

## Internal Monitoring Report

**Report:** Annual Budget Requests

**Date:** August 24, 2021

**Policy:** EL-2C Financial Planning/Budgeting

**Policy Language:**

The General Manager shall not cause or allow financial planning to deviate materially from the board's Outcomes priorities, risk financial jeopardy or fail to be derived from a multiyear plan.

Accordingly, the General Manager shall not cause or allow conditions, procedures or decisions that:

1. Allow budgeting which would risk incurring those situations or conditions described as unacceptable in the Financial Condition and Activities policy (EL-2D).
2. Fail to provide to the utility the full authorized amount established by the board for any given activity.
3. Fail to provide the board with an opportunity for one month's deliberation prior to approval of cost increases in excess of 15% of the established budget for a project.
4. Fail to provide the board with an estimated impact on the rate increase for capital projects with the annual presentation of the capital budget.

### **FY 2022 Budget Requests**

The Water Utility is comprised of 5 service lines: Water Quality, Engineering, Water Supply and Operations, Customer Service and Communication/Outreach and Finance and General Administration. Our FY 2022 operating budget request seeks to fund these service lines to enable them to meet their desired goals:

- Water Quality – ensure the delivery of safe, high-quality water to customers and to comply with requirements of the Safe Drinking Water Act
- Engineering – use Asset Management and Water Master Plan to meet or exceed levels of service to our customers
- Water Supply and Operations – maintain and upgrade the water supply system to ensure customers are provided with an adequate quantity of high quality water for consumption and fire protection
- Customer Service and Communication/Outreach – generate accurate water consumption and billing data to ensure proper billing; provide communication and community outreach for conservation and sustainability education
- Finance and General Administration – provide accurate, reliable and transparent financial information to internal and external stakeholders while exploring ways to make utility rates affordable for all customers

### **FY 2022 Capital Improvement Plan Budget Request**

MWU has implemented and uses a financial planning model to evaluate and project funding required for financing infrastructure and operating needs. Through the use of this model, bond sales are planned and rate increases are developed. Additionally, a ten-year financial forecast has been created to analyze various financial paths for the utility to pursue to maintain its financial health for the future.

The Utility closed FY 2020 with an operating cash balance of \$8.8 M; we anticipate an ending operating cash balance of \$9.7 M for 2021. The requested budget for FY 2022 is estimated to result in an operating cash balance of \$6.6 M.

We are planning to submit a rate case to the Public Service Commission of Wisconsin (PSCW.) We do not anticipate approval of this case and implementation of new rates until the end of FY 2022 at the earliest. As in years past, we have budgeted revenues based on current PSCW currently approved rates.

The FY 2022 Operating includes budget allocations for board member training and/or education.

### **FY 2022 Capital Improvement Plan Budget Request**

The Water Utility also has a multi-year Capital Improvement Plan (CIP) in compliance with the board's Financial Planning/Budget Policy (EL-2C). The proposed FY 2022 Water Utility Capital Improvement Plan budget requests are aligned materially with the board's Outcomes Priorities and projects capital expenditures through FY 2027. The pace of investment has been adjusted to accomplish our objective of building cash reserves to the point where we can fund ongoing improvements such as water main replacements without debt financing.

#### **Attachments:**

- A. FY 2022 Operating Budget Request
- B. FY 2022 Capital Improvement Plan Budget Request