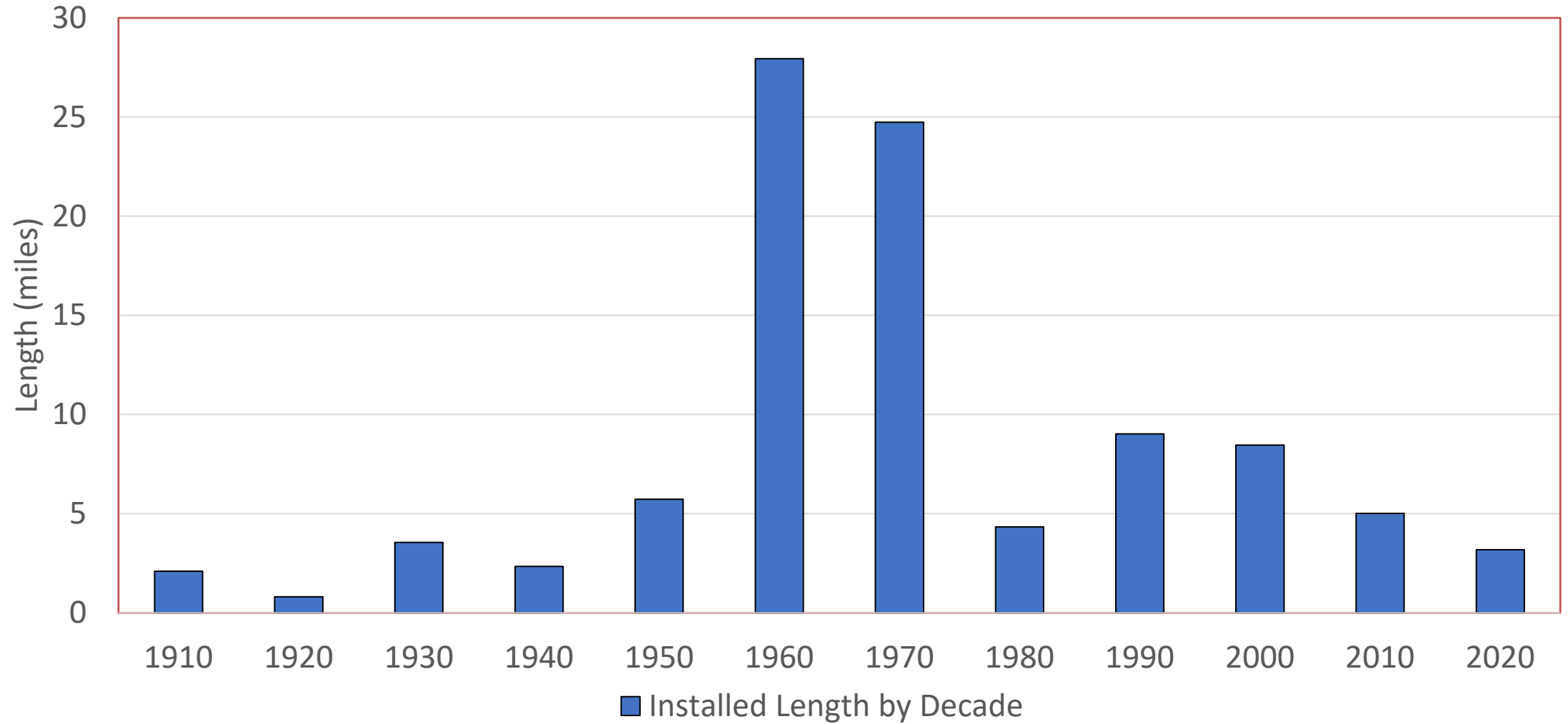
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Organizational Needs

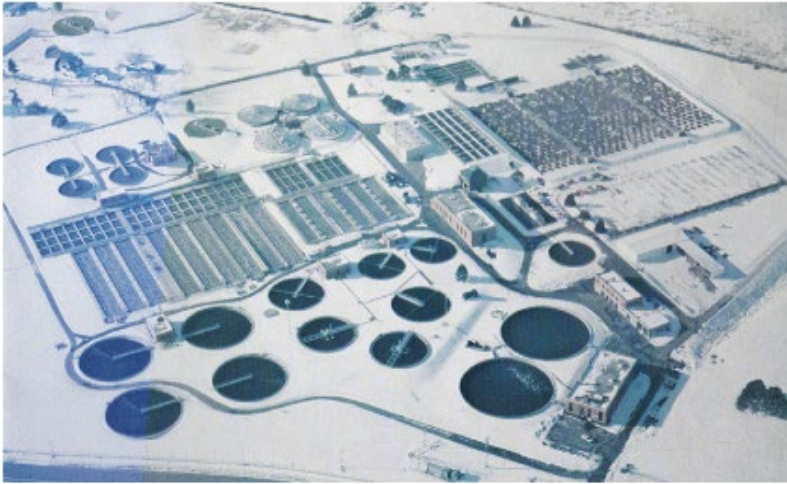
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Age of Interceptor System (Sewer Pipes)



Age of Treatment Plant



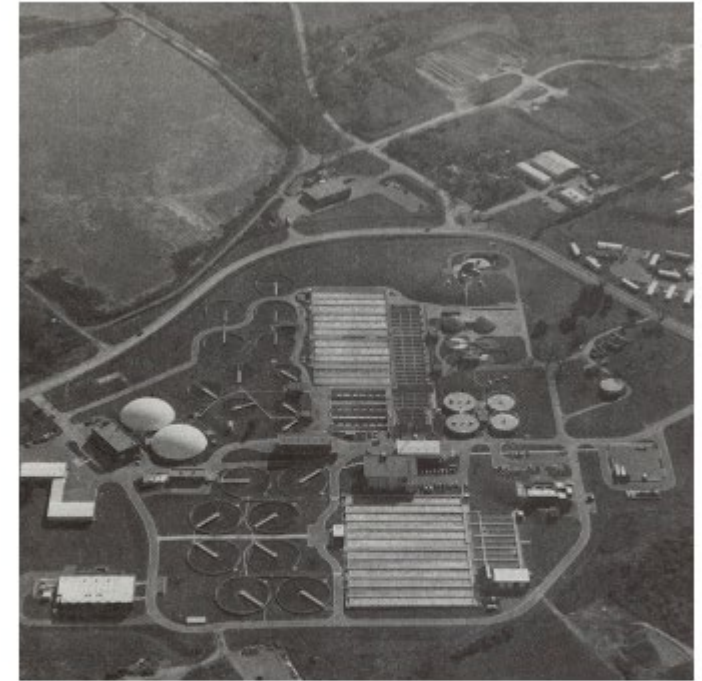
FIFTH ADDITION 1973-1978

With a growing service area and population, further treatment capacity was needed. The Fifth Addition included eight more primary tanks; six aeration tanks; four clarifiers; two sludge thickeners; a diversion structure; and two buildings. This addition also moved Raywood Road to accommodate campus expansion.



1976-1983 SIXTH ADDITION

The Sixth Addition added three digesters and a control building for solids handling and recycling, and the first Metrogro trucks and applicators were purchased. The Operations Building and Vehicle Loading Building, which houses Metrogro, were also built. A few years later, two gravity thickeners were converted to dissolved air flotation thickeners as part of this addition and a gravity belt thickener building was built to thicken digester sludge.

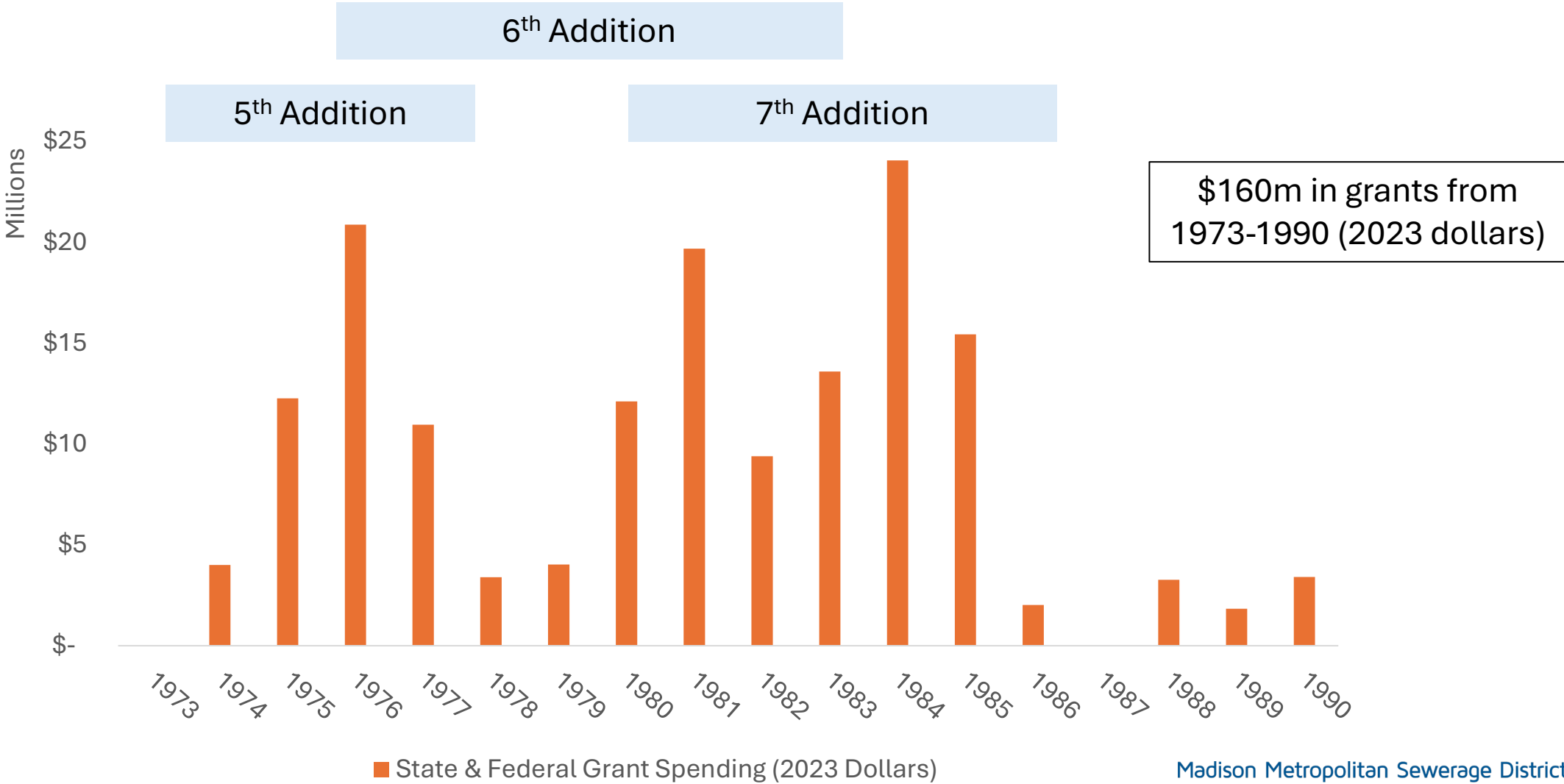


SEVENTH ADDITION 1980-1986

Driven by changes in ammonia regulations throughout history, the Seventh Addition resulted in the doubling of the size of the treatment plant. This included the addition of three aeration tanks and one clarifier in the East Plant and replacement of the trickling filters with five primary tanks, twelve aeration tanks, and eight clarifiers.



Age of Treatment Plant

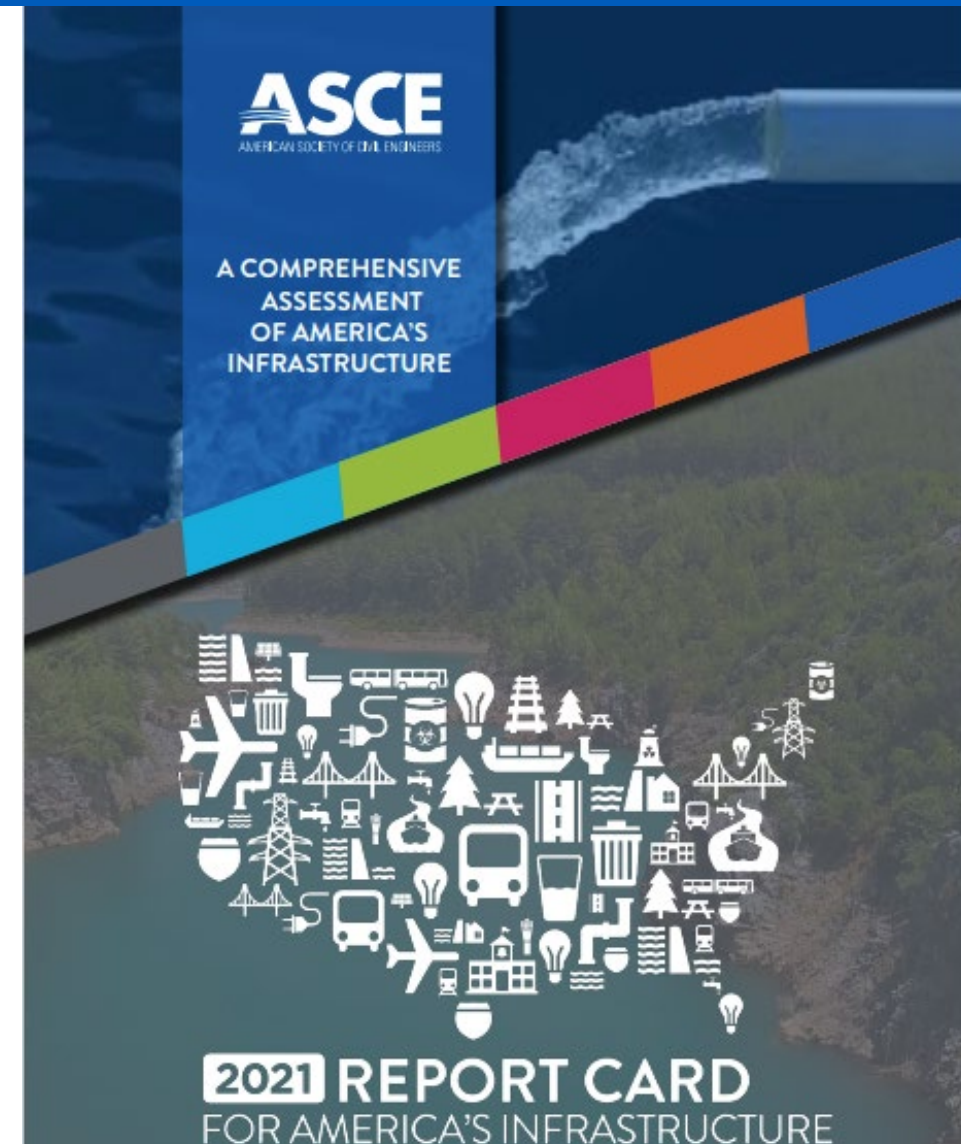


Age of Treatment Plant

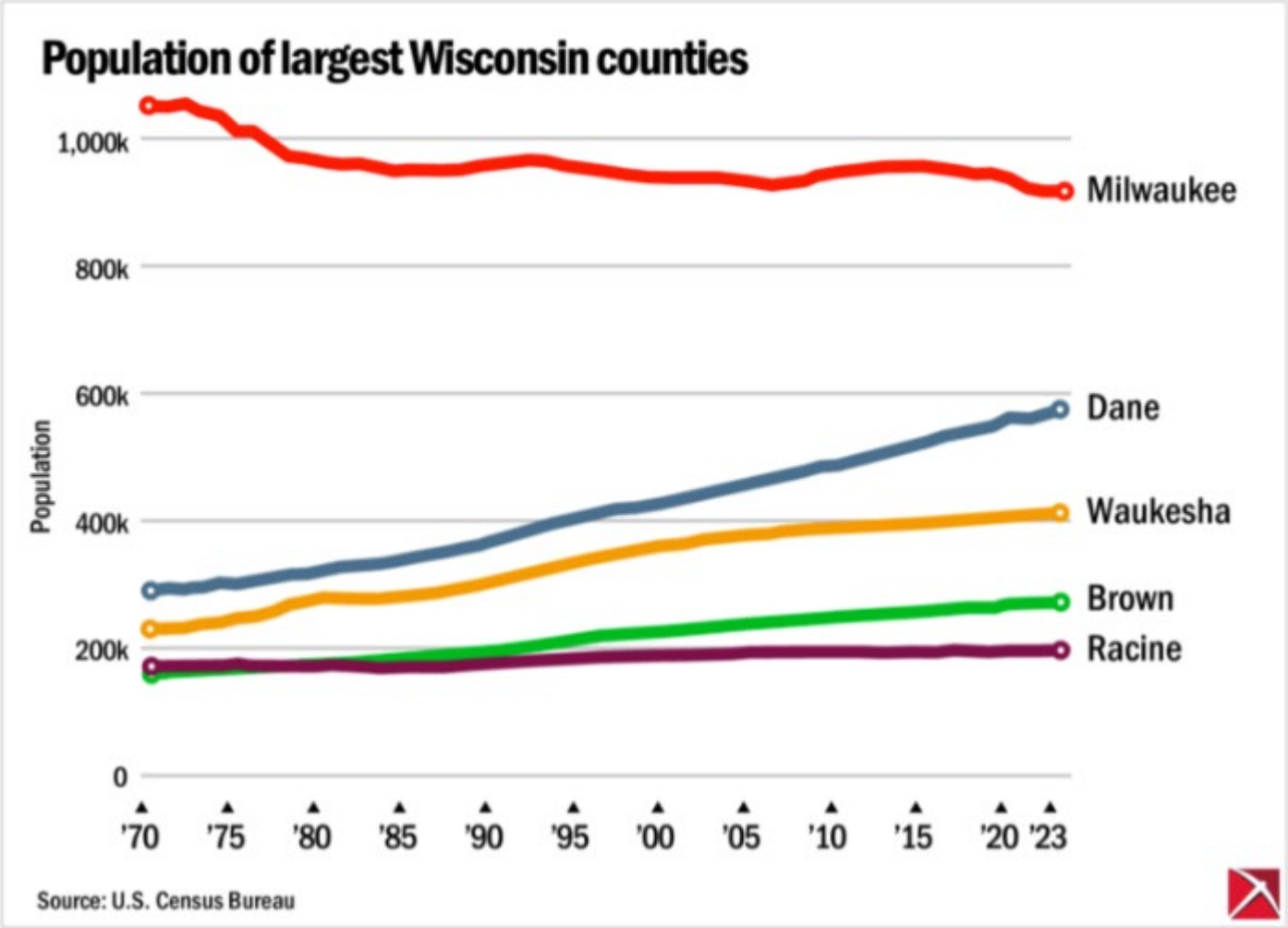
The majority of the nation's [wastewater treatment plants] are designed with an **average lifespan of 40 to 50 years**, so the systems that were constructed in the 1970s, around the passing of the Clean Water Act in 1972, are **reaching the end of their service lives**.

-American Society of Civil Engineers, *2021 Infrastructure Report Card*

Source: American Society of Civil Engineers; <https://infrastructurereportcard.org/wp-content/uploads/2020/12/Wastewater-2021.pdf>



Population Growth



Source: Badger Institute; U.S. Census Bureau



Aging Infrastructure & Population Growth

- Capital projects drive 2025 budget
 - \$45m in planned construction project expenditure
 - \$25m for infrastructure renewal
 - \$19m for growing population
 - \$16m in principal & interest payments
- Operating budget impact:
 - \$9.4m transferred to Capital Fund
 - \$14.3m transferred to Debt Fund
 - \$1.7m more in total transfers than 2024

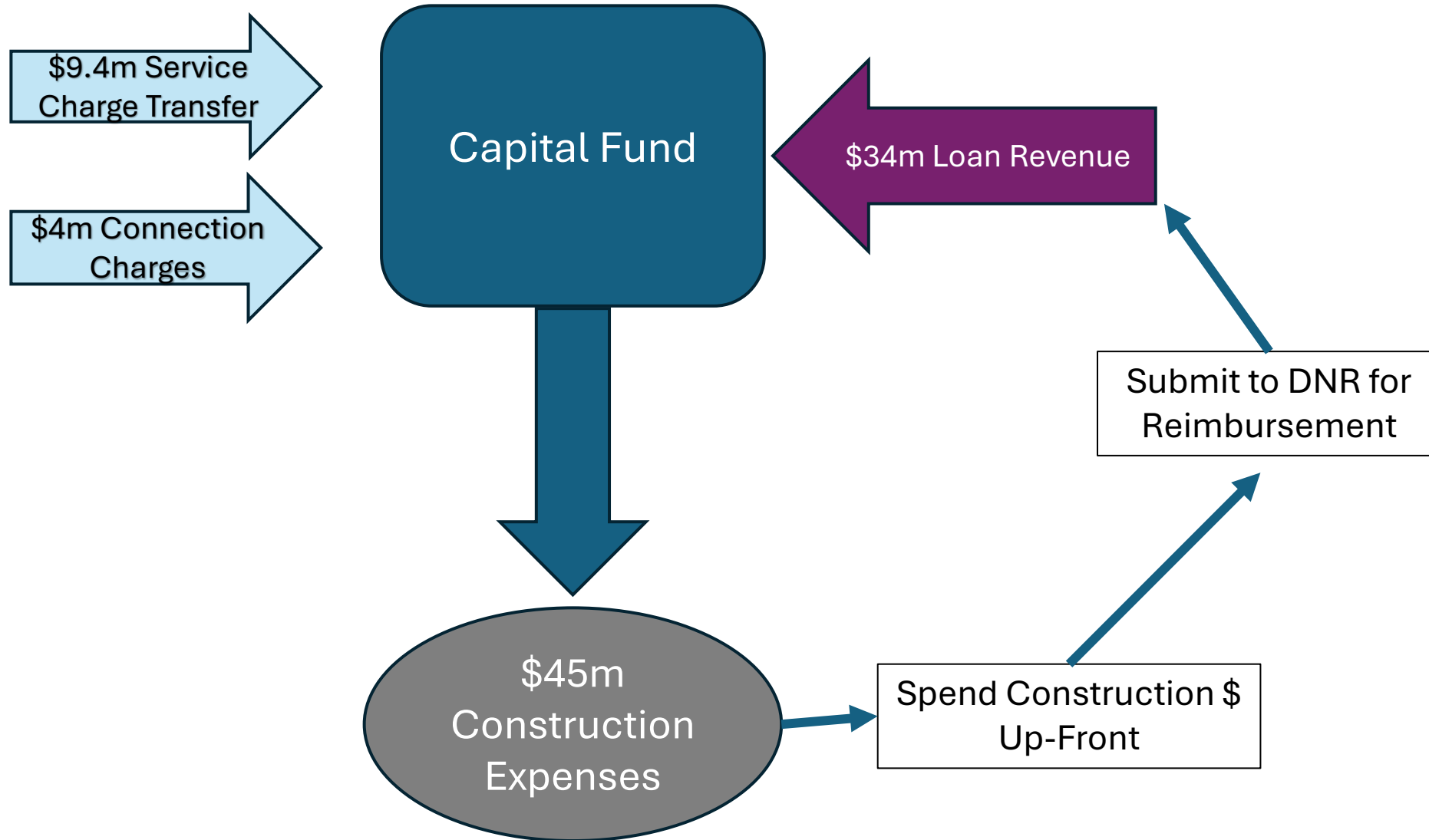


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Capital Fund Financing



Capital Fund Financing

- Under Clean Water Fund loan program, if no project spending, then no loan proceeds (and no loan payments)
- For capital projects, service charges pay for up-front spending, cash-funded projects, and loan payments.
 - Most construction expenses are ultimately paid with loan proceeds.

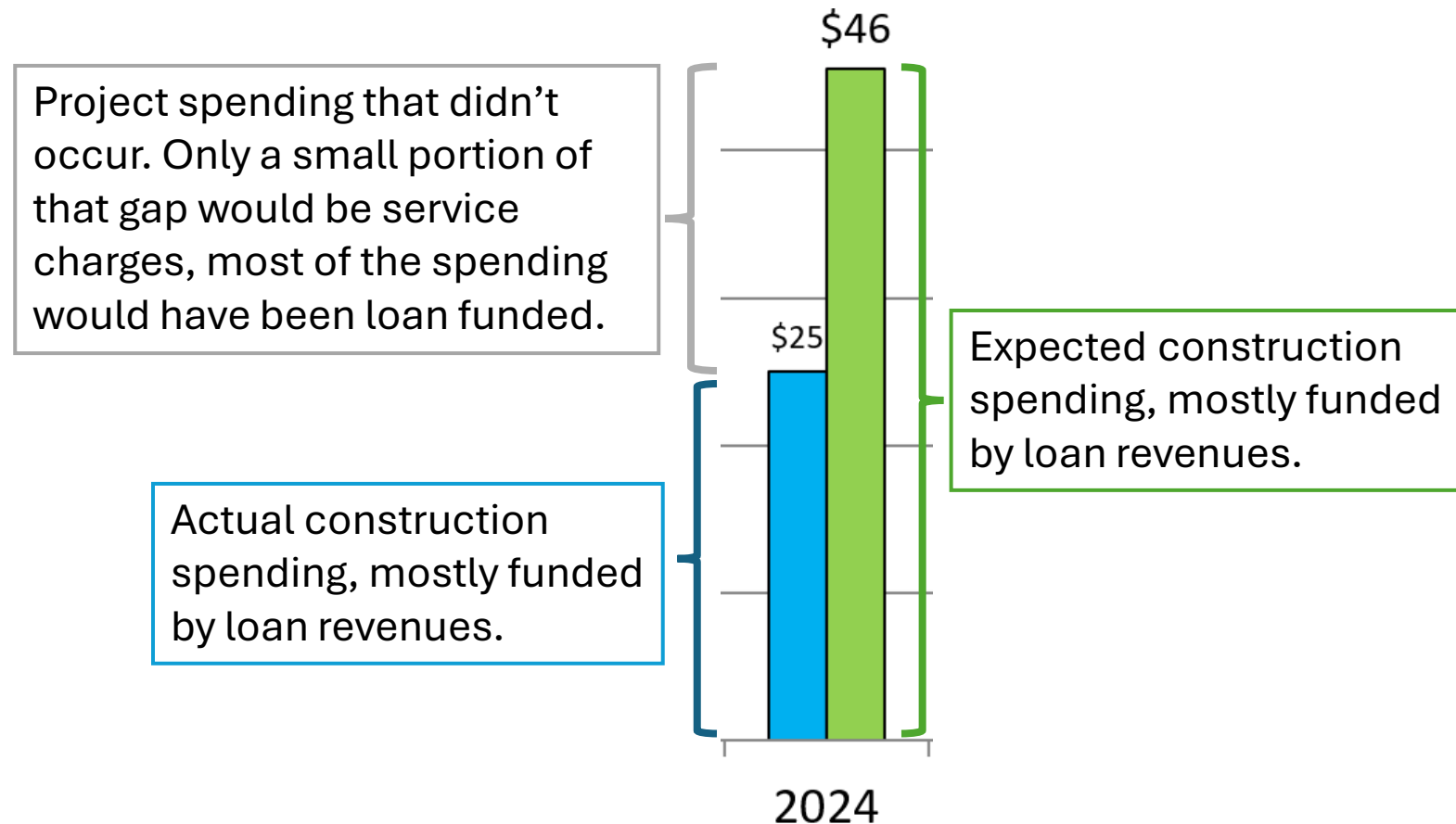


If construction expenses don't meet goals...

1. Excess service charges are limited to what's needed for up-front spending, cash-funded projects, or debt payments – not total project expenditures
2. Any extra money will carry over for next year's project expenses and can't be redirected without Commission authorization
3. The District will not retain extra money indefinitely – the next budget will reduce excess reserves to target
 - Note: reserve target updated, six-year CIP brings closing balance to new, lower reserve amount



If construction expenses don't meet goals...



Spending Drivers

Macro Factors

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- Loan interest rates

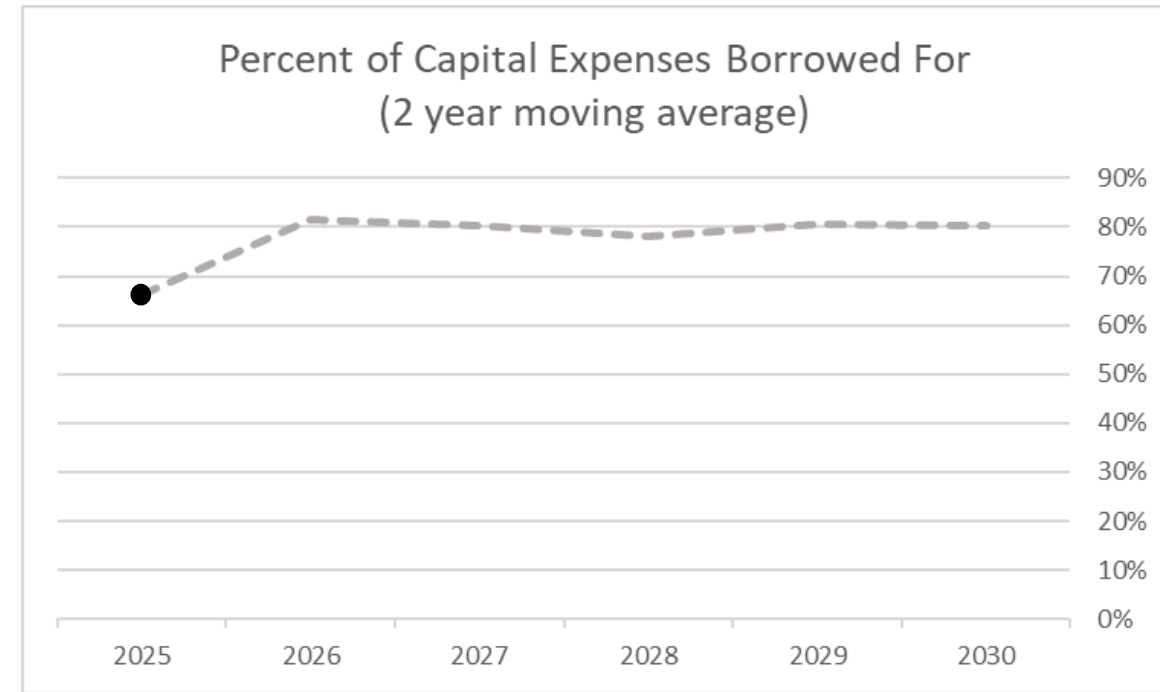
Organizational Needs

- Maintenance needs
- Front-line positions
- Wage market adjustment



Loan Interest Rates

- Capital Improvements Plan targets ~80% debt-funded capital spending, 20% cash
- This approach is consistent with Commission policy
- The Commission could elect to increase cash-funded spending
 - Additional future service charges would be required



Loan Interest Rates

- Historically, the District has used Clean Water Fund subsidized loans to fund projects
- CWF is likely oversubscribed for 2025
- It is likely that higher rate general obligation bond revenues will be needed

Current interest rates:

- CWF: 2.365%
- GO Bond: ~5% (rate will be known at time of bond offering)



Loan Interest Rates

- Plan assumes ~80% clean water fund loans and 20% higher rate general obligation (GO) bond funding
- Operating budget impact:
 - \$130,000 additional debt fund transfer in 2025 due to GO bonding
 - \$2.8m for entire 2025-2030 CIP



Spending Drivers

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Maintenance Needs

- Various operations & maintenance needs:
 - Portable generator for increased maintenance support to Owner Communities during widespread power outages
 - Plant grounds lighting – increase energy efficiency and safety for night operations
 - Collection system televising inspection & cleaning in hard-to-reach areas
 - & more
- Budgetary impact:
 - \$1.5m increased operating expenditures



Spending Drivers

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Organizational Needs

- Maintenance needs
- **Front-line positions**
- Wage market adjustment



Front-line Positions

- Treatment Plant Operator
 - Allows safer two-person shift coverage to be maintained while still allowing for absences
- Collection System Engineer
 - Increase collection system monitoring and construction project throughput
- Waste Acceptance Coordinator
 - Accommodate increasing number of businesses in region and address regulatory requirements



Front-line Positions

- Maintenance Planner
 - Continue to increase throughput of maintenance projects by adding planning support for remaining workgroups
- Facilities Maintenance Worker (budget-neutral contractor swap)
 - Perform higher quality custodial work at same cost and avoid significant future contract cost increases



Restore Director of Wastewater Operations & Reliability

- The District reorganized in January 2024, resulting in the current Director being assigned duties of District Principal Engineer, in addition to Director duties.
- The span of control and breadth of duties exceeds what a single person can manage.
- The new position would assume the existing duties of Director and relieve the District Principal Engineer from both positions' responsibilities.



Restore Director of Wastewater Operations & Reliability

- The Commission may want to approve this now to provide the next Executive Director with budget authority.
- Alternatively, this position could be assessed following the hire of the next Executive Director and budget authority could be requested later.



Front-line Positions

- Budget document includes justification for each position, including:
 - Work needs
 - Priority and urgency
 - Rejected alternatives to address needs
- Additional position needs have been identified – these proposed are most urgent
- Budgetary impact:
 - \$502,000 for front-line positions
 - Additional \$208,000 for Director of Wastewater Operations and Reliability restoration



Spending Drivers

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Wage Market Adjustment

- 3% adjustment proposed for 2025
- Follows market survey that showed District is generally in line with comparable organizations
- Budgetary impact:
 - \$591,000 in operating expenditures



Mitigating Factors

Revenues and Reserves

- 2024 Service Charge Revenues
- Capital Reserve Draw-Down

Macro Factors

- Interest Earnings
- Connection Charges



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2024 Service Charge Revenues

- Quarter 1 & 2 service charge revenues exceed budgeted amounts

Budgeted Q1 & Q2 2024 Charges	Actual Q1 & Q2 2024 Charges
\$27,380,700	\$28,504,600

- Budgetary impact:
 - Estimated \$1.1m going into 2025



Mitigating Factors

Revenues and Reserves

- 2024 Service Charge Revenues
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Macro Factors

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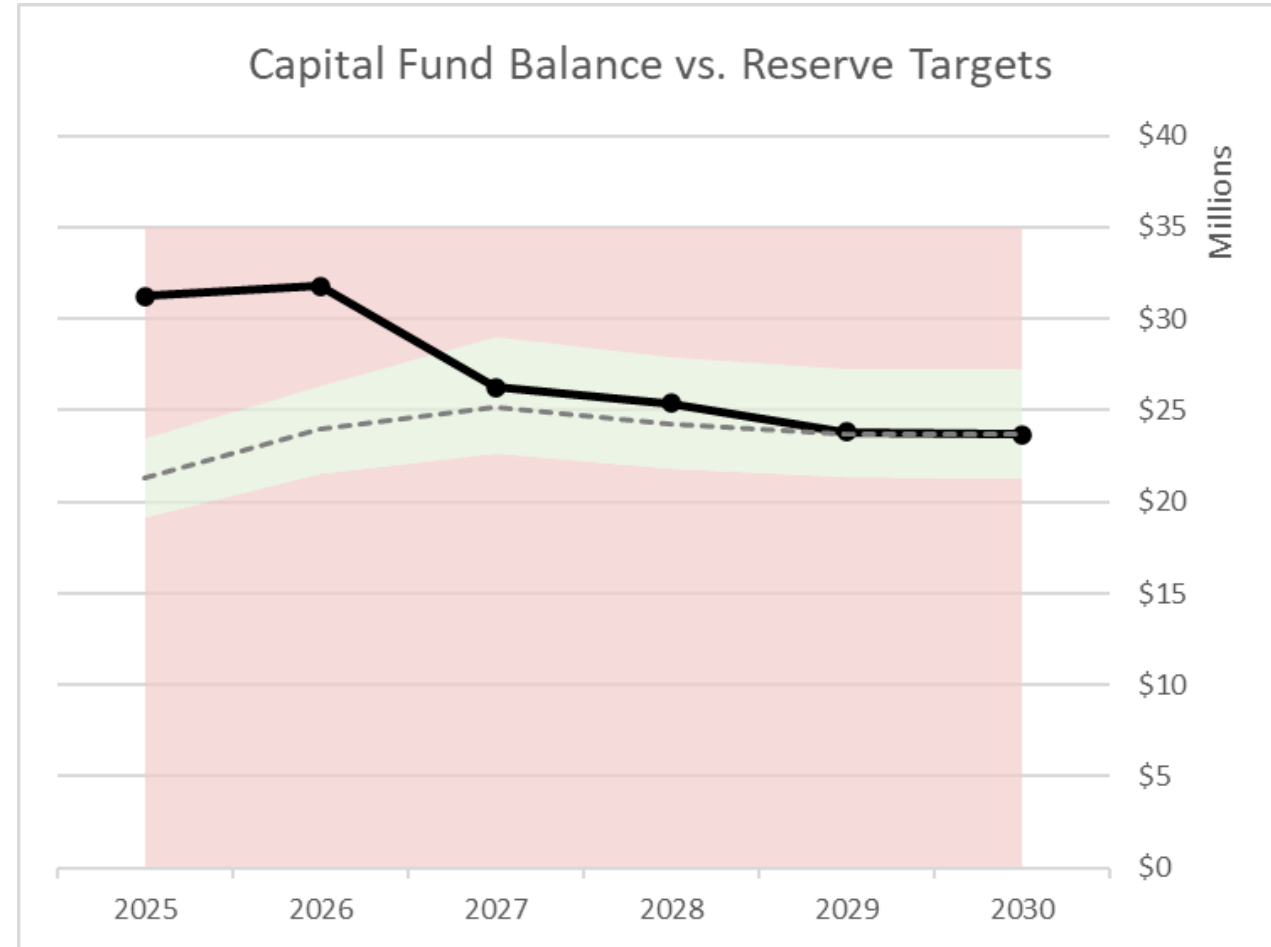
Capital Fund Reserve Draw-Down

- In 2021, Capital Fund balance went below reserve policy minimums
- Following that, and given expanding capital program, the District increased service charges to increase reserve amounts



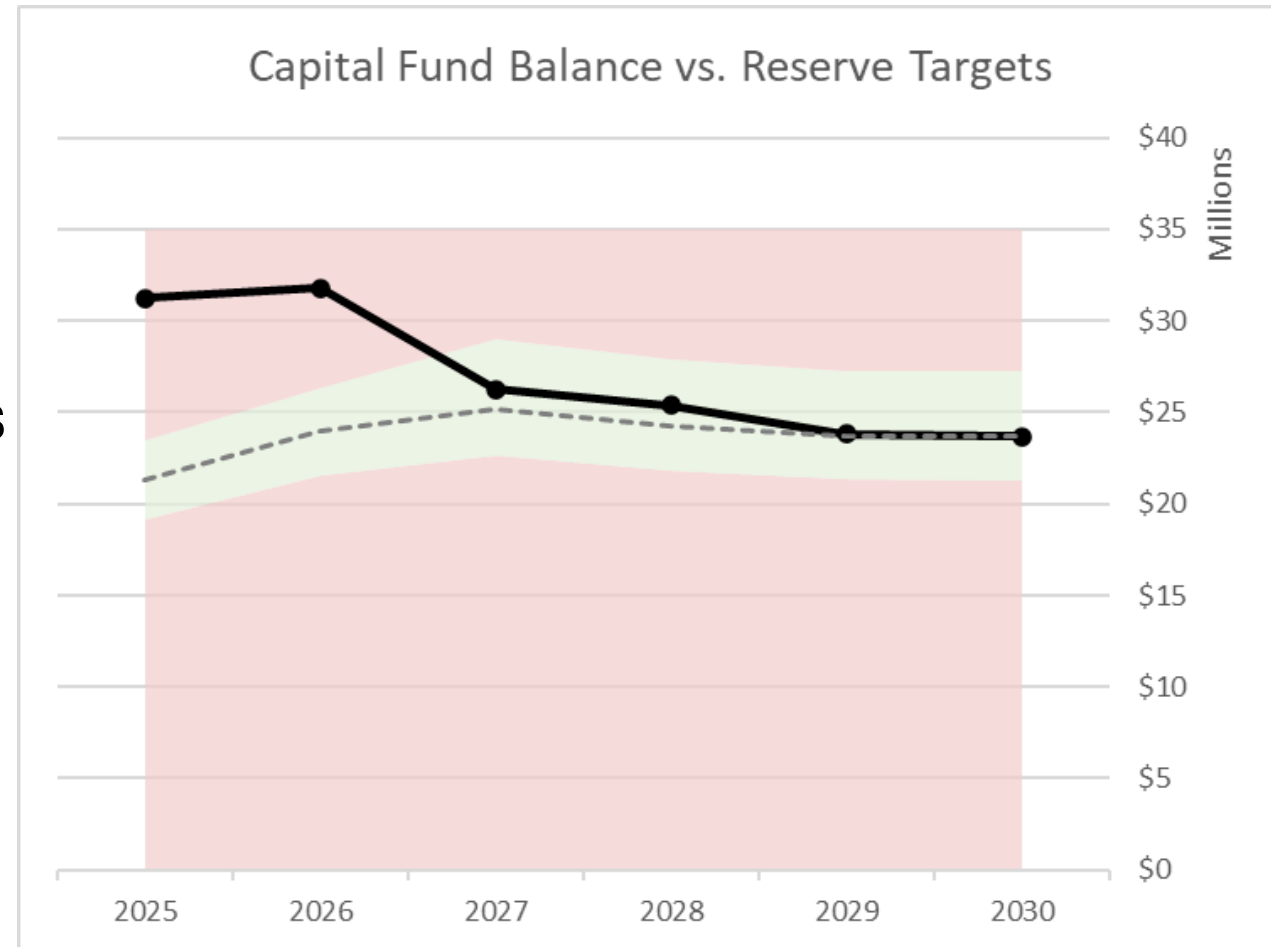
Capital Fund Reserve Draw-Down

- Staff worked with financial advisor PFM to review reserve amounts and draw on best practices
- Based on PFM advice, staff believe we can draw down reserves
- Budget and CIP bring capital reserves down to new target over planning period



Capital Fund Reserve Draw-Down

- Reduction path gets near desired reserve amount by 2027
- Multi-year approach allows for smoother service charge increases
- The Commission could elect to draw down these reserves sooner, but it would lead to higher service charge increases in subsequent years



Mitigating Factors

Revenues and Reserves

- 2024 Service Charge Revenues
- Capital Reserve Draw-Down

Macro Factors

- Interest Earnings
- Connection Charges



Interest Earnings



- Interest rate increases lead to additional earnings on District cash
- Budgetary impact:
 - \$400,000 additional revenue in 2024 and 2025



Mitigating Factors

Revenues and Reserves

- 2024 Service Charge Revenues
- Capital Reserve Draw-Down

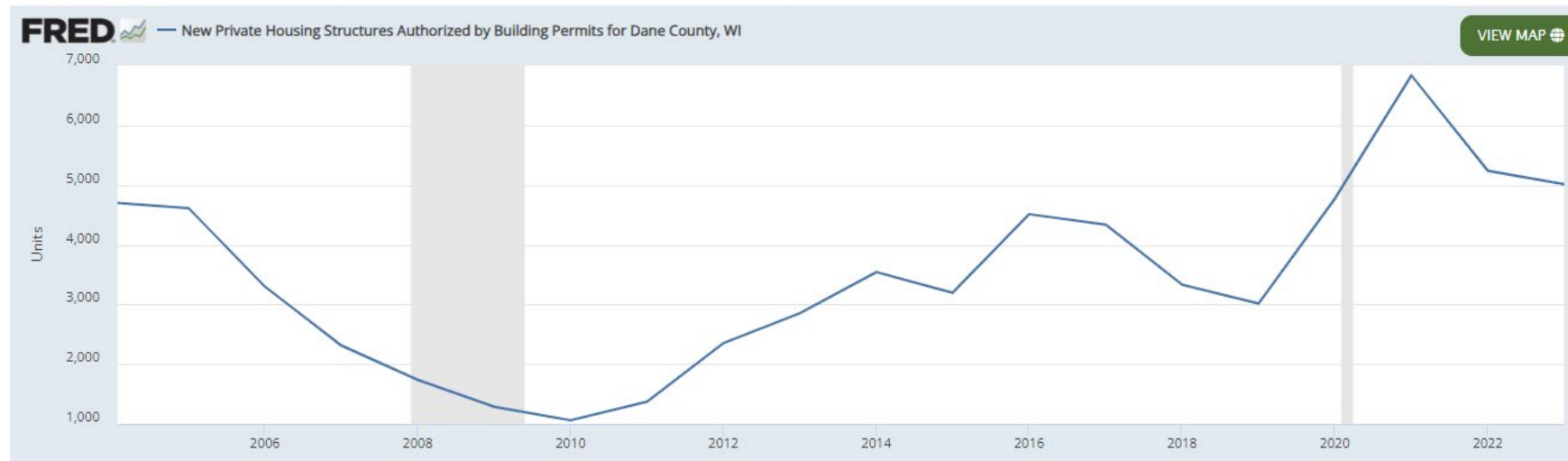
Macro Factors

- Interest Earnings
- **Connection Charges**



Connection Charges

- Continued development in District service area has led to higher than anticipated connection charge revenues



- Budgetary impact:
 - \$1.4m in additional projected 2024 revenues
 - \$1.5m in additional projected 2025 revenues



Proposed Rate Increase

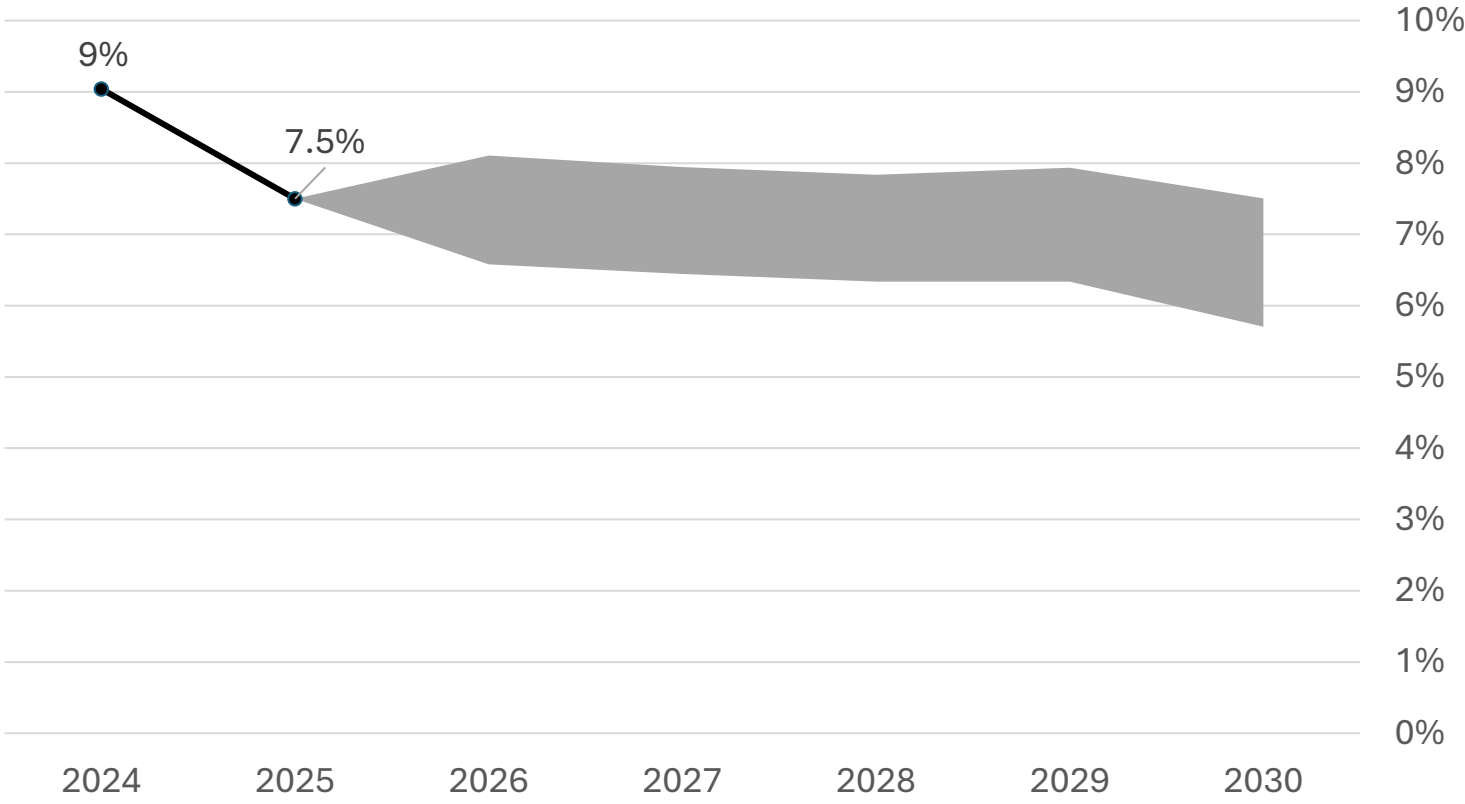


2025 Service Charges Changes

AMOUNT CHANGE FROM 2024	% CHANGE	BUDGET ITEM
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Service Charge Forecast

% Increases in Service Charges



Charges for Average Household

\$283.81

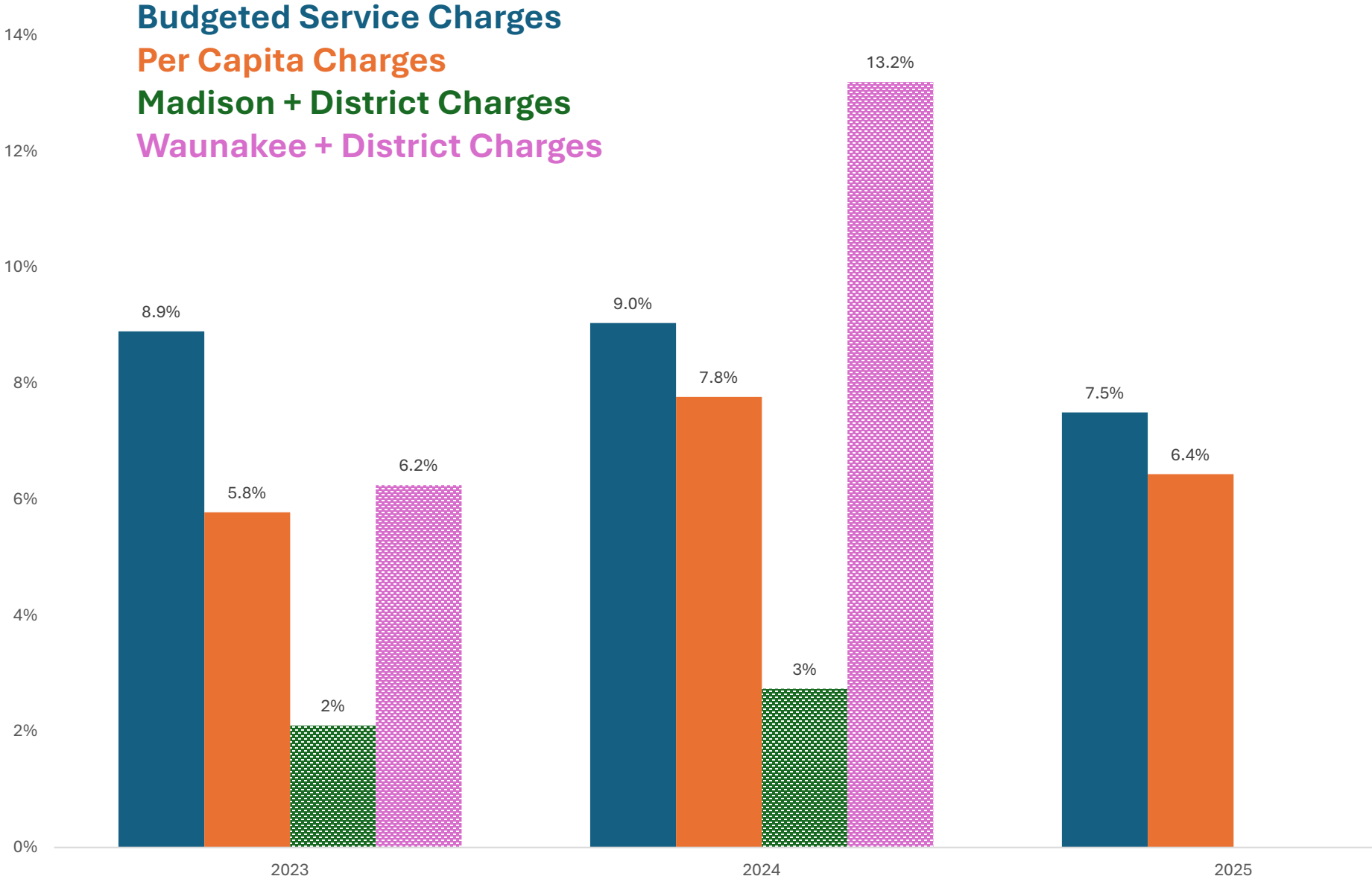
2025 annual charges,
District only

\$17.19

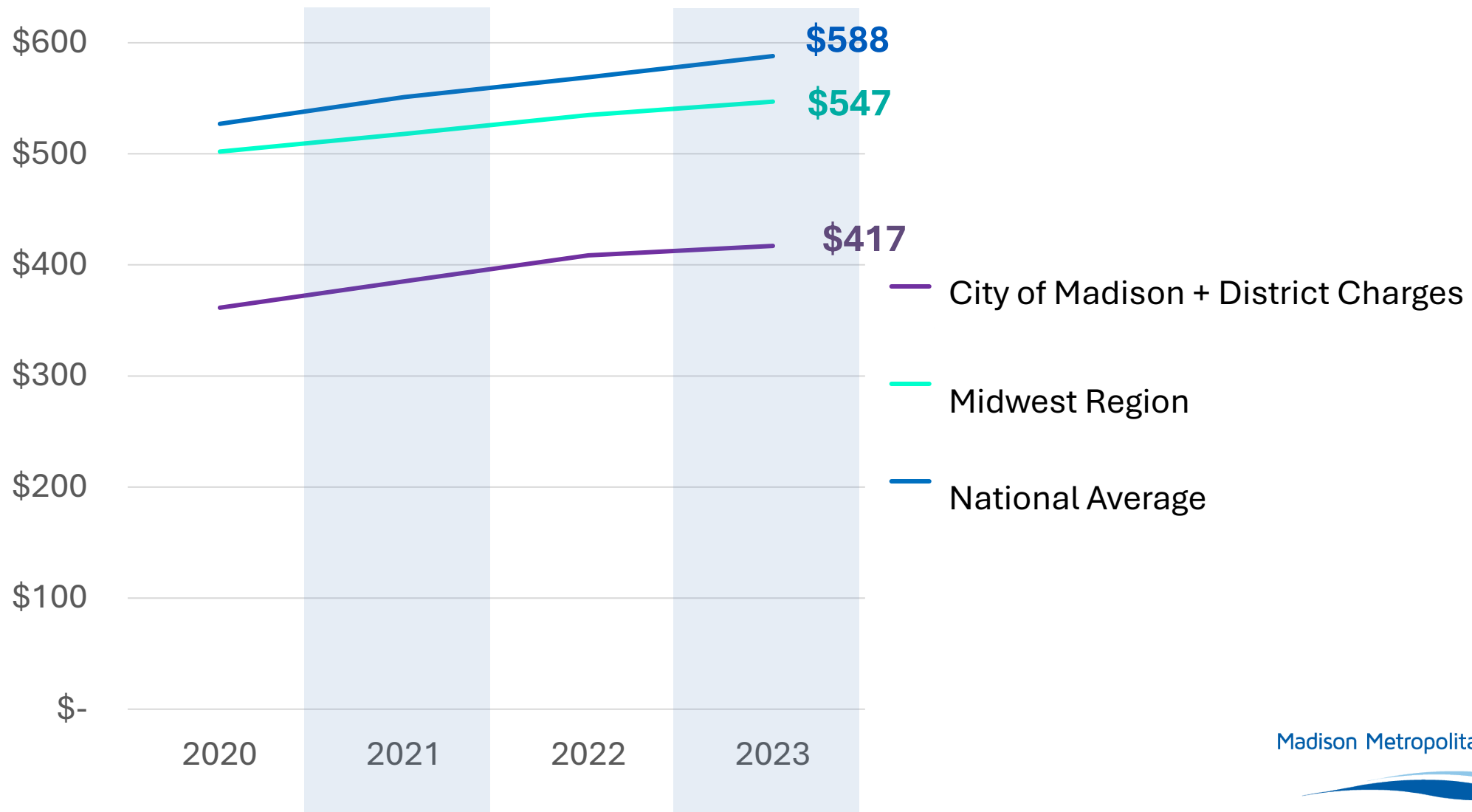
More than 2024



Service Charge Growth



Benchmark Cost-Per-Household



Next Steps

A man with a beard and short dark hair, wearing a blue patterned button-down shirt, is smiling and looking down at a document he is holding. He is in a meeting room with other people seated at tables in the background. The entire image has a blue tint.

Week of Sept. 16

Estimated charges sent to communities

September 16

Staff present budget to DCCVA E.C.

September 26

Public hearing and deliberation

October 11

Deadline to receive written comments;
submit to AmandaW@madsewer.org

October 17

Commission deliberation and final
direction

October 31

Commission adopts 2025 budget &
rates

A photograph of three workers in safety gear (hard hats, high-visibility jackets, and gloves) examining a large pipe. The pipe is wrapped with several sensors or monitoring devices. The worker on the left is using a handheld device to interact with one of the sensors. The worker in the center is looking at the pipe, and the worker on the right is also looking down at the pipe. The entire image has a blue overlay.

Questions?

Madison Metropolitan Sewerage District



Appendices



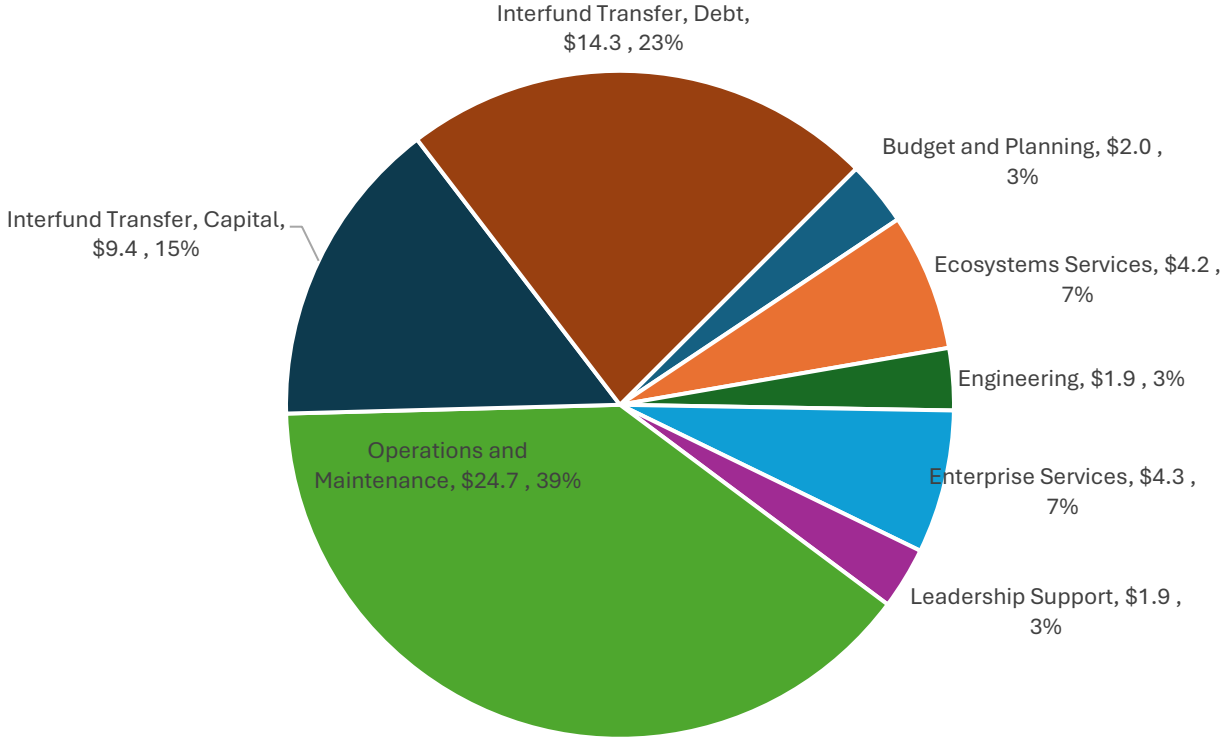
2025 Operating Budget Summary

2025 Operating Budget Summary					
<i>Table 2 in 2025 Budget</i>					
	2023 Actual	2024 Budget	2024 Through June Actual	2024 Total Estimated	Proposed 2025 Budget
Opening Balance	\$18,792,900	\$18,465,700	N/A	\$17,893,000	\$24,261,200
Debt and Operating Funds Adjustment	-	-	-	5,216,800	-
<i>Revenues</i>					
Sewer Service Charges	49,946,400	55,063,000	28,504,600	56,036,100	59,191,900
Servicing Pumping Stations	584,200	517,500	311,500	611,200	638,200
Rent	90,000	92,300	63,200	93,300	96,600
Interest Earnings	630,300	242,500	680,100	638,200	646,100
Annexation and Plan Review Fees	86,900	69,100	55,600	69,100	69,100
Miscellaneous Income	130,100	172,400	185,500	133,700	137,300
Septage Disposal Revenue	1,093,300	1,272,300	589,600	1,190,500	1,287,700
Pretreatment Monitoring	41,100	39,100	41,100	43,400	45,700
Struvite Fertilizer Sales	253,500	231,900	117,000	231,900	231,900
Total Revenues	52,855,800	57,700,100	30,548,200	59,047,400	62,344,500
<i>Expenditures</i>					
Budget and Planning	1,062,300	2,001,500	660,800	2,001,500	1,964,100
Ecosystems Services	2,923,600	3,986,900	1,757,600	3,986,900	4,158,500
Engineering	2,076,600	1,843,500	8,844,700	1,843,500	1,881,300
Enterprise Services	3,826,800	3,935,900	2,099,800	3,935,900	4,342,900
ED, Comms, Business Svcs	1,674,100	1,734,400	774,500	1,734,400	1,879,100
Human Resources	469,000	932,200	258,500	932,200	1,003,600
Operations and Maintenance	20,906,300	21,401,600	10,765,400	21,401,600	24,678,700
Interfund Transfer, Capital	4,791,000	15,521,000	-	15,521,000	9,417,000
Interfund Transfer, Debt	16,026,000	6,539,000	-	6,539,000	14,346,000
Total Expenditures	53,755,700	57,896,000	25,161,300	57,896,000	63,671,200
Closing Balance	\$17,893,000	\$18,269,800	N/A	\$24,261,200	\$22,934,500
<i>Reserve Requirement</i>	<i>20,340,700</i>	<i>17,756,300</i>	<i>N/A</i>	<i>20,876,178</i>	<i>22,934,500</i>
<i>Closing Balance Net of Reserves</i>	<i>(\$2,447,700)</i>	<i>\$513,500</i>	<i>N/A</i>	<i>\$3,385,022</i>	<i>\$0</i>



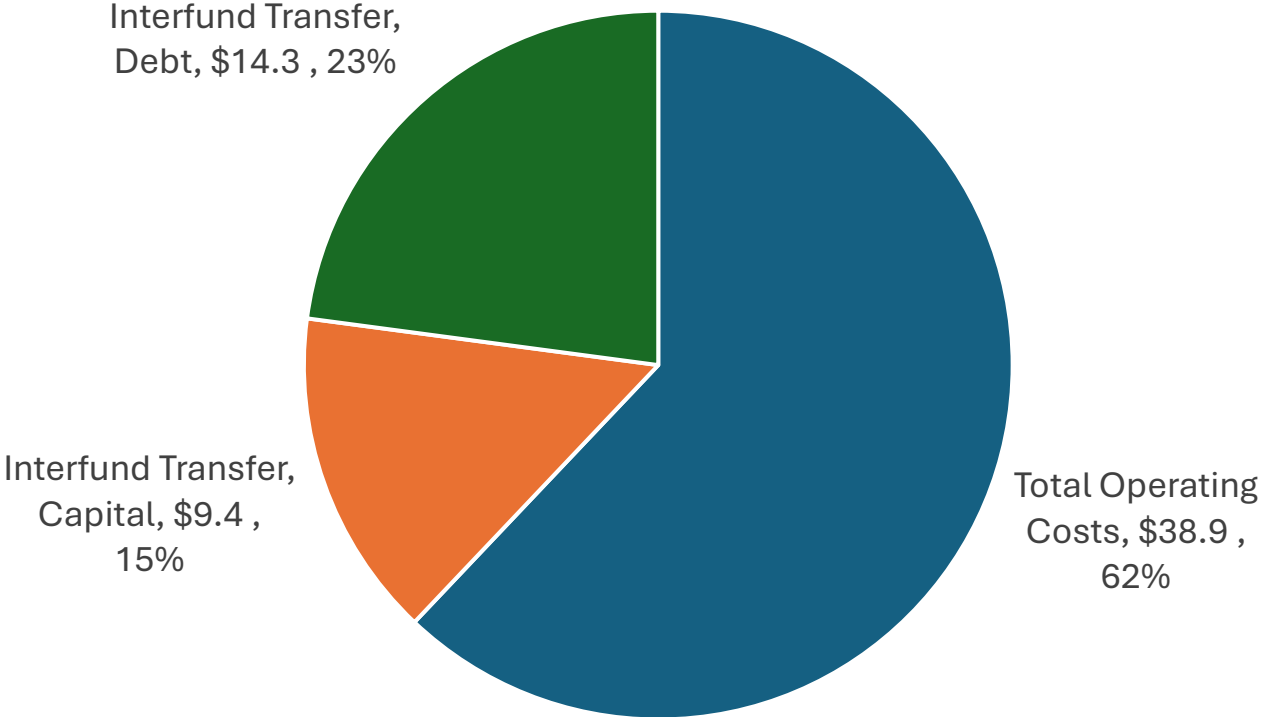
2025 Operating Budget Expenditures

Operating Budget Expenditures 2025 (\$63.7 million total)



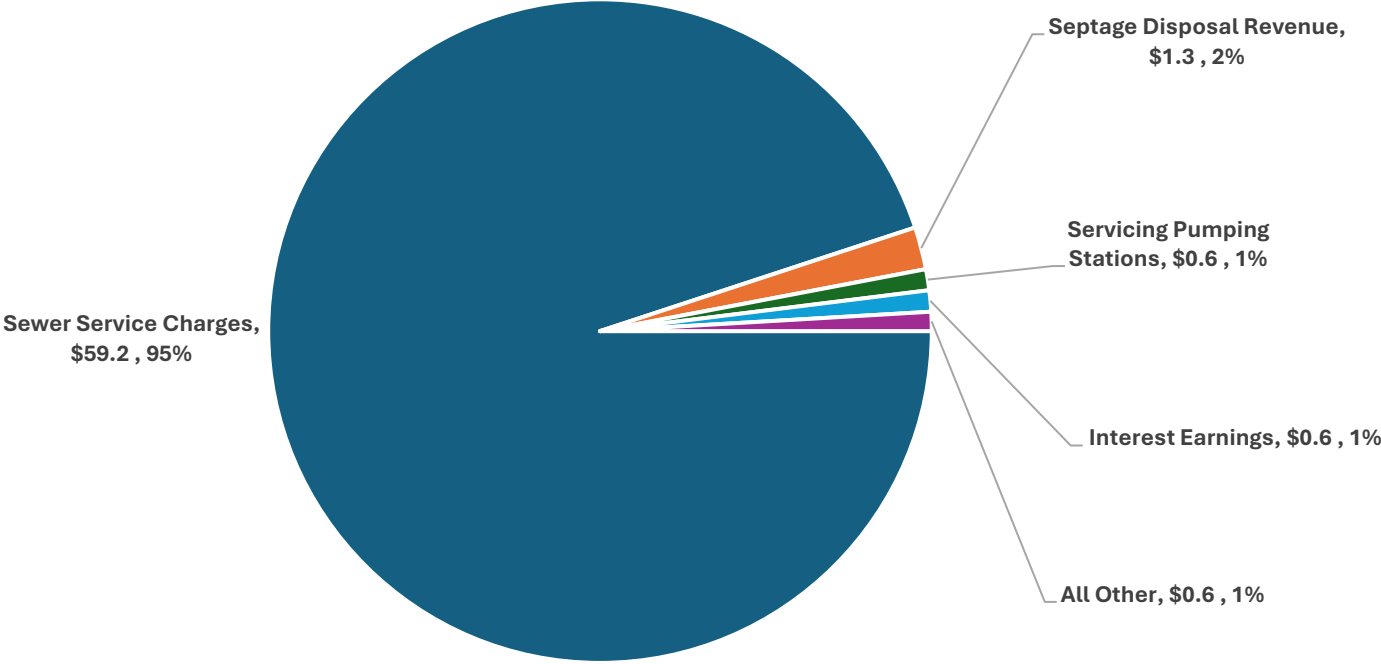
2025 Operating Budget Expenditures

Operating Budget Expenditures, 2025 (\$63.7 million total)



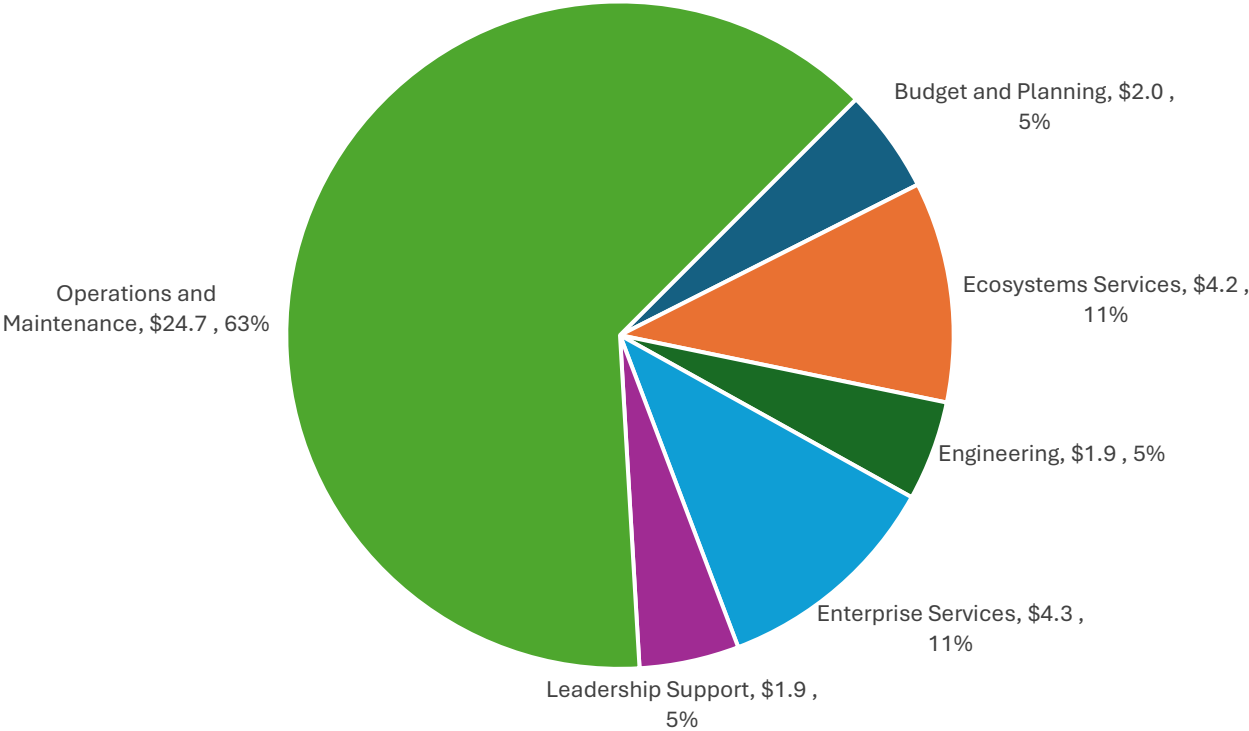
2025 Operating Budget Revenues

Operating Budget Revenues, 2025 (\$62.3 million total)



2025 Operating Expenditures, Excluding Transfers

Operating Budget Expenditures, Excluding Transfers, 2025 (\$39 million total)



2025 Operating Budget Expenditures, Grouped Departments

Operating Budget Expenditures, 2025 (\$63.7 million total)

