



Borough of Madison



Budget Presentation, January 28, 2019





Agenda



- The process and steps involved in crafting the budget.
- Review of Electric and Water utility performance for 2018, surplus generated and proposed budget for 2019.
- Presentation of Field Operations, Goals and Initiatives from Jim Mattina
- Caveat... all 2018 numbers are draft. We will have final numbers before February 25.



Budget Schedule

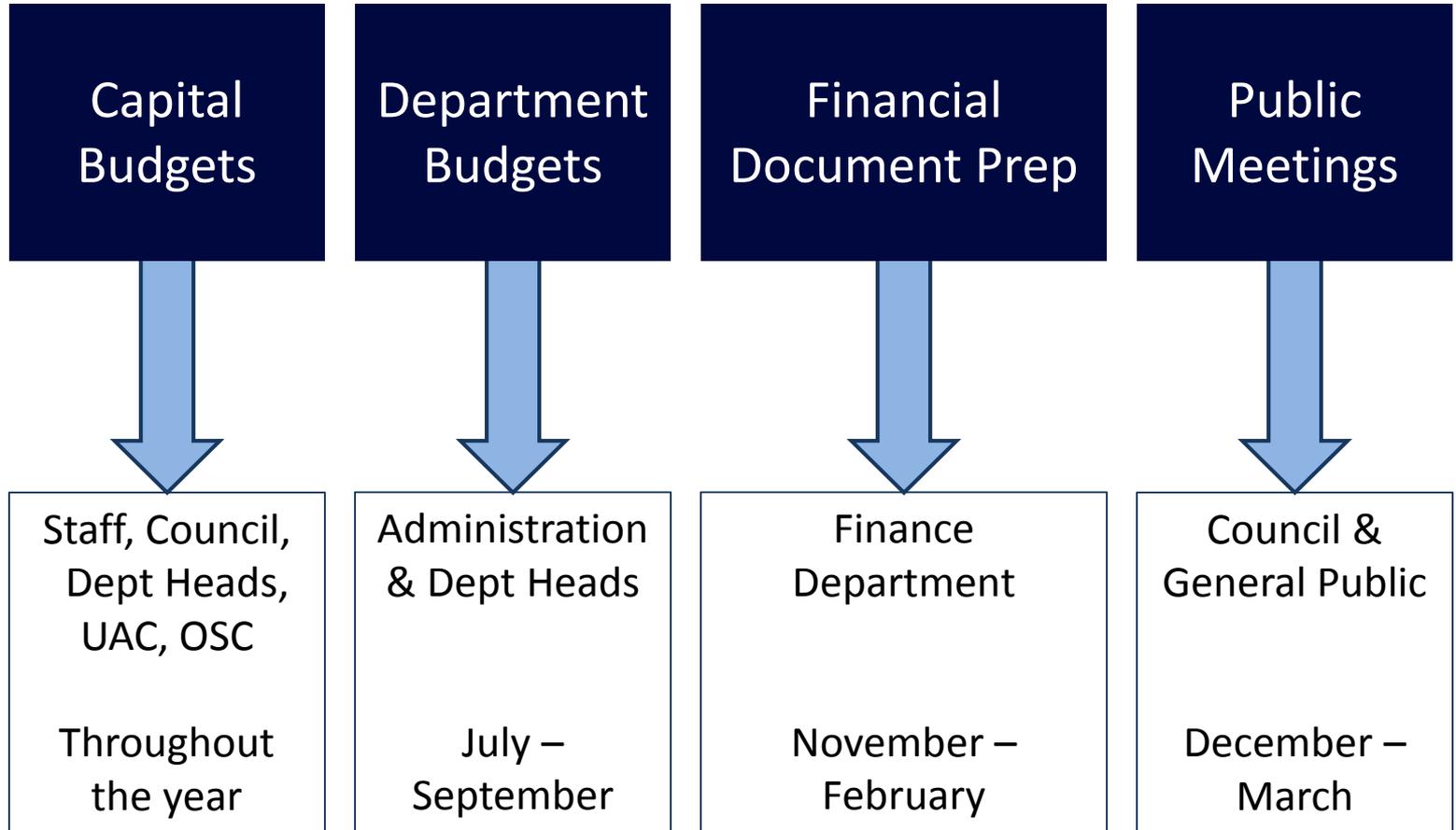


- November 26, Hearing on \$4,770,000 Bond Ordinance for MCJM
- December 10, Draft Five Year Capital Plan
- January 14, Open Space Trust Fund & Revised Five Year Capital Plan
- January 23, Annual Debt Statement submitted to State.
- January 28, Utilities Performance (tonight)
- Early February, Unaudited Annual Financial Statements submitted to the state.
- February 11, Initial Budget Discussion & Surplus Discussion
- February 25, Department Head Operating & Capital
 - March 4 @ 7pm, Special meeting. Revised budget & strategic planning guidelines
(prepare the Official State Budget document)
- March 25, Official Budget Introduction
- April 22, Official Budget Hearing & Adoption



Details can be found at <http://www.rosenet.org/725/Annual-Budget-Process>

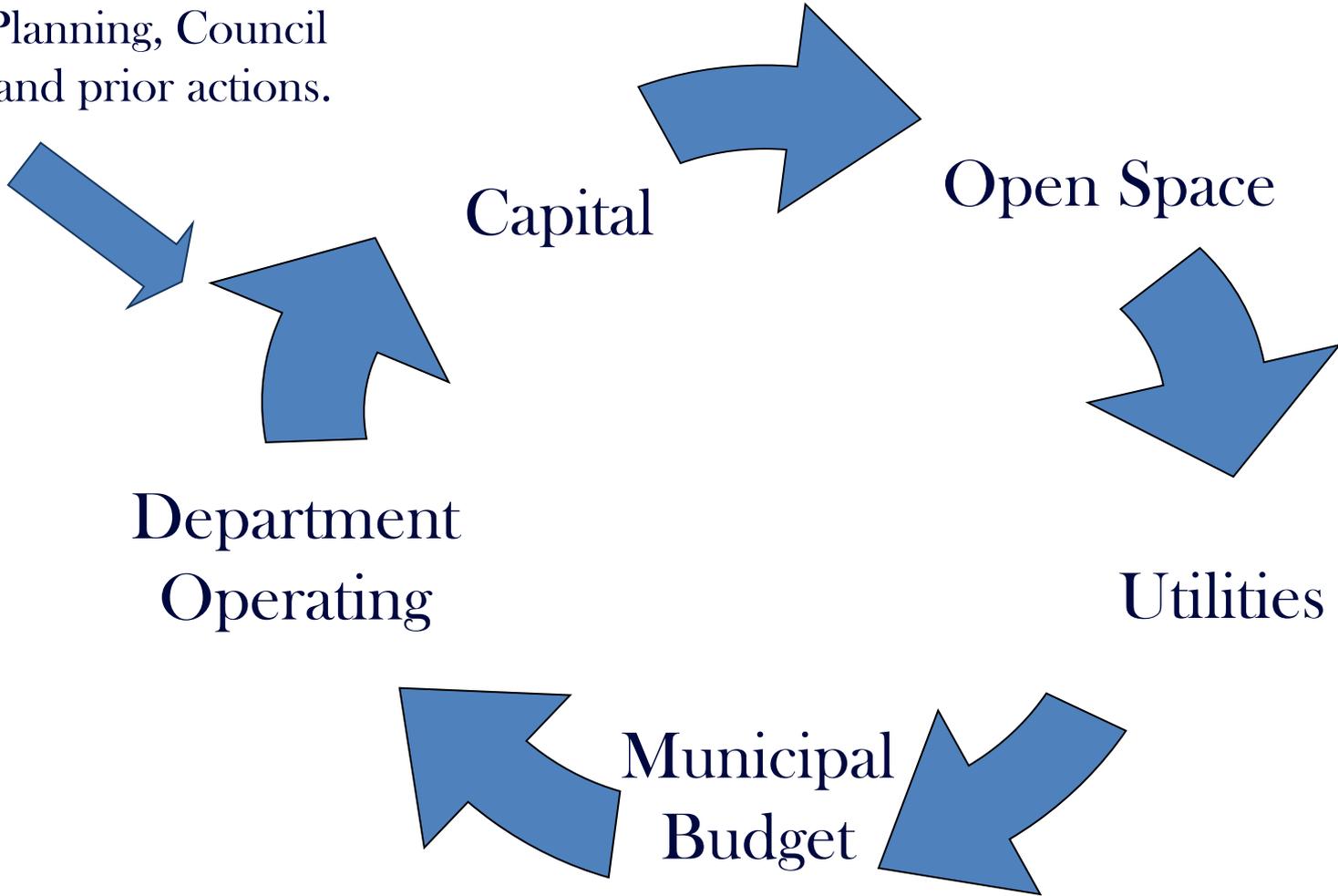
Budget Process



Budget Process



Strategic Planning, Council initiatives and prior actions.



Three Entities



When Council votes to adopt the budget, you are approving the year's **OPERATING** budget for three entities:

Current Fund:

The 'main budget' and includes police, fire, public works, library, sewage, garbage, recycling, yard waste, etc.

Electric Utility:

Field operations, back office, billing and capital.

Water Utility:

Field operations, back office, billing and capital.

Three Capital Accounts



When Council votes on the budget, you are voting on the **OPERATING** budgets for the current fund, water utility and electric utility. Specific capital items are typically not included in the operating budget. Instead Council appropriates funds via capital ordinances throughout the year.

Each of the three entities has a Capital Fund... the General Capital Fund (for the current fund), Electric Capital Fund and Water Capital Fund.

Each operating budget does include a line for capital. That is the amount of \$\$ that is being taken from the operating account and transferred into the capital fund.



Budget or Spending Plan?



The word ‘budget’ is used, but ‘spending plan’ is a better term. When council approves the budget, they are approving the amount of money that will be spent for the entire year.

A business can typically change their budget during the year. Example.... They get a new contract so they decide to expand the business. The same holds true for a personal budget. If someone gets a promotion, they may go out and make additional purchases that year.

That is not the case for a municipal budget. The amount that is set aside for snow removal or fuel is set at the beginning of the year and can not change, no matter what happens with the weather or fuel prices.

If the budget includes \$200,000 for snow removal, and only \$120,000 is spent, then the remaining funds become “surplus”. Surplus is described in detail later in this document.

Breakdown of your tax bill

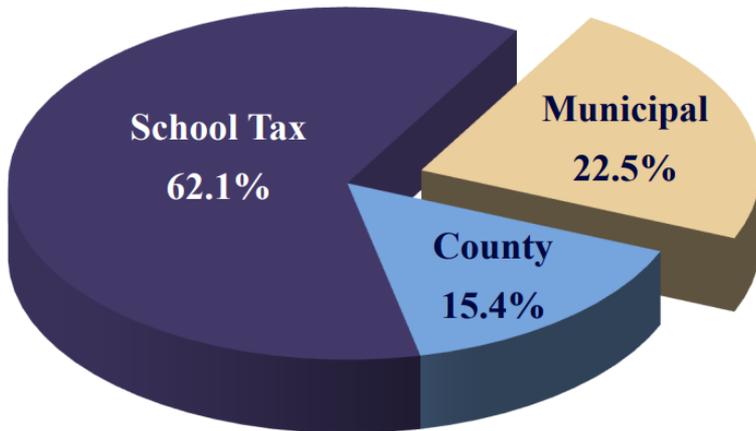


The Borough's portion of your tax bill has remained at 22.5%. School tax has increased from 61.7% to 62.1%.

2018

MADISON TAX BILL BREAKDOWN

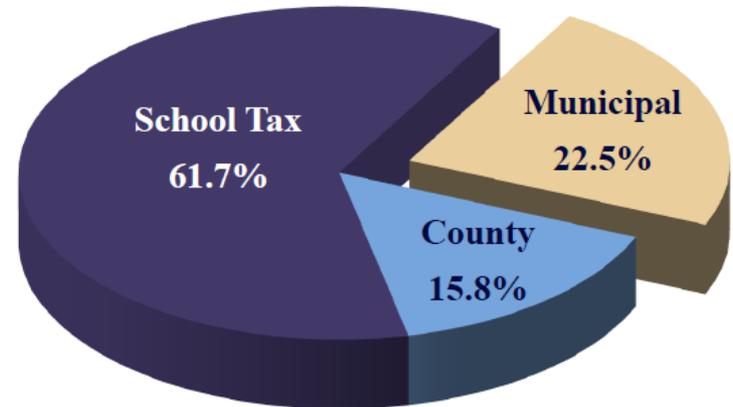
This chart illustrates the breakdown of taxes for each component of your property tax bill.



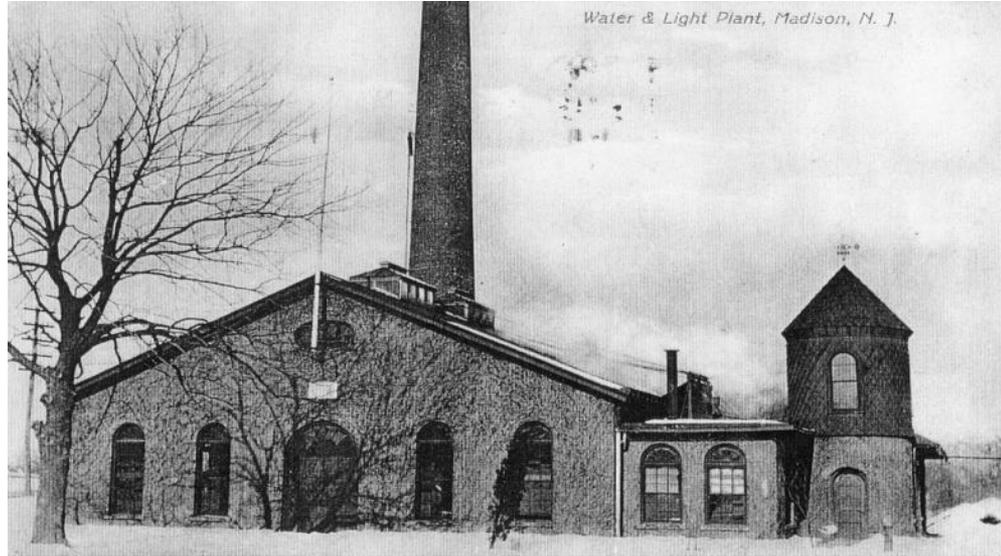
2017

MADISON TAX BILL BREAKDOWN

This chart illustrates the breakdown of taxes for each component of your property tax bill.



Electric Utility



Transparency



Annual Budget Process

Financial Documents

Property Assessor ▶

Tax Collector ▶

Utility Billing Office ▶

2018 Payroll Data

[Home](#) > [Departments](#) > [Finance Department](#) > Annual Budget Process

Annual Budget Process

The annual budget process occurs between the months of November and April. During this time, the Finance Department produces public information in various formats, ranging from graphic/simple to comprehensive/granular. Residents can choose what level of detail they wish to see based on the below list.

[Annual One Sheet Budget Summary](#): This document presents budget information in a very graphic and simple format and has been produced since 2015.

[Budget in Brief](#): This is a one-page budget summary. The document has been created since 1986 and while the format has changed slightly, it is still possible to make meaningful comparisons of numbers from 1986 to present.

[Audit Report](#): This very detailed 100+ page document contains very comprehensive and granular information. Digital copies are on-line from 2006 to date and hard copies dating back to the 1970's are readily available in the finance office.

ANNUAL BUDGET PROCESS: The remainder of this page outlines the budget documents and presentations given to Council during the budget process as well as a schedule of upcoming budget-related meetings. Click on Financial Documents on the left menu bar for a full listing of past budgets, audits, and other information.

2019

2018

2017

2016

2015

2014

2013

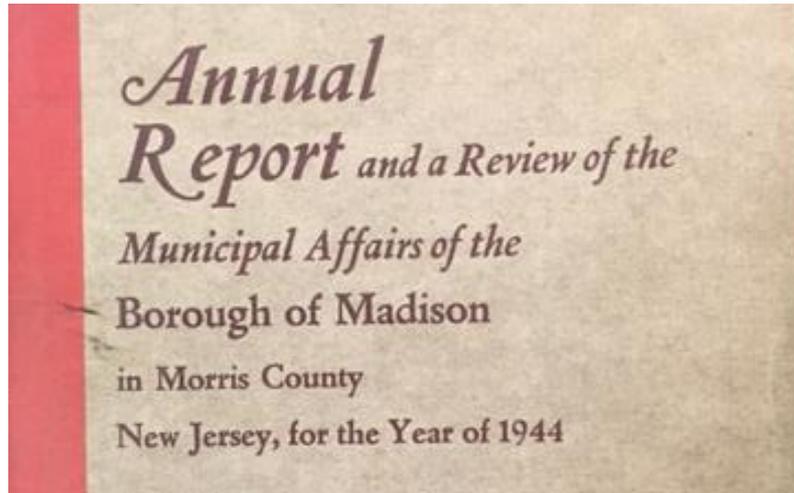
2019 Budget Process

Monday, January 14, 2019. Council discussed the [Budget Schedule](#), [the Open Space Trust Fund](#). A revised [Five Year Capital Plan](#) was presented to Council and discussed as well. An Ordinance for 2019 Road Reconstruction and Milling & Overlay were introduced as well.

Monday, December 10, 2018. Council received a draft [Five Year Capital Plan](#). Council approved R325-2018 which cancelled outstanding balances in various Capital Ordinances making the excess funds available for future capital projects.

Those interested in learning more about the budget process are encouraged to visit the “Annual Budget Process” page on Rosenet, which can be found under the Finance Department.

More about transparency



The Borough has been transferring utility surplus to the municipal budget for tax relief since 1944. The topic is discussed every year during the budget hearings.

In 1944 the Utility Transfer was very large....3100% the size of the property taxes as compared to last year when the transfer was about 25%.

Anticipated Revenues:	
Surplus revenue (from savings realized from local purpose budgets of prior years)-----	\$115,000.00
Collections of delinquent taxes-----	35,000.00
Water and Light Department operating surplus (from balance accumulated to December 31, 1943) -----	127,000.00
Trust surplus (from accumulations of prior years)-----	14,000.00
Other miscellaneous revenues-----	16,450.00
Total anticipated revenues-----	\$307,450.00
Excess of Appropriations over Anticipated Revenues-----	\$ 4,075.00

Utility Transfer

Property Taxes

Residents interested in learning more should contact the CFO at cfo@rosenet.org or visit the Finance Department section of Rosenet.



Electric Utility

The bad news



Transmission costs have

Increased \$1,400,000

From 2017 to 2019 due to a settlement with JCPL and various market pressures.



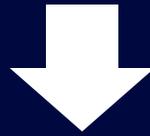
Electric Utility

The good news



In 2019, block energy prices are going to

Decrease \$593,000



Capacity prices are dropping in 2019

Decrease \$632,000



Total 2018 revenues were higher than anticipated and

Increased \$1,490,000



Electric Utility Surplus

As a result, Surplus Generated (line 11) was \$1,341,000 greater than anticipated. Instead of Surplus Balances (line 16) dropping, it increased by \$437,000.

Schedule of Electric Utility Sales and Performance (in 000's) as of Dec 31st								
Line		2016 Actual	2017 Actual	2018 Orig Est	2018 Rev Est	2019 Estimate	2020 Estimate	2021 Estimate
REVENUES								
1	Cash Collections	\$22,993	\$22,056	\$22,500	\$23,216	\$22,600	\$22,600	\$22,600
2	Electric Utility Dividend		(\$1,003)	(\$1,500)	(\$1,545)	(\$1,500)	(\$1,500)	(\$1,500)
3	Misc Revenue + Fund Balance Realized	\$70	\$81	\$100	\$243	\$175	\$175	\$175
4	Cancellation of Appropriations	\$1,051	\$842	\$825	\$1,501	\$985	\$985	\$985
EXPENSES								
5	Block Contracts	(\$6,750)	(\$6,340)	(\$5,635)	(\$5,635)	(\$5,042)	(\$4,954)	(\$4,827)
6	Capacity	(\$2,265)	(\$2,305)	(\$2,954)	(\$2,954)	(\$2,322)	(\$2,261)	(\$2,648)
7	Transmission	(\$529)	(\$742)	(\$1,202)	(\$1,351)	(\$2,042)	(\$1,786)	(\$1,807)
8	Spot, Admin, Ancillaries, etc	(\$797)	(\$999)	(\$816)	(\$816)	(\$984)	(\$904)	(\$896)
9	Admin & Operating	(\$3,822)	(\$4,181)	(\$4,282)	(\$4,282)	(\$4,365)	(\$4,496)	(\$4,631)
10	Elec Utility Capital*	(\$895)	(\$895)	(\$895)	(\$895)	(\$895)	(\$895)	(\$895)
11	Total Surplus Generated (end of year)	\$9,056	\$6,514	\$6,141	\$7,482	\$6,610	\$6,964	\$6,556
Schedule of Electric Utility Surplus Balances (in 000's)								
Line		2016 Actual	2017 Actual	2018 Orig Est	2018 Rev Est	2019 Estimate	2020 Estimate	2021 Estimate
12	Balance at Beginning of Year	\$8,156	\$10,013	\$9,393	\$9,393	\$9,830	\$9,445	\$9,514
13	Less: Utilized in Municipal Budget	(\$7,199)	(\$7,134)	(\$7,045)	(\$7,045)	(\$6,995)	(\$6,895)	(\$6,795)
14	Sub Total (Free Balance)	\$957	\$2,879	\$2,348	\$2,348	\$2,835	\$2,550	\$2,719
15	Add: Generated in Current Year	\$9,056	\$6,514	\$6,141	\$7,482	\$6,610	\$6,964	\$6,556
16	Surplus Balance at Year End	\$10,013	\$9,393	\$8,489	\$9,830	\$9,445	\$9,514	\$9,275



Electric Utility Performance



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Electric Utility Performance



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Line 1. Sales were higher than our original February 2018 estimate of \$22,500,000 due to the hot summer.

Line 2. We were right on target in 2018 with the \$1.5 million approved dividend. The number was slightly higher due to the higher sales in line 1.

Line 3. Misc Revenue is higher due to payments from KRE for lampposts and interest earned. That budget was increased going forward.

Line 5. Block energy contracts are dropping by \$593,000 in 2019.

Line 7. As discussed last year, transmission costs are significantly. Because of a legal settlement, transmission costs are set until 2020. Costs beyond 2020 they are unknown and a concern.

Line 13 shows how much surplus is transferred from the Electric Utility into the municipal budget for tax relief. The 2019 number is an estimate and will be discussed in more detail once the draft municipal budget is presented.

Portfolio of Block Contracts



The Borough has locked in block electric contracts out to 2023, and out much farther than the Investor Owned Utilities. Exelon generates mostly nuclear energy. Over 75% of the electricity generated by NextEra is renewable (wind & solar).

Grey shows IOU contracts, blue shows our current portfolio.

2016-7	2017-8	2018-9	2019-20	2020-21	2021-22	2022-23
		Purchased Feb 16				
		purchased Feb 2017				
		Purchased feb 2018				
	100.00%	100.00%	66.66%	33.33%		0.00%

Borough of Madison

2016-7	2017-8	2018-9	2019-20	2020-21	2021-22	2022-23
Oct 8, 2015, \$36.09 Exelon	Dec 21, 2015 \$33.20 PSEG	Aug 3, 2016, \$32.75, Exelon	Jan 26, 2017 \$31.55 PSEG	Feb 14, 2018, \$29.60, Exelon	Jan 16, 2019, \$30.69, NextEra	
March 12, 2015, \$41.88 BP	March 12, 2015, \$42.30 Exelon	Dec 7, 2015, \$33.02, Exelon	Aug 3, 2016, \$33.14, Exelon	Jan 11, 2017, \$30.70, Exelon	Feb 14, 2018, \$29.65, NextEra	Jan 16, 2019, \$29.69, NextEra
Sept 24, 2012, \$47.65, NextEra	May 19, 2014, \$51.50, Exelon	Oct 8, 2015, \$35.40, NextEra	Feb 29, 2016 \$31.25 PSEG	Dec 15, 2016, \$31.10, Exelon	Aug 29, 2017, \$28.96, NextEra	July 11, 2018 \$28.40 PSEG
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	66.66%

Residential Rate Comparison



The Dividend has resulted in the Borough's electric rate dropping by over 7%, which was one of the largest rate drops in the state of New Jersey from 2016 to 2018.

Monthly residential bill based on 855kWh consumption

Municipalities that use surplus for tax relief				Municipalities that do not use surplus for tax relief				Investor Owned Utilities			
	2016	2018	% change		2016	2018	% change		2016	2018	% change
Madison	\$ 172.59	\$ 159.94	-7.3%	Butler	\$ 106.04	\$ 97.28	-8.3%	Atl City Elec	\$ 159.24	\$ 155.37	-2.4%
Milltown	\$ 169.03	\$ 172.83	2.2%	Lavallette	\$ 121.20	\$ 121.98	0.6%	JCPL	\$ 118.27	\$ 123.25	4.2%
Pemberton	\$ 186.90	\$ 191.28	2.3%	Park Ridge	\$ 126.68	\$ 131.81	4.0%	PSEG	\$ 151.39	\$ 147.59	-2.5%
Seaside	\$ 157.10	\$ 158.30	0.8%	Sussex	\$ 117.26	\$ 118.24	0.8%	Rockland	\$ 162.15	\$ 159.34	-1.7%
South River	\$ 185.74	\$ 185.74	0.0%	Vineland	\$ 120.12	\$ 137.38	14.4%	IOU Average			
								Exlcuding JCPL	\$ 157.59	\$ 154.10	-2.2%

Electric Utility Capital



Project Description	2019	2020	2021	2022	2023
Automated Meters	200,000	100,000	100,000	100,000	100,000
Digger Derrick Truck (Unit 131)			240,000		
Mason Dump Truck				70,000	
Single Bucket Truck w/Hoist			150,000		
Utility Truck 135		50,000			
Underground primary distribution system at Union Hill & Independence Court		125,000			
Underground primary distribution system at Madison Green Condominiums		100,000			
Primary Voltage copper cable for Kings Rd feeder lines		100,000			
Historic PennGlobe Fixtures at Train Station			50,000		
Substation Relays & Guages	100,000				
Substation Security, Screening, Landscape	50,000				
Industrial Rack Storage System					125,000
Traffic Signals - Camera Actuator Etc *	100,000	50,000	50,000	50,000	50,000
Dodge Field Lighting				150,000	
Peak Shave Generator Slab/Sitework					50,000
Parking Lot Lighting				50,000	
Reserve funding for Substation Repair	300,000	300,000	300,000	300,000	300,000
Yearly Totals	\$ 750,000	\$ 825,000	\$ 890,000	\$ 720,000	\$ 625,000

Admin Goals for the Utilities



AUTOMATED METERS

- Over 300 AMI capable meters have been installed.
- Close to 2,000 electric meters are on order.
- With the help of the new interns, we hope to have over 2,000 meters installed and a demo AMI ‘collector’ by the end of the summer.

SECURITY & SYSTEM HARDENING

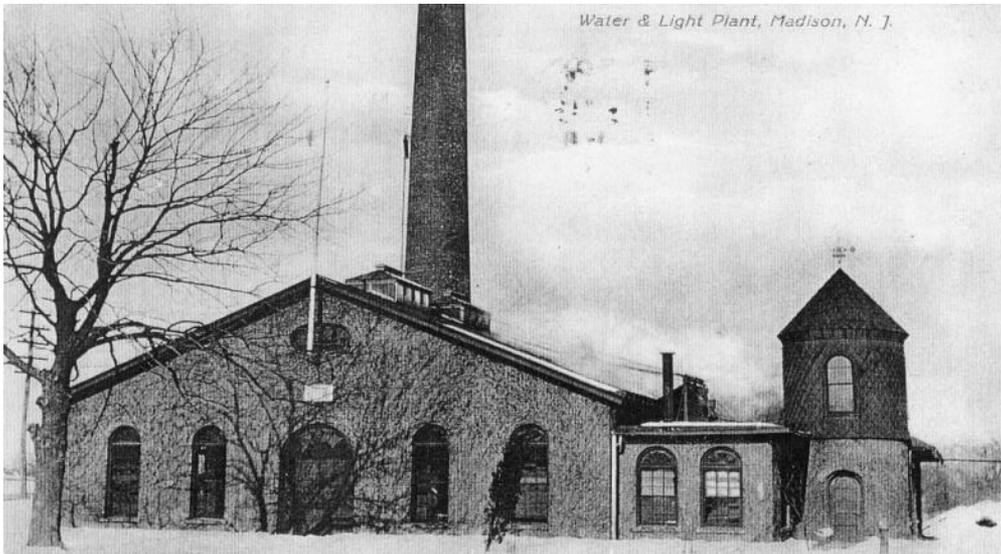
- Staff have been working on hardening our reliability with security enhancements, cameras and access controls.
- Administration has finalized new interconnection agreements with neighboring water providers.



Electric Utility Department



Report by Jim Mattina Electric Utility Superintendent





Electric Utility Department



2018 Completed Projects

- Installation of Victorian lampposts and light fixtures on Kings Road
- Waverly Place feeder line upgrades
- Street light and fixture replacements (Main, Madison Ave, Park Ave)
- Repaired stairs at Kings Road Substation (savings of \$30,000)
- Installed new circuit for Atlantic Health Building at Giralda Farms



Electric Utility Department



2019 Goals and Objectives

- Madison Green Condo underground wiring
- New feeder lines on Kings Road
- Replace relays and gauges at James Park Substation
- Install new transformer at Water Well B
- Connect the two substations with fiber-optic cable
- Training
 - Bucket Truck Rescue
 - Pole Top Rescue
 - Confined Space Entry
 - Substation ARC Flash Equipment Use
 - CPR



The Department continues to monitor all aspects of our electrical system to ensure the safety of our staff and the reliability of the electric service provided to our customers.



Electric Utility Capital Plan



DEPARTMENT: ELECTRIC / JAMES MATTINA					
Project Description	2019	2020	2021	2022	2023
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Substation Relays & Guages	100,000				
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Borough of Madison



QUESTIONS For Jim Mattina?



Water Utility



1944 photo of Midwood Water Tanks





Water Utility

Good News!



The overall financial performance for 2018 was better than expected.

The changes made last year have made the water utility financially 'sustainable'.
(ie no rate action is required)

Water Utility



Line		2016 Actual	2017 Actual	2018 Orig Est	2018 Rev Est	2019 Estimate	2020 Estimate	2021 Estimate
	REVENUES							
1	Tariff Collections	\$2,666	\$2,522	\$2,550	\$2,472	\$2,550	\$2,550	\$2,550
2	Miscellaneous Revenue	\$176	\$63	\$65	\$237	\$150	\$150	\$150
3	Cancellation of PY Appropriations	\$297	\$500	\$325	\$398	\$325	\$325	\$325
	EXPENSES							
4	Operations	(\$2,069)	(\$1,816)	(\$1,804)	(\$1,804)	(\$1,840)	(\$1,877)	(\$1,914)
5	Capital Improvement	(\$540)	(\$1,500)	(\$900)	(\$900)	(\$900)	(\$900)	(\$900)
6	Estimated Surplus	\$530	(\$231)	\$236	\$403	\$285	\$248	\$211

Schedule of Water Utility Surplus Balances (in 000's)

Line		2016 Actual	2017 Estimate	2018 Rev Est	2018 Rev Est	2019 Estimate	2020 Estimate	2021 Estimate
7	Balance at Beginning of Year	\$1,899	\$1,929	\$1,298	\$1,298	\$1,501	\$1,586	\$1,634
8	Less: Utilized in Municipal Budget	(\$500)	(\$400)	(\$200)	(\$200)	(\$200)	(\$200)	(\$200)
9	Sub Total (Free Balance)	\$1,399	\$1,529	\$1,098	\$1,098	\$1,301	\$1,386	\$1,434
10	Add: Generated in Current Year	\$530	(\$231)	\$236	\$403	\$285	\$248	\$211
11	Balance at Year End	\$1,929	\$1,298	\$1,334	\$1,501	\$1,586	\$1,634	\$1,645
12	Increase (Decrease)	\$30	(\$631)	\$36	\$203	\$85	\$48	\$11

Water Utility



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7	Balance at Beginning of Year	\$1,899	\$1,929	\$1,298	\$1,298	\$1,501	\$1,586
8	Less: Utilized in Municipal Budget	(\$500)	(\$400)	(\$200)	(\$200)	(\$200)	(\$200)
9	Sub Total (Free Balance)	\$1,399	\$1,529	\$1,098	\$1,098	\$1,301	\$1,386
10	Add: Generated in Current Year	\$530	(\$231)	\$236	\$403	\$285	\$248
11	Balance at Year End	\$1,929	\$1,298	\$1,334	\$1,501	\$1,586	\$1,634
12	Increase (Decrease)	\$30	(\$631)	\$36	\$203	\$85	\$48

Line 2. Misc Revenue is higher due to interest earned and the 4 Giralda connection fee. That budget line has been increased going forward to reflect the higher interest rate environment.

Line 4. Operations. Note the number drops from 2016 to 2018. There are certain costs that are allocated between both the water and electric utility (meter reading staff, insurance etc). A portion of those expenses were redirected from the water utility to the electric utility.

Line 5. We continue to invest close to \$1 million per year in capital and water infrastructure improvements.

The reduction of surplus utilized in the municipal budget (line 8) from \$500,000 to \$200,000 and the reallocation of operating expenses mentioned above have had a profound impact on the projected surplus balances (line 11).

Water Rates: The last water rate increase was 9 years ago. Madison's rates are 35% less than investor-owned water utilities like American Water which supplies the towns around us.

The changes made by the Council last year have made the water utility operations financially sustainable. No water rate change is needed for the foreseeable future.



Water 5 Year Capital Plan



Project Description	2019	2020	2021	2022	2023
WELLS & TANKS					
Well A Improvements		275,000			
Well A Redev/Genset		35,000			
Well B Improvements	290,000				
Well B Redevelopment	30,000				
A/B Treatment Improvement (in-progress)					
Well C Redevelopment		50,000			
Well D Motor/Casing Repl			50,000		
Well D Redevelopment/Casing					100,000
Well E Redevelopment				40,000	
Well E Motor 150HP		50,000			
Well Electric Arc Study			65,000		
Well Inspections Annual	5,000	5,000	5,000	5,000	
Tank Inspections 5yr		10,000			
Repaint Midwood Tank			200,000	200,000	
CL Room Improvement	50,000				
Well Roof/Leak Repairs					25,000
Upgrade SCADA		25,000		25,000	
Security/Video	25,000				
MAINS, VALVES & HYDRANTS					
Water Valve Replacements	30,000				
Water Main Replacements		100,000	400,000	500,000	500,000
Community Water Main *	80,000				
Grove Water Main	200,000				
Highland Water Main	150,000				
Shunpike (Green to GVR) Water Main		120,000			
Green Village (Garfield-MGC)		160,000			
Leak Detection Study		10,000	10,000	10,000	10,000
OPERATIONS & EQUIPMENT					
Water Garage Storage				100,000	100,000
Well Upgrades (Misc)	10,000		10,000		10,000
AM/FM & GIS			15,000		15,000
Third water tank design evaluation	30,000				20,000
Plumber / Mechanical Truck	70,000		80,000		
Subtotal	\$ 970,000	\$ 840,000	\$ 835,000	\$ 880,000	\$ 780,000

Engineering and Public Works have developed a robust Five Year Capital Plan.

Given the changes made in 2018, the utility can continue to fund these improvements on a pay as you go basis (ie. no bonding and no rate increase).



Upcoming Budget Decisions

As is the case most years, the major decisions revolve around taxes, spending, capital, services and the electric utility surplus. With that in mind, Council should consider the following questions.

CAPITAL: What is the ‘right’ amount of capital this year and beyond?

SPENDING: Are there any services that should be enhanced or reduced?

TAXES: What is the ‘right’ amount of taxes?

ELECTRIC UTILITY SURPLUS: How much should be used in the budget?
How much should the dividend be?



Borough of Madison



QUESTIONS?

