

## Legistar File No. \_\_\_\_: Water Utility Board Financial Oversight and the Accounting System

- 1.0 **Recommendations.** The following recommendations are submitted to the Water Utility Board regarding the Board's financial oversight of the Madison Water Utility and the Utility's Accounting System:
- 1.1 That the Water Utility merges its accounting system with that employed by the City's accounting system and software, which is to be developed in 2008.
  - 1.2 That the accounting system will track the accounts used by the adopted City budget and also conform to the Wisconsin Public Service Commission's Uniform System of Accounts for Water Utilities, which are hereinafter referred to as the "City Accounts" and the "PSC Accounts."
  - 1.3 That a report for both the City Accounts and PSC Accounts for the purpose of comparing budgeted revenues and expenses with those actually experienced shall be presented to Water Utility Board at its monthly meeting. Said report shall include the Year to Date Revenues and Expenses through the previous month.
  - 1.4 That the Water Utility Board review and approve the draft annual Capital Budget at its May and June regularly scheduled meetings and prior to the formal Budget's submittal to the Mayor.
  - 1.5 That the Water Utility Board review and approve the draft annual Operating Budget at its July regularly scheduled meeting and prior to the formal submittal to the Mayor.
  - 1.6 That the Water Utility Board review and approve any proposed rate increase before it is filed with the Wisconsin Public Service Commission.
- 2.0 **Discussion.** The Madison Water Utility has historically had a separate accounting system from that used by the City of Madison. The Madison Water Utility employs MicroSoft Dynamic SL, formally Solomon) accounting software. This software is compatible with the Utility's billing software. The City has budgeted for a new accounting system in its 2008 Capital Improvement Budget and that software is also to include the City's Human Resources data on its employees.

The Budget submitted by the Water Utility is based on the City Accounts. The rate structure submitted to the PSC uses the PSC Accounts. To obtain information between the separate systems requires a considerable amount of staff time to manually move data between the systems.

Water Utility employees are paid using the City's payroll system. The Human Resources Department uses the City's payroll system for Water Utility employees. The information regarding expenditures has to be loaded in both systems, again with considerable expenditure of staff time.

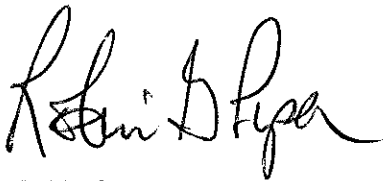
In 2007, the Water Utility Finance Section required the full time expenditure of four employees and 1,043.23 hours of overtime. In addition, an hourly Accountant, a retired Water Utility employee, assists in the preparation of the Application to Increase Water Rates on the detailed schedules required by the PSC.

Preparation for the Annual Report to the PSC, the End of Year Budget Closures, and preparation for any increase in Water Rates takes a considerable amount of time and effort on the part of the Finance Section. Employees are generally working in the Finance Section most weekends in the first quarter of the year.

The PSC Accounts are useful to compare the costs of various services with a Utility and between Utilities. Costs, such as vehicles, power, employee compensation and benefits are accumulated to determine the cost of a particular service, such as Flushing. The City's accounts are line item accounts that accumulate all the employee compensation for permanent employees, hourly employees, electric power, gasoline, and supplies. Both are financial tools necessary to operate a utility.

The Water Utility has not historically operated on a line item account basis. However, it is difficult to discern the financial direction of Utility and institute necessary course corrections without such a system. Therefore, the Finance Section has been instructed to categorize the expenditures and revenues for the first quarter of 2008 in order to present the status of these accounts to the General Manager and the Water Utility Board.

The President of the Water Utility Board, Jon Standridge, has also requested that the draft Capital and Operating Budgets of the Water Utility be submitted to the Board prior to formal submittal to the Mayor. The review of the Board, coupled with accurate financial data should allow the Board to balance the Mission of Water Utility with the Utility's financial means and property plan for the future of the Utility.



Robin G. Piper  
Finance/Accounting Manager



Larry D. Nelson, P.E.  
Interim General Manager