Internal Monitoring Report

Policy: EL-2C Financial Planning/Budgeting

Frequency: Twice a year (May and August) **Date: May** 25, 2021

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.

General Manager's interpretation and its justification:

This Executive Limitations policy recognizes that financial planning and sound budgeting are necessary for the achievement of the board's Outcomes priorities and in order to avoid financial jeopardy. Sound budgeting is also necessary for the board to invest resources in improving its own governance capacity. The Utility has the responsibility to establish, manage and plan for the necessary water rates and debt to fund all expenditures to meet identified capital and operational requirements, and to budget accordingly.

Data directly addressing the General Manager's interpretation:

The proposed Water Utility Capital Budget and Capital Improvement Plan is aligned materially with the board's Outcomes priorities and projects capital expenditures through the year 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.

In the past year, the board has always been provided with a one month period of time for review and deliberation of cost increases in excess of 15% of the established budget for a project.

I report compliance.

Attachments:

Proposed 2022 Capital Budget

2022 Capital Budget
2022-2027 CIP

Final

Updated: May 18, 2021

Project	Description/Purpose	Primary Construction Year	Tasks	Annual Totals	2022	2023	2024	2025	2026	2027
					$ 7,995,000	$ 13,769,700	$ 11,672,000	$ 8,367,000	$ 9,429,000	$ 9,876,000
UW #19 Water Quality Mitigation	Elevated levels of iron, manganese, and radium at Well 19 exceed Water Utility Board standards and need to be addressed. Well 19 is a major supply point on the west side and provides water to the University of Wisconsin campus and the near west side. This project will examine alternatives to mitigate contaminate levels to bring the well into compliance with WUB water quality policy. A pilot study was completed in 2018 that demonstrated filtration will reduce the contaminates to below Utility goals. Other options will also be considered to include but not be	2023			Start Const					
			Public Engagement		5,000					
			Utility Labor Costs		27,000	81,000	81,000			
			Engineering Services		859,000					
			Filter Construction			6,610,000				
			Total		**891,000**	**6,691,000**	**81,000**	**-**	**-**	**-**
Unit Well No. 8 - Re-Construction	Elevated levels of iron and manganese at Well 8 exceed Water Utility Board standards and need to be addressed. The facility was constructed in 1945 and is in need of renewal. The facility will be demolished and rebuilt. Geographically, the well is located in a well developed area in the near east side of the system. This location provides is in proximity of Zones 6e, 6w, and 4. This would allow the well to serve these three zones, transferring water from the isthmus to the SE side of the service area. Challenges and limitations exists from the Kipp Corporation site, Olbrich Park and Lake Monona. Coordination with neighborhood groups and the Parks Department will be critical to project success. Preliminary planning work will commence in 2025.	2027						Start Const		
			Public Engagement					10,000	10,000	
			Well 8 Rehab						500,000	
			Sentinel Well						-	
			Utility Labor Costs					28,000	81,000	81,000
			Engineering Services					50,000	987,000	
			Property Acquisition and Permitting						200,000	
			Pipeline Improvements							2,211,000
			Well 8 Re-Construction							
			Total		**-**	**-**	**-**	**88,000**	**1,778,000**	**2,292,000**
Lake View BPS Reconstruction (BPS 213)	Pressure Zone 5 in the north end of the service area has long been restricted by the size of the reservoir and the associate booster pumping station. Fire protection capacity is limited and currently does not meet Utility standards. With the construction of the Lake View Reservoir, Zone 5 has 300,000 gallons of available storage capacity and requires an upgrade of the booster pumping station to support this reservoir. The existing reservoir will be upgraded to a firm capacity of 1,000 gpm with generator backup for reliability. This allows Zone 5 to expand improving	2025					Start Const			
			Public Engagement				5,000	5,000		
			Utility Labor Costs				54,000	81,000		
			Engineering Services				129,000			
			Upgrade Pumps @ BPS 213					500,000		
			Generator					575,000		
			Water Main Imp. To BPS 213							
			Total		**-**	**-**	**188,000**	**1,161,000**		
Unit Well 12 Conversion to a Two Zone Well	Well 12 is located on the boarder between Zone 7 and Zone 8. This location provides the opportunity to convert Well 12 to a two zone supply point that would also provide booster pumping capacity from Zone 7 to Zone 8. This project has been developed during 2017/2018 and is ready for implementation. Currently no pumping capacity exists between Zone 7 and Zone 8. This condition puts the Utility at risk in event of a mechanical failure in Zone 8. The ability to transfer water from	2024				Start Const				
			Utility Labor Costs			41,000	54,000	41,000		
			Engineering Services			222,000				
			Well Reconstruction and Upgrade				3,700,000			
			Water Main Improvements							
			Total		**-**	**263,000**	**3,754,000**	**41,000**	**-**	**-**

2022 Capital Budget
2022-2027 CIP

Final

Updated: May 18, 2021

Project	Description/Purpose	Primary Construction Year	Tasks	2022	2023	2024	2025	2026	2027
			Annual Totals	**$ 7,995,000**	**$ 13,769,700**	**$ 11,672,000**	**$ 8,367,000**	**$ 9,429,000**	**$ 9,876,000**
Pipeline Replacement/Rehab/Improvements		***Ongoing***	***Total Pipe Rehab Budget***	**2,961,000**	**2,990,000**	**3,033,000**	**2,608,000**	**4,714,000**	**4,997,000**
Madison Water Utility has a planned piping system replacement and upgrade program that provides for annual main replacement and rehabilitation to keep the system at an acceptable service level. Lining pipe instead of replacing it saves money and extends the useful life of existing assets. The Utility's Water Master Plan also recommends hydraulic improvements to the system to correct hydraulic bottlenecks, fire protection limitations, and other identified issues.			Water Mains - New	159,000	166,000	1,429,000	178,000	185,000	196,000
			Pavement Management	1,586,000	1,286,000	335,000	362,000	378,000	401,000
			Water Main Rehab-(Lining)	983,000	1,111,000	1,036,000	1,077,000	1,419,000	1,504,000
			Reconstruction Pipe Projects	392,000	593,000	1,662,000	1,169,000	2,917,000	3,092,000
			Major Streets Main Program	1,339,000	1,379,000	183,000	1,980,000		
			Total	**4,459,000**	**4,535,000**	**4,645,000**	**4,766,000**	**4,899,000**	**5,193,000**
Water Utility Facility Improvements		***Annually***							
	Water Supply		SCADA System Upgrades	26,000	27,000	28,000	29,000	30,000	31,000
	Water Supply		Fiber Optic system installation and upgrades	70,000	90,000	50,000	80,000	52,000	54,000
	Water Supply		Control & Instrumentation Replacement/Upgrades	121,000	92,000	95,000	98,000	101,000	104,000
	Water Supply		VFD Installs & MCC Upgrades	130,000	122,000	96,600	75,000	122,000	126,000
	Water Supply		Well Equipment	56,000	57,700	59,400	61,000	63,000	65,000
			Total Supply	**403,000**	**388,700**	**329,000**	**343,000**	**368,000**	**380,000**
	Maintenance		Various Olin Building/Site Improvements	50,000	50,000	428,000	51,000	53,000	54,000
	Maintenance		Unexpected Well and Booster Station Mechanical Failures	268,000	276,000	284,000	293,000	302,000	311,000
	Maintenance		Facility Safety and Security Upgrades	52,000	54,000	56,000	58,000	60,000	62,000
	Maintenance		Miscellaneous Facility Upgrade Projects	74,000	76,000	78,000	80,000	82,000	84,000
			Total Maintenance	**444,000**	**456,000**	**846,000**	**482,000**	**497,000**	**511,000**
			Total WU Facility Improvements Program	**847,000**	**844,700**	**1,175,000**	**825,000**	**865,000**	**891,000**
Meter and Fixed Network Program		***Annually***							
			Total Meter & Fixed Network Program	**513,000**	**526,000**	**539,000**	**552,000**	**566,000**	**580,000**
Vehicles & Equipment Program		***Annually***							
	Fleet and Equipment		Dump Truck Replacement	150,000	-	173,000	-	174,000	
	Fleet and Equipment		Service Truck Replacement	70,000	95,000	105,000	170,000	-	175,000
	Fleet and Equipment		Small Vehicle Replacement	90,000	70,000	35,000	-	152,000	
	Fleet and Equipment		Backhoe Replacement	150,000	-	130,000	-	130,000	
	Fleet and Equipment		Mapping and Survey Equipment Replacement	12,000	13,000	14,000	15,000	16,000	16,000
	Fleet and Equipment		Small Equipment Replacement	15,000	15,000	15,000	15,000	15,000	15,000
	Fleet and Equipment	Operations	RP Valve Complete/Parts/Testing/Registration	27,000	27,000	28,000	28,000	29,000	30,000
	Fleet and Equipment	Operations	d Shore Replacement Box; Parts and Supplies	20,000	20,000	21,000	21,000	22,000	23,000
	Fleet and Equipment	Maintenance	Tools	20,000	21,000	21,000	22,000	22,000	23,000
			Total Fleet & Equipment	**554,000**	**261,000**	**542,000**	**271,000**	**560,000**	**236,000**
UW Rehab Program		***Annually***							
	Maintenance		**Annual Well Rehabs**	**330,000**	**247,000**	**340,000**	**254,000**	**350,000**	**262,000**
Hydrant Program		***Annually***							
	Operations		**Water Hydrant Replacement/Move/Remove Program**	**350,000**	**350,000**	**350,000**	**350,000**	**350,000**	**359,000**
New Valve Cut-In Program		***Annually***							
	Operations		**New Water Valve Cut-Ins**	**16,000**	**17,000**	**18,000**	**19,000**	**20,000**	**21,000**
Chlorinators & Floridators Program		***Annually***							
	Maintenance		**Chlorinators & Floridators**	**35,000**	**35,000**	**40,000**	**40,000**	**41,000**	**42,000**
			Total Estimated Annual Costs	**7,995,000**	**13,769,700**	**11,672,000**	**8,367,000**	**9,429,000**	**9,876,000**