

Internal Monitoring Report

Policy: EL-2C Financial Planning/Budgeting

Frequency: Twice a year (May and August)

Date: September 10, 2020

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 2026. 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. This was presented to the board at their June meeting.

The 2021 Operating Budget is attached. It includes the amount established by the board for board member training and/or education.

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 2021 Operating Budget

**MADISON WATER UTILITY
BUDGET SUMMARY
AUGUST 2020**

	2021	2020			2019			2018		
	Budget	Projected	Budget	Variance	Actuals	Budget	Variance	Actuals	Budget	Variance
Water Sales	\$ 44,538,000	\$ 42,760,220	\$ 43,785,220	\$ (1,025,000)	\$ 42,753,115	\$ 44,800,000	\$ (2,046,885)	\$ 35,099,182	\$ 41,640,000	\$ (6,540,818)
Other Income	1,044,700	815,707	1,447,186	(631,479)	2,696,598	1,086,000	1,610,598	484,945	735,000	(250,055)
Total Revenues	\$ 45,582,700	\$ 43,575,927	\$ 45,232,406	\$ (1,656,479)	\$ 45,449,713	\$ 45,886,000	\$ (436,287)	\$ 35,584,127	\$ 42,375,000	\$ (6,790,873)
Payroll & Benefits	12,507,901	11,803,454	11,843,663	(40,209)	12,428,404	12,441,331	(12,927)	10,814,333	12,048,532	(1,234,199)
Goods & Supplies	2,447,300	1,842,060	2,322,500	(480,440)	1,032,310	2,516,350	(1,484,040)	2,555,772	2,912,000	(356,228)
Purchased Services	5,107,000	4,087,648	5,430,000	(1,342,352)	4,240,842	5,549,950	(1,309,108)	4,434,312	5,692,500	(1,258,188)
Principal & Interest	18,762,000	15,172,464	19,462,000	(4,289,536)	17,534,847	19,043,060	(1,508,213)	16,337,292	16,355,000	(17,708)
PILOT Pmt	7,600,000	7,500,000	7,500,000	-	7,191,839	7,502,887	(311,048)	7,399,750	7,364,256	35,494
Interagency Charges	940,170	956,093	949,893	6,200	843,701	866,399	(22,698)	590,692	605,424	(14,732)
Capital Contributions	-	-	-	-	(3,600,060)	-	(3,600,060)	(3,849,748)	-	(3,849,748)
Miscellaneous	206,000	5,000	180,000	(175,000)	(154,566)	5,000	(159,566)	(409,526)	145,000	(554,526)
Interagency Revenues	(2,385,000)	(2,515,000)	(2,960,000)	445,000	(2,582,305)	(2,916,500)	334,195	(2,738,483)	(2,763,146)	24,663
Total Expenses	\$ 45,185,371	\$ 38,851,719	\$ 44,728,056	\$ (5,876,337)	\$ 36,935,012	\$ 45,008,477	\$ (8,073,465)	\$ 35,134,394	\$ 42,359,566	\$ (7,225,172)
Net Income/Fund Bal	\$ 397,329	\$ 4,724,208	\$ 504,350	\$ 4,219,858	\$ 8,514,701	\$ 877,523	\$ 7,637,178	\$ 449,733	\$ 15,434	\$ 434,299

2021 Operating Revenues

OBJECT	DESC	PSC	
43882	Residential	46101	11,350,000
43883	Commercial	46102	5,567,000
43884	Industrial	46103	893,000
43885	Municipal	46104	520,000
43885	Other Government	46105	1,098,000
43882	Multi-Family	46106	7,444,000
43885	UW	46107	3,843,000
43822	Meter Charges	46109	12,870,000
43882	Duplex	46113	476,000
43822	Non Standard Meter Charge	47404	18,000
43886	Public Fire	46300	152,000
43887	Wholesale-Shorewood Hills	46601	124,000
43887	Wholesale-Maple Bluff	46602	145,000
43887	Wholesale-Fitchburg	46604	38,000
	Metered Sales to Customers		<u>44,538,000</u>
45410	Customer Penalties	47000	-
46110	Interest on Investments & Cash	41900	280,000
43522	Tower Revenue	47200	294,780
43190	Misc Charges	47403	130,000
45415	NSF Fees	47402	9,000
43522	Non-operating Rental Income-Coyle	41800	2,220
45310	Interest on Assessments	41910	50,000
47190	Hydrant Sales	47120	200,000
47190	Construction Revenue	47140	60,000
47190	Miscellaneous Water Revenue	47150	15,000
47190	Revenue from Sewer Deducts	47170	1,500
47190	Revenue from Hydrant Flow Tests	47190	2,200
			<u>1,044,700</u>
	TOTAL REVENUE		<u>45,582,700</u>

MUNIS MAJOR	AMOUNT
SALARIES	9,586,202.00
BENEFITS	2,921,699.00
GOODS	2,447,300.00
PURCHASED SERVICES	5,107,000.00
INTEREST & PRINCIPAL	18,762,000.00
MISCELLANEOUS	206,000.00
INTER AGENCY CHGS	940,170.00
INTER AGENCY REV	(2,385,000.00)
TRANS OUT TO GF - PILOT	7,600,000.00
FUND BALANCE GENERATED	<u>397,329.00</u>
	<u>45,582,700.00</u>

OBJECT DESCRIPTION	2021 BUDGET	865 FINANCE &	864 METER	864	864 COMM.	863	862	861 WATER		
		ADMIN	SHOP	CUSTOMER SVC	& OUTREACH	SUPPLY	OPERATIONS	862 GIS	ENGINEERING	QUALITY
51110 PERMANENT WAGES	8,784,102	607,075	535,776	669,721	133,944	675,325	4,519,481	1,052,700	590,080	
51111 SALARY SAVINGS	(125,000)	(125,000)								
51120 PREMIUM PAY	30,000	2,133	1,836	2,295	459	2,345	15,475	3,534	1,923	
51130 WORKERS COMPENSATION WAGES	30,000	2,133	1,836	2,295	459	2,345	15,475	3,534	1,923	
51140 COMPENSATED ABSENCE	200,000	14,227	12,238	15,298	3,060	15,631	103,164	23,560	12,822	
51210 HOURLY WAGES	258,000	20,000	40,000		13,000	21,000	40,000	-	106,000	18,000
51310 OVERTIME WAGES PERMANENT	400,000	28,456	24,476	30,596	6,119	31,262	206,328		47,119	25,644
51320 OVERTIME WAGES HOURLY	9,100	-	-	-	-	-	5,000	-	4,100	-
52110 COMPENSATED ABSENCE ESCROW	150,000	10,670	9,179	11,473	2,295	11,723	77,373		17,670	9,617
52410 HEALTH INSURANCE BENEFIT	1,428,827	82,820	83,092	103,865	20,773	117,514	786,439	156,445		77,880
52413 WAGE INSURANCE BENEFIT	26,942	3,228	465	1,459	400	2,084	13,946		2,981	2,379
52510 WI RETIREMENT SYSTEM	588,827	40,977	34,524	43,155	8,631	45,585	305,067		71,059	39,830
52610 FICA MEDICARE BENEFITS	652,103	44,100	38,290	47,863	9,573	50,571	338,440		78,878	44,389
52716 POST EMPLOYMENT HEALTH PLANS	75,000	5,336	4,589	5,737	1,147	5,791	38,757		8,835	4,808
53110 OFFICE SUPPLIES	12,200	500	2,500	1,500	-	400	5,000	400	1,200	700
53120 COPY PRINTING SUPPLIES	4,400	-	-	700	-	-	1,200	2,500	-	-
53130 FURNITURE	6,500	500	-	-	-	-	2,000	2,000	-	2,000
53140 HARDWARE SUPPLIES	114,700	-	6,000	5,000	-	24,300	12,000	65,000	-	2,400
53145 SOFTWARE LICENSES & SUPPLIES	132,600	500	-	1,000	-	59,700	10,000	56,000	-	5,400
53150 POSTAGE	297,100	600	-	265,000	-	-	2,000	-	-	29,500
53155 PROGRAM SUPPLIES	17,500	-	-	-	17,500	-	-	-	-	-
53165 BOOKS AND SUBSCRIPTIONS	2,400	300	300	100	-	-	1,200	-	-	500
53210 WORK SUPPLIES	749,600	1,000	35,000	10,000	-	3,600	700,000	-	-	-
53212 ASPHALT REPAIR MATERIALS	110,000	-	-	-	-	-	110,000	-	-	-
53215 JANITORIAL SUPPLIES	31,100	500	2,000	800	-	7,800	20,000	-	-	-
53220 LAB AND PHOTO SUPPLIES	30,000	-	-	-	-	12,400	13,500	-	-	4,100
53235 SAFETY SUPPLIES	59,300	-	600	900	-	2,800	55,000	-	-	-
53240 SNOW REMOVAL SUPPLIES	3,500	-	-	-	-	-	3,500	-	-	-
53245 UNIFORM CLOTHING SUPPLIES	22,200	-	5,000	-	200	-	17,000	-	-	-
53310 BUILDING	10,000	-	-	-	-	-	10,000	-	-	-
53315 BUILDING SUPPLIES	25,200	-	200	-	-	-	25,000	-	-	-
53320 ELECTRICAL SUPPLIES	28,500	-	1,000	2,500	-	-	25,000	-	-	-
53325 HVAC SUPPLIES	22,000	-	-	2,000	-	-	20,000	-	-	-
53330 PLUMBING SUPPLIES	22,000	-	2,000	-	-	-	20,000	-	-	-
53355 LANDSCAPING SUPPLIES	5,000	-	-	-	-	-	5,000	-	-	-
53365 FERTILIZERS AND CHEMICALS	167,000	-	-	-	-	167,000	-	-	-	-
53410 MACHINERY AND EQUIPMENT	75,900	-	-	-	-	55,900	20,000	-	-	-
53413 EQUIPMENT SUPPLIES	275,600	-	4,000	-	-	-	250,000	-	5,000	16,600
53415 TIRES	30,000	-	-	-	-	-	30,000	-	-	-
53420 GASOLINE	90,000	-	-	-	-	-	90,000	-	-	-
53421 DIESEL	90,000	-	-	-	-	-	90,000	-	-	-
53430 OIL	9,000	-	-	-	-	-	9,000	-	-	-
53431 LUBRICANTS	4,000	-	-	-	-	-	4,000	-	-	-
54110 NATURAL GAS	59,900	2,800	4,200	4,600	900	5,500	30,900	2,300	5,500	3,200
54112 ELECTRICITY	2,100,000	19,500	4,000	32,600	6,200	1,946,000	13,000	-	55,000	23,700
54114 SEWER	23,100	1,100	1,600	1,800	400	2,100	11,900	900	2,100	1,200
54115 STORMWATER	23,100	1,100	1,600	1,800	400	2,100	11,900	900	2,100	1,200
54120 TELEPHONE	19,900	900	1,400	1,500	300	1,800	10,300	800	1,800	1,100
54121 CELLULAR TELEPHONE	30,200	1,400	2,100	2,300	500	2,800	15,500	1,200	2,800	1,600
54125 TELEVISION	1,800	-	-	-	-	-	1,800	-	-	-
54210 BUILDING IMPROV REPAIR MAINT	50,100	2,900	4,300	4,800	1,000	5,700	20,000	2,400	5,700	3,300
54215 WASTE DISPOSAL	1,500	-	-	-	-	-	1,500	-	-	-
54218 FIRE PROTECTION	6,000	-	-	-	-	-	6,000	-	-	-
54220 PEST CONTROL	2,000	-	-	-	-	-	2,000	-	-	-
54225 ELEVATOR REPAIR	8,000	-	-	-	-	-	8,000	-	-	-
54240 LANDFILL	3,000	-	-	-	-	-	3,000	-	-	-
54245 PROCESS FEES RECYCLABLES	1,000	-	-	-	-	-	1,000	-	-	-
54250 GROUNDS IMPROV REPAIR MAINT	2,500	-	-	-	-	-	2,500	-	-	-
54255 LANDSCAPING	15,000	-	-	-	-	-	15,000	-	-	-
54310 OFFICE EQUIPMENT REPAIR	500	500	-	-	-	-	-	-	-	-
54320 COMMUNICATION DEVICE RPR MAIN	1,200	1,200	-	-	-	-	-	-	-	-
54330 EQUIP IMPROV REPAIR MAINT	90,000	-	-	-	-	25,000	65,000	-	-	-
54335 SYSTEM AND SOFTWARE MAINTENANCE	398,300	-	25,000	250,000	-	-	-	122,000	-	1,300
54340 VEHICLE REPAIR AND MAINTENANCE	35,000	-	-	-	-	-	35,000	-	-	-
54350 LEASE RENTAL OF EQUIPMENT	15,000	-	-	-	-	-	15,000	-	-	-
54410 STREET IMPROV REPAIR MAINT	550,000	-	-	-	-	-	550,000	-	-	-

OBJECT DESCRIPTION	2021 BUDGET	865 FINANCE &	864 METER	864	864 COMM.	863	862	861 WATER		
		ADMIN	SHOP	CUSTOMER SVC	& OUTREACH	SUPPLY	OPERATIONS	862 GIS	ENGINEERING	QUALITY
54425 SIDEWALK IMPROV REPAIR MAINT	150,000	-	-	-	-	-	150,000	-	-	-
54445 PLANT IN SERVICE IMPROV REPAIR	70,000	-	-	-	-	-	70,000	-	-	-
54515 MILEAGE	1,500	-	-	-	-	-	1,500	-	-	-
54520 CONFERENCES AND TRAINING	61,500	-	800	500	-	20,000	20,000	-	13,000	7,200
54535 MEMBERSHIPS	45,600	40,000	-	2,000	-	-	3,000	-	-	600
54540 UNIFORM LAUNDRY	7,000	-	-	-	-	-	7,000	-	-	-
54615 AUDIT SERVICES	12,000	12,000	-	-	-	-	-	-	-	-
54618 BANK SERVICES	30,000	-	-	30,000	-	-	-	-	-	-
54625 CREDIT CARD SERVICES	5,000	-	-	5,000	-	-	-	-	-	-
54633 DELIVERY FREIGHT CHARGES	6,500	-	-	3,000	-	-	3,000	-	-	500
54645 CONSULTING SERVICES	312,500	100,000	-	-	-	15,000	-	25,000	172,500	-
54650 ADVERTISING SERVICES	16,700	-	-	-	8,000	-	-	-	8,700	-
54655 PRINTING SERVICES	110,000	-	-	90,000	5,000	-	-	-	1,000	14,000
54665 INSPECTION SERVICES	35,000	-	-	-	-	-	35,000	-	-	-
54673 LOCATING MARKING SERVICES	25,000	-	-	-	-	-	25,000	-	-	-
54675 LAB SERVICES	83,000	-	-	-	-	4,800	-	-	-	78,200
54680 PARKING TOWING SERVICES	1,500	-	-	-	-	-	1,500	-	-	-
54685 SECURITY SERVICES	15,000	700	1,000	1,200	200	1,400	7,700	600	1,400	800
54810 OTHER SERVICES AND EXPENSES	400,600	100,000	6,000	50,000	20,000	-	125,000	-	46,600	53,000
54815 GRANTS	194,600	-	-	-	194,600	-	-	-	-	-
54860 TAXES AND SPECIAL ASSESSMENTS	10,000	-	-	-	-	10,000	-	-	-	-
54880 PERMITS AND LICENSES	76,900	-	-	-	300	5,900	70,000	-	-	700
56110 PRINCIPAL	11,654,000	11,654,000	-	-	-	-	-	-	-	-
56210 INTEREST	7,108,000	7,108,000	-	-	-	-	-	-	-	-
56220 BOND NOTES ISSUANCE SERVICES	200,000	200,000	-	-	-	-	-	-	-	-
56230 PAYING AGENT SERVICES	6,000	6,000	-	-	-	-	-	-	-	-
56610 FUND BALANCE GENERATED	397,329	397,329	-	-	-	-	-	-	-	-
57100 ID CHARGE FROM GENERAL FUND	6,346	6,346	-	-	-	-	-	-	-	-
57111 ID CHARGE FROM ATTORNEY	15,033	15,033	-	-	-	-	-	-	-	-
57113 ID CHARGE FROM CLERKS	388	388	-	-	-	-	-	-	-	-
57115 ID CHARGE FROM FINANCE	205,348	205,348	-	-	-	-	-	-	-	-
57116 ID CHARGE FROM HUMAN RESOURCES	20,859	20,859	-	-	-	-	-	-	-	-
57117 ID CHARGE FROM INFORMATION TEC	193,175	193,175	-	-	-	-	-	-	-	-
57119 ID CHARGE FROM MA	53,888	53,888	-	-	-	-	-	-	-	-
57121 ID CHARGE FROM TREASURER	28,900	28,900	-	-	-	-	-	-	-	-
57122 ID CHARGE FROM EA	8,478	8,478	-	-	-	-	-	-	-	-
57140 ID CHARGE FROM ENGINEERING	25,261	25,261	-	-	-	-	-	-	-	-
57141 ID CHARGE FROM FLEET SERVICES	35,000	-	-	-	-	35,000	-	-	-	-
57145 ID CHARGE FROM TRAFFIC ENGINEE	20,000	20,000	-	-	-	-	-	-	-	-
57175 ID CHARGE FROM INSURANCE	158,869	158,869	-	-	-	-	-	-	-	-
57176 ID CHARGE FROM WORKERS COMP	168,625	168,625	-	-	-	-	-	-	-	-
58142 ID BILLING TO LANDFILL	(7,000)	(7,000)	-	-	-	-	-	-	-	-
58144 ID BILLING TO STREETS	(54,000)	(54,000)	-	-	-	-	-	-	-	-
58183 ID BILLING TO SEWER	(2,105,000)	(2,105,000)	-	-	-	-	-	-	-	-
58184 ID BILLING TO STORMWATER	(219,000)	(219,000)	-	-	-	-	-	-	-	-
59110 TRANSFER OUT TO GENERAL	7,600,000	7,600,000	-	-	-	-	-	-	-	-
TOTAL	45,582,700	26,509,654	896,901	1,704,355	455,359	3,363,176	9,388,345	282,000	1,900,815	1,082,095