

Report: Financial and Capital Spending Plan in response to Moody's Rating Report

Legistar No. 08249

To: Madison Water Utility Board of Commissioners
From: Larry Nelson – Interim General Manager and
Robin G Piper – Finance/Accounting Manager
Date: 11/21/2007
Re: Financial and Capital Spending Plan for Madison Water Utility

The Madison Water Utility had its Aa1 bond rating affirmed by Moody's Investors Service in conjunction with the sale of these revenue bonds. Nationwide only 7 other utilities have a rating this high or higher. Moody's did revise our outlook from stable to "**negative**" and cited "**diminished liquidity due to out of pocket capital expenditures, stagnant water sales and longer wait for rate increases as problems facing the utility.**" In particular Moody's pointed to the level of unrestricted assets available to the utility. In 2003 and 2004 our financial statements showed unrestricted assets in excess of \$2 million, in 2005 they were \$461,000 and at the end of 2006 they were \$295,000.

This outlook rating from Moody's necessitates a review the finances of the utility. We will be putting together a plan to ensure that the utility continues to be financially viable and will be able to retain its Aa1 bond rating in the future. To that end we have proposed the following goals:

1. To have \$1,000,000 in unrestricted assets by November 6, 2008 – the anniversary of our borrowing;
2. To have \$2,000,000 in unrestricted assets before our next revenue bond sale;
3. To review and re-prioritize our 2007 and 2008 capital budgets with an emphasis on continued infrastructure replacements and the installation of the filter at Unit Well 29, in order to get that well back into service;
4. To review the operating budget against future needs and priorities. As an example, our lead service replacement program is reaching a successful conclusion and we shall propose to not fill existing vacancies that make up one of the crews committed to the lead service replacement program; and
5. To apply to the Public Service Commission in December for a rate increase to reflect the 2008 Budget.

Included in this report are a detailed listing of outstanding water main projects and the dollars remaining to be paid and a prioritized listing of capital projects for 2008.

Uses of 2007 Revenue Bond Proceeds:

Bond Proceeds	22,266,994
Due City Short Term Loan	7,218,169
September Construction Fund Transfer	<u>1,305,880</u>
Balance Remaining	13,742,944
Balance due on Water Main Projects	<u>4,072,899</u>
Amount Available for 2008 Projects	9,400,045

Staff Recommendation: Accept report and goals and direct staff to report on progress at future board meetings.

Madison Water Utility

	Project	WU Work Order #	City Ref #	City contract #	Original Contract Amount	Change Orders	Total Contract Amount	Payments	Balance Remaining
2003									
	2 Water Mains New								
	2.1 Old Sauk Road - New 12" Main	9-7151-00					46,081.00	46,081.00	0.00
	3 Water Mains Replacement								
	3.1 N Dickinson Street	9-7111-00	53B0568	5415	118,000.00	1,939.00	119,939.00	98,149.00	21,790.00
	3.2 E Washington Ave Design (All Phases/Work Orders)	9-7115-00	53B0208	5562	71,761.64		71,761.64	71,761.64	0.00
	3.3 E Washington Ave (Blair to Thornton)	9-7115-00	53B0201	5563	947,000.00	57,203.31	1,004,203.31	1,004,203.31	0.00
	3.4 Commercial Ave RR Track WM Replace	9-7189-00					37,765.10	37,765.10	0.00
	3.5 W Dayton/W Main/N Carroll/N Fairchild	9-7198-00	53B0544	5589	462,163.56	-200,296.56	261,867.00	260,761.60	1,105.40
	3.6 Milton/Bowen/St James/Charter Street	9-7219-00					30,081.58	30,081.58	0.00
					1,598,925.20	-141,154.25	1,571,698.63	1,548,803.23	22,895.40
2004									
	2 Water Mains New								
	2.1 Ski Lane (Town of Madison) Water Main	1-0460-60					12,549.57	12,549.57	0.00
	3 Water Mains Replacement								
	3.1 Dayton and Moland	1-0470-01	53W0013	5611	181,820.00	2,069.00	183,889.00	175,199.00	8,690.00
	3.2 S Hamilton St (Wilson to End)	1-0470-15	53W0160	5638	134,460.00	1,689.50	136,149.50	96,979.50	39,170.00
	3.3 Chapman St & Mandan Circle	1-0470-17	53B0693	5607	215,760.00	-60,618.30	155,141.70	155,141.70	0.00
	3.4 W Main Street (Bedford to Proudfit)	1-0470-19					3,777.61	3,777.61	0.00
	3.5 Seminole Highway	1-0470-24	53W0159	5637	71,180.00	3,016.00	74,196.00	70,982.00	3,214.00
	3.6 W Wilson (Bedford to Proudfit)	1-0470-26	53W0144	5631	174,940.00	28,262.50	203,202.50	198,676.50	4,526.00
	3.7 6300 Block of Keelson Drive	1-0470-28					35,468.44	35,468.44	0.00
	3.8 E Johnson Pedestrian Underpass/River Crossing	1-0470-30	53B0754	5844	127,872.00	474.61	128,346.61	115,376.56	12,970.05
					906,032.00	-25,106.69	932,720.93	864,150.88	68,570.05
2005									
	2 Water Mains New								
	2.1 Interstate Commerce Park - Phase 1	1-0560-09	53W0222	5792	51,273.00	4,202.00	55,475.00	47,858.00	7,617.00
	2.2 W Old Sauk Rd (Cricket Ln to Schewe Rd)	1-0460-68			107,650.00	-8,911.15	98,738.85	93,802.11	4,936.74
	3 Water Mains Replacement								
	3.1 South High Point Road	1-0470-21	53W0119	5618	109,054.08	0.00	109,054.08	99,522.75	9,531.33
carry over	3.2 Water Mains - E Wash Phase 2 (Melvin to Thierer)	1-0470-32			1,934,000.00	0.00	1,934,000.00	980,448.31	953,551.69
	3.3 Adams St/Jefferson St/Lincoln St	1-0570-01	53B0692	5791	398,890.00	9,024.79	407,914.79	345,112.50	62,802.29
	3.4 Fifth Street / Division Street	1-0570-03	Work Not done - Close out						0.00
	3.5 Gilson Street	1-0570-05	53B0688	5605	288,306.67	0.00	288,306.67	273,989.64	14,317.03
	3.6 Conklin Place (Bassett to Frances)	1-0570-07	53W0186	5827	166,800.00	266.00	167,066.00	71,036.00	96,030.00
	3.7 Pearson/Pierstorff/Wright	1-0570-11	53W0240	5803	503,014.32	5,828.50	508,842.82	422,686.90	86,155.92

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	Project	WU Work Order #	City Ref #	City contract #	Original Contract Amount	Change Orders	Total Contract Amount	Payments	Balance Remaining
	3.8 Pleasantview Road north of Elderberry	1-0570-13	53W0235	5827	43,850.00	-5,277.75	38,572.25	36,670.00	1,902.25
	3.9 Henry Mall	1-0570-16					317,200.00	317,200.00	0.00
	3.10 State Street (200 Block)	1-0570-18	53W0180	5799	72,699.00	0.00	72,699.00	58,020.00	14,679.00
	3.11 Highway 30 (E Washington Avenue)	1-0570-20		5829	50,000.00	0.00	50,000.00	49,260.00	740.00
	3.12 E Main Street (First to Riverside)	1-0570-21	53W0251	5835	102,742.00	-10,165.08	92,576.92	92,576.92	0.00
	3.13 Gary Street	1-0570-23					22,820.11	22,820.11	0.00
	3.14 Todd Drive Improvements	1-0570-25					4,324.02	4,324.02	0.00
	3.15 Capitol Square Fountains - Main Relocation	1-0590-01	53W0089	5573	51,630.00	0.00	51,630.00	49,060.00	2,570.00
	3.16 Eastside Police Station Water Main Conflict	1-0590-08					29,591.37	29,591.37	0.00
					3,879,909.07	-5,032.69	4,248,811.88	2,993,978.63	1,254,833.25
2006									
	2 Water Mains New								
	2.1 CTH T Water Main Extension	1-0630-29			72,340.00	476.00	72,816.00	72,816.00	0.00
	2.2 Marsh Road - New Main	1-0660-31			16,045.00	0.00	16,045.00	14,940.00	1,105.00
	3 Water Mains Replacement								
	3.1 Park Street (W Washington to Regent)	9-5874-00	53B0191	5913	321,000.00	0.00	321,000.00	300,094.88	20,905.12
	3.2 Corry Street	9-7194-00	53W0012	5587	130,259.88	0.00	130,259.88	99,717.34	30,542.54
	3.3 E Washington (Thornton to Second)	1-0470-34	53B0202	5870	1,327,065.00	0.00	1,327,065.00	1,143,818.56	183,246.44
	3.4 Mandan Crescent (Seminole to Tumalo)	1-0570-09	53W0274	5875	291,633.39	0.00	291,633.39	280,433.32	11,200.07
	3.5 Walnut Street (University Ave to North)	1-0570-15		7515	113,411.37	18,942.94	132,354.31	109,687.31	22,667.00
	3.6 State Street (300 and 400 Blocks)	1-0570-27	53W0122	5899	385,613.99	0.00	385,613.99	384,634.89	979.10
	3.7 Marsh Road - New Main - CC	1-0660-31	53W0332	5933	714.40	15,330.60	16,045.00	14,940.00	1,105.00
	3.8 West Lawn Ave(Spooner to Harrison)/Harrison (Keyes to Monroe)	1-0670-01	53W0292	5925	161,236.44	0.00	161,236.44	156,054.30	5,182.14
	3.9 Grant St / Monroe St to Garfield / E Lakelawn	1-0670-03	53W0298	5915	322,561.44	2,842.00	325,403.44	290,552.00	34,851.44
	3.10 S Randall Avenue / Drake Street to Zoo	1-0670-05	53B0690	5812	120,544.20	2,170.00	122,714.20	111,990.00	10,724.20
	3.11 Dunning / Atwood to Yahara	1-0670-09	53B0687	5604	425,557.80	0.00	425,557.80	400,109.84	25,447.96
	3.12 E Mifflin / 6th to North Street	1-0670-11	53B0879	5929	281,468.52	3,599.50	285,068.02	246,279.50	38,788.52
	3.13 Edgewood Avenue (Monroe to Fox)	1-0670-15	53W0014	5919	181,861.20	1,390.00	183,251.20	162,680.00	20,571.20
	3.14 City Transfer Station - Water Main	1-0670-17		5960	33,694.00	0.00	33,694.00	26,582.50	7,111.50
	3.15 Hoard, Upham & 7th Street	1-0670-18	53W0337	5936	314,901.54	0.00	314,901.54	293,032.40	21,869.14
	3.16 Union Corners	1-0670-20	53W0294	5953	80,861.76	772.00	81,633.76	72,022.00	9,611.76
					4,580,769.93	45,523.04	4,626,292.97	4,180,384.84	445,908.13
2007									
	2 Water Mains New								
	2.1 Commercial Ave/Felland Road - New Main	1-0660-32			1,525,790.38	0.00	1,525,790.38	1,267,901.67	257,888.71
	3 Water Mains Replacement								

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	Project	WU Work Order #	City Ref #	City contract #	Original Contract Amount	Change Orders	Total Contract Amount	Payments	Balance Remaining
3.1	Castle Place	1-0470-09	53W0039	5930	67,895.28	0.00	67,895.28	57,979.26	9,916.02
3.2	N Randall Avenue / Regent to Monroe	1-0670-07	53B0569	5395	133,139.00	0.00	133,139.00	120,596.23	12,542.77
3.3	E Washington Avenue (Third to McCormick) Segment 3	1-0670-13	53B0203	5972	1,650,000.00	0.00	1,650,000.00	1,042,856.99	607,143.01
3.4	Chandler / Charter / Orchard	1-0670-22	53B0691	5931	425,724.00	0.00	425,724.00	363,828.14	61,895.86
3.5	Lien Road (to Felland)	1-0670-24	53B0999	5973	361,743.78	0.00	361,743.78	333,217.28	28,526.50
3.6	S High Point Road - New Services & Other	1-0760-16	53W0256	5935	82,107.00	0.00	82,107.00	0.00	82,107.00
3.7	Coldspring Avenue - New Services	1-0760-20	53W0003	5610A	6,750.00	0.00	6,750.00	6,747.82	2.18
3.8	Lexington Avenue	1-0770-01	64W7001		519,028.56	0.00	519,028.56	368,179.03	150,849.53
3.9	W Mifflin :Broom to Bedford	1-0770-03	53B0694	5987	237,544.79	0.00	237,544.79	214,369.75	23,175.04
3.10	E Mifflin : Franklin to Ingersoll	1-0770-05	53W0025	6019	190,587.73	0.00	190,587.73	176,186.27	14,401.46
3.11	Livingston Street	1-0770-07	53W0451	6020	159,946.11	0.00	159,946.11	146,620.00	13,326.11
3.12	Dixon, Fairview, Ryan	1-0770-09	53W0023	6002	241,234.20	0.00	241,234.20	210,552.74	30,681.46
3.13	Buena Vista, Garrison	1-0770-11	53W0022	6002	304,703.10	0.00	304,703.10	177,589.70	127,113.40
3.14	Wisconsin, Franklin Sanitary Replacement Mains	1-0770-13	53W0386	5990	dollars included with 1-0770-43				
3.15	Hoard St/Upham St/Sixth St	1-0770-16	53W0336	6021	315,543.60	0.00	315,543.60	245,285.07	70,258.53
3.16	Chamberlain Street Reconstruction	1-0770-19	53W0015	6022	59,585.76	0.00	59,585.76	46,410.00	13,175.76
3.17	Kendall Avenue Reconstruction	1-0770-19	53W0334	6022	263,837.79	0.00	263,837.79	137,680.00	126,157.79
3.18	S Bedford St: W Main Street	1-0770-21	53B0878	6003	310,260.24	0.00	310,260.24	243,331.42	66,928.82
3.19	Delaplaine Ct: Brooks Street	1-0770-23	53W0198	5873	188,179.20	0.00	188,179.20	36,894.44	151,284.76
3.20	Spaight St, Russell St, Walton - Mains	1-0770-25	53W0335	6025	246,040.00	0.00	246,040.00	83,420.00	162,620.00
3.21	Adams St: Harrison St - Mains	1-0770-27	53W0024	6030	93,477.02	0.00	93,477.02	55,620.00	37,857.02
3.22	Mayfair Avenue - Mains	1-0770-29	53W0307	6018	168,191.86	0.00	168,191.86	145,720.00	22,471.86
3.23	Colby Street	1-0770-41	53W0016	6020	191,471.04	0.00	191,471.04	162,720.00	28,751.04
3.24	Dayton Street/Henry Street	1-0770-43	53W0386	5990	400,357.08	0.00	400,357.08	218,740.00	181,617.08
3.25	State Street (500 & 600 Blocks)	1-0670-25							
					8,143,137.52	0.00	8,143,137.52	5,862,445.81	2,280,691.71
	Totals				19,108,773.72	-125,770.59	19,522,661.93	15,449,763.39	4,072,898.54

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		Project	Project Purpose and Objective	Current Status	Estimated Cost 2008 Budget	Running Total
1.01	2	Main Replacement: State Street		Contract has been let and awarded.	599,034	599,034
1.02	3	Main Replacement: Kendall Av			374,700	973,734
1.03	4	Main Replacement: St. Paul			135,000	1,108,734
1.04	5	Main Replacement: Monroe			473,800	1,582,534
1.05	6	Main Replacement: N. Dickenson			128,400	1,710,934
1.06	7	Main Replacement: East Main – 1 st to 2 nd			147,400	1,858,334
1.07	8	Main Replacement: East Main – Thornton to Dickenson			137,500	1,995,834
1.08	9	Main Replacement: Jennifer			101,000	2,096,834
1.09	10	Main Replacement: Few			154,100	2,250,934
1.1	11	Main Replacement: Morrison			28,400	2,279,334
1.11	12	Main Replacement: Jean			127,200	2,406,534
1.12	13	Main Replacement: Marston			239,200	2,645,734
1.13	14	Main Replacement: Baldwin			56,300	2,702,034
1.14	15	Main Replacement: Riverside/Yahara			126,400	2,828,434
1.15	16	Main Replacement: Rugby/Eton/Vista			438,500	3,266,934
1.16	17	Main Replacement: Buell/Merry			148,400	3,415,334
1.17	18	Main Replacement: E. Washington Alley			58,700	3,474,034
1.18	19	Main Replacement: Livingston/Hermina/ Capital			379,826	3,853,860
1.18	20	Main Replacement: Gorham	Livingston to Few		408,556	4,262,416
1.19	21	Main Replacement: Fairchild			111,603	4,374,019

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		Project	Project Purpose and Objective	Current Status	Estimated Cost 2008 Budget	Running Total
1.20	22	Main Replacement: Knickerbocker St			50,457	4,424,476
1.21	23	Main Replacement: University Avenue	Paunack Place to Forest St		53,550	4,478,026
1.22	24	Main Replacement: Allis Avenue	Improve hydraulics and fire flow capacity from Unit Well 9. Increase flow from west to east within pressure zone 4. Part of the resolution of deficiencies identified in the Master Plan.	This is a water only contract that will improve hydraulics on the east side	500,640	4,978,666
2.00	1	Unit Well 29 Filtration Plant	Water quality issues with iron and manganese have resulted in the need for a filter to fully utilize Well 29. Well 29 is a critical supply point for the NE corner of the City. It will provide much needed redundancy and reliability to the system.	Filter Equipment Procurement is underway	2,425,000	7,403,666
2.01	2	SCADA System Upgrade, Phase 1	The existing SCADA system is a proprietary system that has become obsolete and unsupported. The SCADA system is a vital link in the operation and control of the distribution system. Upgrading this system is critical to system reliability and operation.	Pre-Design has been completed and comments will be submitted. Phase 1 will be pilot program to install equipment in UW 30.	350,000	7,753,666
3.01	3	East Isthmus Well siting project and property procurement	Water quality issues, especially the presence of carbon tetrachloride, with Well 3 has resulted in the decommissioning and abandonment of that well. To maintain the level of service and provide the reliability and redundancy in the system, a search for a site for a replacement well is being conducted.	Public working group are evaluating potential well sites based on DNR 811 criteria	200,000	7,953,666
3.02	4	Larkin Street Test Well	Projected water demands within pressure zones 6 and 7 require additional sources of supply. A well in the western portions of Zone 6 would provide service to both Zone 6 and 7. Larkin Street provides the opportunity to utilize an existing Utility reservoir which would be a cost savings.	Pumping and water quality testing on going	-	7,953,666

Madison Water Utility						
		Project	Project Purpose and Objective	Current Status	Estimated Cost 2008 Budget	Running Total
3.04	5	Whitney Way Test Well	A well site identified in the 1960/1970 time frame that would provide service to Zone 7 and 8 will be evaluated to satisfy the projected water demands for the area. The current Water Master Plan has the well slated for construction in 2013. This well may be substituted for the Larkin Street site depending on test well results.	Starting to prepare the DNR well site survey to gain approval to drill a test well in the spring of 2008	125,000	8,078,666
4.00	6	Femrite Drive production well and pipeline design	Pressure Zone 4 has significant areas of fire flow and emergency reserve supply. The zone currently operates with a single source of supply, Well 9. This makes it vulnerable to loss of supply. Additionally as the City expands south and east, the supply lines are extended making pressure, water quality, and fire protection a concern. The planned well on Femrite Drive would serve to provide reliability and redundancy to the project. This well is also proposed to be a two zone well with connection to Zone 6.	Not started - Need to prepare and submit a DNR well site survey to get authorization for the production well.	954,000	9,032,666
5.01	8	Todd Drive pump station siting study, public participation plan and property procurement	The second portion of correcting the Arbor Hills area water supply deficiency is to connect the area to the main zone with a pump station. This pump station would transfer water from the Well 18 area and would improve reliability and fire flow to the area. The proposed pump station would also provide a means of transferring water to the eastern portions of Zone 7 and reduce the reliance on Well 10.	Not started	150,000	9,182,666
5.02	7	Todd Drive pipeline design and construction	The Arbor Hills area of the system is supplied by a long single 8-inch pipeline. Without redundancy in supply to the area this impacts system reliability and fire flow availability. The Master Plan identified a significant area of fire protection deficiency in the area. A redundant pipeline to the area from the west would improve hydraulic conditions and service to the area.	Not started	2,488,000	11,670,666

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6.00	9	Northport Drive Pump Station upgrade and pipe project	This project will resolve fire and supply deficiencies for pressure zone 5 and prepare the area for the reconstruction of the water tower in 2012. Additional capacity is needed to meet current and projected fire flow and emergency supply reserves.	Not started	600,000	12,270,666
7.00	10	Raymond Road Reservoir and Pipeline	Raymond Road Reservoir is needed to supplement fireflow and emergency reserves in Pressure Zone 9. This project was identified in the 1999 Water Master Plan and was confirmed in the 2006 Water Master Plan. The need for this project was illustrated recently with several low pressure and water outage calls in Zone 9 during routine flushing operations.	Public Participation Plan is being developed	2,440,000	14,710,666
8.00	11	Interzone PRV Stations at Vondron Road	Transferring water from Pressure Zone 6 to Pressure Zone 4 will provide additional reliability and redundancy to the system. It also provides flexibility in operation when Units are down for servicing.	Not started	80,000	14,790,666
9.00	12	Interzone PRV Stations at Gammon Road	Transferring water from Pressure Zone 8 to Pressure Zone 7 will provide additional reliability and redundancy to the system. It also provides flexibility in operation when Units are down for servicing.	Not started	80,000	14,870,666
99.00	1	Main Replacement: Regent Street		On Hold: Will see how the pipe survives the winter. If no leaks, no work will be done.	-	14,870,666
99.00	13	Paterson Street Operations Center Reconstruction	The Utility's fleet and distribution system maintenance facility is woefully inadequate and needs to be upgraded. This project was defined as Phase 2 of the Utility's Administration and Service facility improvements. This is an employee safety and efficiency project.	Delayed until 2009	-	14,870,666
99.00		SCADA System Upgrade, Phase 2	The existing SCADA system is a proprietary system that has become obsolete and unsupported. The SCADA system is a vital link in the operation and control of the distribution system. Upgrading this system is critical to system reliability and operation.			14,870,666