



MEMORANDUM

Date: July 23, 2024

To: Mayor Satya Rhodes Conway
Common Council
Finance Committee
Water Utility Board

From: January Vang, Finance & Admin Manager
Krishna Kumar, General Manager

Subject: Amendment of the 2024 Water Utility capital budget to change funding sources for certain capital projects and authorization for \$7.328 million Non-General Fund Government Obligation borrowing

RECOMMENDATION

- 1) Amend 2024 Water Utility capital budget to change the funding source for certain capital projects from \$7.328 million of Non-GF GO borrowing to Water Utility reserves.
- 2) Authorize \$7.328 million of Non-General Fund Government Obligation (Non-GF GO) borrowing for Unit Well 19 Iron and Manganese Mitigation Project and cancel \$7.328 million of revenue bond borrowing for said project.

BACKGROUND

Madison Water Utility (Utility) would like to change the funding sources for certain capital improvement projects included in its 2024 capital budget as detailed below in Table-1.

	Capital Project	Estimated Funding Need	Current Source of Funding	Proposed Source of Funding
1	Well 19 Iron and Manganese Mitigation Project	\$7.328 million	Revenue Bonds	Non-General Fund Government Obligation Bonds
2	11 Other Capital Projects (Table – 2)	\$7.328 million	Non-General Fund Government Obligation Bonds	Water Utility Reserves



Total estimated project cost for Well 19 project is \$9.2M. Projected will be funded by \$7.328M of Non GF GO Bond and \$1.872M of available Water Utility reserves.

The changes in the funding sources would result in 1) utilization of available Utility reserves instead of borrowing, thus reducing the total cost burden on rate payers and 2) avoidance of revenue bond issuance costs by taking advantage of the City's planned 2024 General Obligation borrowing. The interest rate for Non-General Fund Government Obligation borrowing is anticipated to be around 4% and the repayment term for the borrowing will be 20 years.

The Utility had previously applied for a State Drinking Water Program loan for the Well 19 Project, which was denied by the WI Department of Natural Resources since the loan application did not make the priority points for the award of the loan.

1	Booster Pump Station #213 Lakeview Reconstruction	\$500,000
2	Chlorinators & Florinators Program	\$40,000
3	New Water Facility Planning	\$800,000
4	Unit Well Rehab Program	\$371,000
5	Water Hydrants Program	\$412,000
6	Water Mains – New	\$89,000
7	Water Mains Replacement	\$1,250,000
8	Network Program	\$539,000
9	Water Utility Facility Improvements	\$2,248,000
10	Water Utility Vehicles & Equipment	\$1,015,000
11	Water Value Cut-In Program	\$64,000
	Total	\$7,328,000

LEGISLATIVE PATH

- Common Council: 7/16/24
- Finance Committee: 7/22/2024
- Water Utility Board: 7/23/2024
- Common Council: 8/6/2024