



Borough of Madison

Budget Discussion

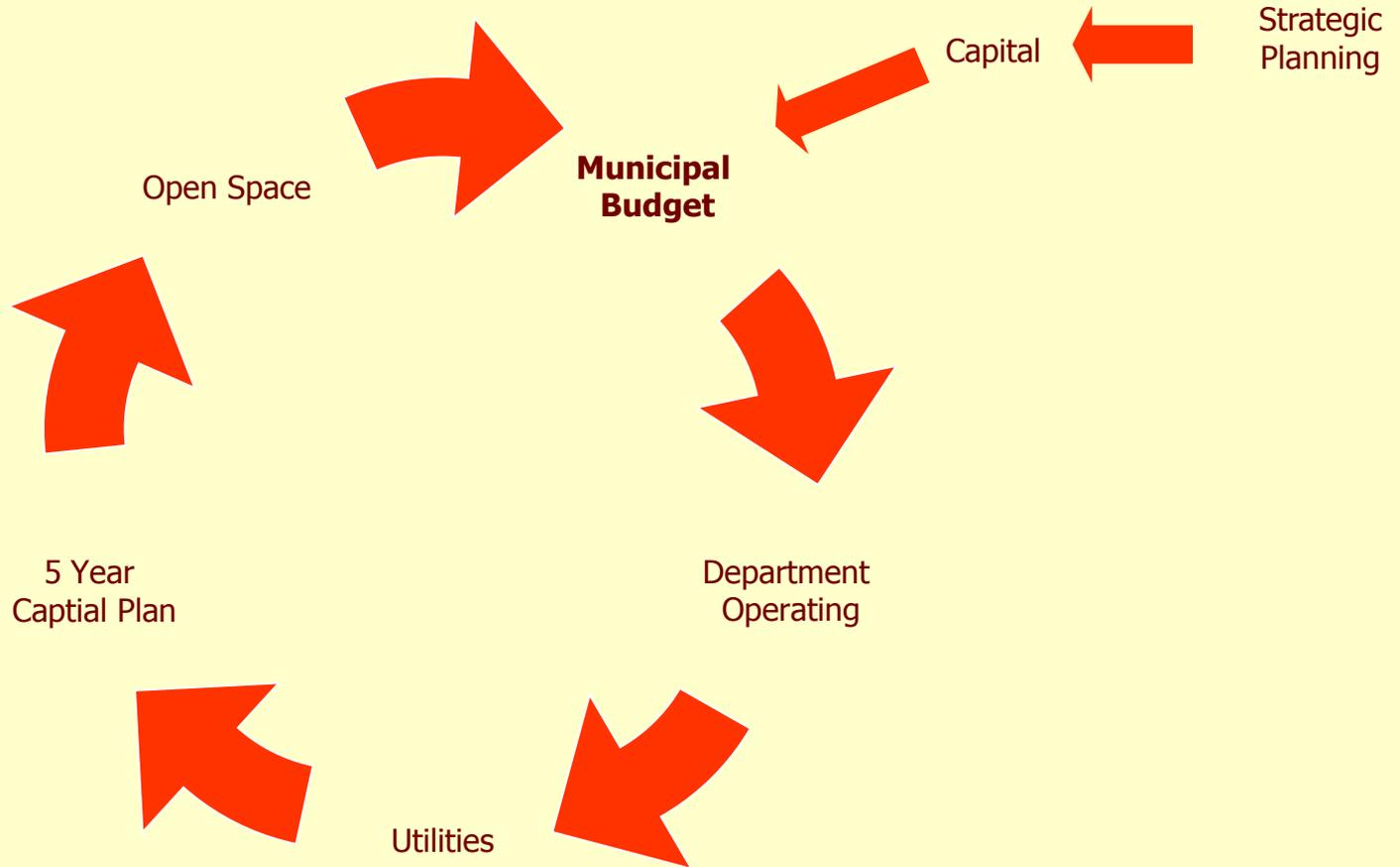
February 18, 2015

Agenda



- Budget Process
- Budget Goals
- Electric Utility Budget
- Water Utility Budget
- 5 Year Capital Plan
- Budget Guidelines
- Alternate Budget Document/Projections

Budget Process





Budget Goal

As directed by Council, supported by Finance Liaisons and referenced during the strategic planning process

“Sustainability”

Create a multi-year budget plan with sustainable, predictable and achievable...

- Municipal Surplus
- Capital Funding
- Utility Surplus for municipal budget



Budget Goal

“Sustainability”

Create a multi-year budget plan with sustainable, predictable and achievable... Municipal Surplus, Capital Funding, Utility Surplus for municipal budget.

Under this budget plan, the goal can be achieved with...

- Moderate annual tax increases
- Limited electric rate reductions (with a caveat)
- Possible water rate action
- Prudent Capital expenditures

2015 Budget Plan



The plan presented last week...

- Maintains all services at current levels
- Adequately funds capital with 'pay as you go'
- Includes predictable, small tax increases
- Supports our AAA rating
- Maintains an appropriate level of municipal surplus with an adequate contingency for emergencies

2015 Budget Plan



The plan presented last week...

- Maintains all services at current levels
- Adequately funds capital with 'pay as you go'
- Includes predictable, small tax increases
- Supports our AAA rating
- Maintains an appropriate level of municipal surplus with an adequate contingency for emergencies

UTILITIES

- Supports Madison's excellent reliability
- Keeps rates stable and competitive
- Generates a sustainable, predictable utility surplus



Short presentation and Q&A
by Michael Piano and David Maines
regarding the Electric and Water
Utilities



Please refer to your Utility
Budget Documents

Electric Utility Budget



Borough of Madison Schedule of Electric Utility Surplus Balances (in 000's) as of December 31st

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Actual	Estimate	Estimate	Estimate								
Balance at Beginning of Year	\$ 7,079	\$ 7,387	\$ 8,959	\$ 4,477	\$ 2,718	\$ 4,822	\$ 4,683	\$ 5,373	\$ 6,322	\$ 6,519	\$ 7,314	\$ 7,887
Less: Utilized in Municipal Budget	-4,360	-4,360	-3,450	-3,450	-2,656	-3,356	-3,516	-3,722	-5,796	-6,233	-6,933	-6,913
Add: Generated in Current Year	4,668	5,932	-1,032	1,691	4,760	3,217	4,206	4,671	5,993	7,028	7,506	7,854
Balance at Year End	\$7,387	\$8,959	\$4,477	\$2,718	\$4,822	\$4,683	\$5,373	\$6,322	\$6,519	\$7,314	\$7,887	\$ 8,831

Borough of Madison Schedule of Electric Utility Sales and Performance (in 000's)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	Estimate
Revenues												
Cash Collections	14,450	15,342	16,623	\$ 19,536	\$ 23,184	\$ 22,351	\$ 22,694	\$ 23,210	\$ 22,440	\$ 22,300	\$ 22,300	\$ 22,300
MRNA + Fund Balance Realized	573	610	453	232	406	188	135	162	763	100	100	100
Cancellation of CY/PY Appropriations	604	857	820	1,296	993	927	710	536	918	400	400	400
Expenses												
Purchased Power	8,200	8,200	16,000	16,200	16,500	16,800	16,000	15,800	14,250	11,624	11,054	10,586
Admin & Operating	2,359	2,677	2,928	3,173	3,223	3,349	3,233	3,307	3,678	3,748	3,840	3,960
Elec Utility Capital*	400	0	0	0	100	100	100	100	200	400	400	400
Total Surplus Generated	\$4,668	\$5,932	-\$1,032	\$1,691	\$4,760	\$3,217	\$4,206	\$4,701	\$5,993	\$7,028	\$7,506	\$7,854

Electric Utility Budget



Borough of Madison
Schedule of Electric Utility Surplus Balances (in 000's)
as of December 31st

	2015	2016	2017
	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Balance at Beginning of Year	\$ 6,322	\$ 7,314	\$ 7,887
Less: Utilized in Municipal Budget	-6,233	-6,993	-6,910
Add: Generated in Current Year	7,028	7,506	7,854
Balance at Year End	<u>\$7,117</u>	<u>\$7,887</u>	<u>\$ 8,831</u>

- Assumes no rate reduction.
- We continue to 'spend' the surplus as soon as it comes in.
- Assumes we lock into favorable contracts.

Electric Utility Budget



Madison's Portfolio of Contracts vs the Investor Owned Utilities (IOU)			
as of February 11, 2015			
	IOU Purchasing via BGS Auction		
LOAD	2015-6	2016-7	2017-8
100%	Purchased Feb 2013		
66.60%	Purchased Feb 2014		
33.30%	to be purchased in Feb 2015		
	100.00%	66.66%	33.33%
	Borough of Madison		
LOAD	2015-6	2016-7	2017-8
100%	Jan 5, 2012, \$49.97, Exelon		
66.60%	Dec 1, 2011, \$58.30 PSEG		
33.30%	Sept 24, 2012, \$45.85, NextEra	Sept 24, 2012, \$47.65, NextEra	May 19, 2014, \$51.50, Exelon
	100%	33.33%	33.33%

Electric Utility Budget



Borough of Madison
Schedule of Electric Utility Surplus Balances (in 000's)
as of December 31st

	2015	2016	2017
	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
Balance at Beginning of Year	\$ 6,322	\$ 7,314	\$ 7,887
Less: Utilized in Municipal Budget	-6,233	-6,993	-6,910
Add: Generated in Current Year	7,028	7,506	7,854
Balance at Year End	<u>\$7,117</u>	<u>\$7,887</u>	<u>\$ 8,831</u>

The Borough should have \$800,000 or more a year. What should it do with it?

- More Capital?
- Tax Relief
- Services
- Electric Rate Reduction
- Contingency
- Cover loss of Water Surplus

Water Utility Budget



**Borough of Madison
Estimated Water Utility Results
For the Year's 2014 thru 2017
(in \$000's)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tariff Collections	\$2,475	\$2,480	\$2,480	\$2,480
Miscellaneous Revenue	\$49	\$80	\$80	\$80
Operations	-\$1,980	-\$2,040	-\$2,101	-\$2,164
Capital Improvement	-\$200	-\$200	-\$400	-\$400
AMR	-\$200	-\$200		
Cancellation of Prior Year's Appropriation Reserves	\$376	\$300	\$300	\$300
Estimated Surplus	\$520	\$420	\$359	\$296

**Borough of Madison
Schedule of Water Utility Surplus Balances
2014 Actual Thru 2017 Estimate as of December 31st**

	2014 Actual	2015 Estimate	2016 Estimate	2017 Estimate
Balance at Beginning of Year	\$ 1,518	\$ 1,588	\$ 1,508	\$ 1,367
Less: Utilized in Municipal Budget	(450)	(500)	(500)	(500)
Add: Generated in Current Year	520	420	359	296
Balance at Year End	\$ 1,588	\$ 1,508	\$ 1,367	\$ 1,163
Increase (Decrease)	\$ 70	\$ (80)	\$ (141)	\$ (204)



The Five Year Capital Plan

Five Year Capital Plan



-Does the \$3 million 'Capital Improvement Fund' line item in the budget mean we will only spend \$3 million on Capital this year?

NO. Please refer to Page 1 of the Five Year Capital Plan Presentation.

Borough of Madison
Schedule of Capital Improvement Fund
2008 thru 2014 (in \$000's)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Beginning Balance</u>	\$ 4,791	\$ 4,786	\$ 3,221	\$ 2,012	\$ 1,115	\$ 78	\$ 539
Improvement Authorizations Cancelled	158	276	84	160	50	83	54
Budget Appropriations	1,529	500	500	0	750	1,000	3,500
Grant Funds Received				423		390	213
Other Receipts				40	19		95
Improvement Authorizations	(1,692)	(2,341)	(1,793)	(1,520)	(1,856)	(1,012)	(3,468)
<u>Ending Balance</u>	\$ 4,786	\$ 3,221	\$ 2,012	\$ 1,115	\$ 78	\$ 539	\$ 933

Five Year Capital Plan



-Does the \$3 million 'Capital Improvement Fund' line item in the budget mean we will only spend \$3 million on Capital this year?

NO.

- We currently have almost \$1 million in the Capital Imp. Fund (CIF)
- Grant \$\$ and other revenues replenish the CIF
- Cancelled appropriations replenish the CIF.
- We can and often do spend more than the CIF appropriation.
- \$500,000 in capital items are funded thru the Operating Budget
- Open Space \$\$ is used to fund capital items

Capital items funded in the Operating Budget & Police Trust



DEPARTMENT	ACCOUNT	PURPOSE	AMOUNT
Construction Code	195/411	Vehicle	\$20,060
Police	240/311	Vehicle	\$45,000
Police	Special Duty Trust	Vehicle	\$45,000
Police	240/415	Radios	\$8,500
Police	240/433	Traffic Signs	\$7,000
Shade Tree	303/427	Trees	\$16,500
DPW	315/322	Vehicle Equipment	\$90,000
DPW	315/420	Hardware/Tools	\$10,000
DPW	315/439	Snow Plow Equipment	\$17,000
DPW	315/443	Leaf Machine Equipment	\$10,000
DPW	315/441	Lawn Mower Equipment	\$15,000
DPW	316/411	Police Vehicle Equipment	\$25,000
DPW	317/411	Fire Vehicle Equipment	\$9,000
Recreation	370/314	Equipment	\$20,000
Computer Network	501/313	Computer Equipment	\$50,000
Water Field	5501/318	Construction Equipment	\$35,000
Electric Field	9502/315	Electric Equipment	\$44,000
Electric Field	9502/411	Vehicle Machinery	\$10,500
Electric Field	9502/415	Wire/Cable	\$83,000
CAPITAL ITEMS IN 2015 OPERATING BUDGET			= <u>\$560,560</u>

Five Year Capital Plan



- How does this plan compare to the Strategic Planning Report?
- The Borough will appropriate close to \$4 million in 2014 on Capital, which is in line with the Strategic Planning Report.
- Administration, staff and Council need time to fully review the strategic planning report and capital asset inventory.
- Verify Borough's capacity to manage a larger capital budget.

Administration and staff believe that Borough will be able to fund all of the needed capital over the next three years.

Budget Guidelines



- Alternate Budget Format
- Cap Municipal Surplus at 25% of total budget for next year
- Surplus used in budget should not exceed surplus generated the prior year
- Utility surplus transfer to municipal budget should not exceed 20%
- Property taxes should be the majority of total budgeted revenue (long term goal).
- Amount of Utility surplus used to fund municipal operations (not capital) should not exceed 9%
- Debt Service should not exceed 10% of total appropriations
- Capital Improvement Fund should be 8% - 12% of total appropriations

Budget Guidelines



2/9/2015

Borough of Madison
2015 Budget Guideline Calculations
(in \$000's)

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line	Guideline	2013 Budget		2014 Budget		2015 Estimate		2016 Estimate		2017 Estimate	
1	Capital Improvement Fund	\$1,000/	3.90%	\$3,500/	11.80%	\$3,000/	10.30%	\$3,500/	11.6%	\$3,500/	11.30%
2	Total Appropriations	\$25,682		\$29,587		\$29,033		\$30,260		\$30,870	
3	Utility Transfers	\$4,172/	16.20%	\$6,246/	21.10%	\$6,733/	23.20%	\$7,433/	24.6%	\$7,410/	24.00%
4	Total Appropriations	\$25,682		\$29,587		\$29,033		\$30,260		\$30,870	
	Prior Year End										
5	Municipal Surplus	\$5,592,/	21.80%	\$7,250,/	24.50%	\$7,786/	26.80%	\$8,000/	26.4%	\$8,200/	26.60%
6	Total Appropriations	\$25,682		\$29,587		\$29,033		\$30,260		\$30,870	
7	Operating Shortfall	\$1,260/	4.90%	\$2,319/	7.80%	\$1,536/	5.30%	\$1,513/	5.0%	\$1,572/	5.10%
8	Total Appropriations (Funded From Utilities)	\$25,682		\$29,587		\$29,033		\$30,260		\$30,870	

Guideline Ranges:

9	Capital Improvement Fund	8% to 12 %
10	Utility Transfers	17% to 20 %
11	Year End Municipal Surplus	20 % to 25%
12	Operating Shortfall (Funded From Utilities)	7% to 9%



Questions?