

Internal Monitoring Report

Policy #: EL-2F Asset Protection

Date: August 26, 2014

Frequency: Annual

I certify that the following information is true.

Signed , General Manager

Policy Language:

The General Manager shall not cause or allow utility assets to be unprotected, inadequately maintained or unnecessarily at risk. Utility assets include financial reserves, bond rating, physical infrastructure (such as pumps, pipes, reservoirs and wells), the groundwater supply, and the utility's reputation in the community.

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

1. Fail to comply with City policies regarding asset protection.
2. Fail to ensure water availability for future and current customer needs through long-term resource supply and demand analysis, conservation and public education.
3. Fail to ensure adequate water quality for future and current customers through long-term analysis of water quality trends in well head protection areas, and by coordinating with appropriate regulatory and enforcement agencies to pursue prevention and remediation of contaminant sources in well head protection areas.
4. Use or permit the use of water by others outside the Madison Water Utility's existing water service area, unless in compliance with Madison General Ordinances (if applicable) and the City of Madison's Comprehensive Plan.
5. Fail to support annual professional development opportunities for the General Manager and staff that are well focused and appropriate to Outcomes or specifically designed to improve professional skills. The Internal Monitoring Report shall include the percent of the annual operating budget expended for training and development activities.
6. Endanger the utility's public image or credibility.
7. Fail to follow the outside auditor's recommended internal controls.

General Manager's interpretation and its justification:

"City policies regarding asset protection" means Mayoral Administrative Procedure Memorandum No. 1-7, Investment Policy. This policy addresses the protection of financial assets. The General Manager is aware of no other asset protection policies.

"Ensure water availability" for current customers means that no customer is without water at standard levels of service quality, pressure and flow for an extended period of time absent unusual circumstances, such as catastrophic mechanical failure or extreme drought. "Ensure water availability for future customers" means that no City-approved development or expansion is delayed for a lack of water supply.

"Use or permit the use of water by others outside the Madison Water Utility's existing water service area" applies to normal operating conditions and excludes emergency conditions when water may be supplied to the Cities of Fitchburg and Monona through interconnections in accordance with signed agreements.

Data directly addressing the General Manager's interpretation:

1. All Utility reserves are invested in either the City's investment pool or bond reserve trust controlled by the City Treasurer, in compliance with APM 1-7.
2. There has been no lack of water available for current or future customers. The Utility plans for supply through its [Master Plan](#), part of which was updated through the East Side Water Supply project. The Utility's [Water Conservation and Sustainability Plan](#) is currently being implemented through a high efficiency toilet rebate program and Advanced Metering Infrastructure (Project H₂O).
3. Working with Public Health and City Engineering, the Water Utility successfully pushed for additional groundwater monitoring, modeling, and remediation to be included in the DNR-developed scope of work at the Madison Kipp Corporation contamination site. Water Utility staff continues to engage staff from the DNR and other city agencies to ensure that remedial actions serve to protect the municipal well from future contamination.

Madison Water Utility is represented on the DNR Heat Exchange Drilling (Geothermal) Rules Working Group which reviewed construction standards including establishing setback distances from contaminated sites and municipal wells, and requirements for documentation of drill hole locations.

4. No water has been provided outside the authorized service area, as defined in Madison General Ordinance 13.16(2).
5. Many professional development opportunities have occurred in the past year for the General Manager and staff. These have included conferences, seminars, course, and experiential opportunities. Training and development is a standing operating budget item. The Utility's training and development expenditure as a percentage of its total payroll in 2013 was 0.49% (\$37,464/\$7,611,553).
6. There have been no conditions, procedures, or decisions that have endangered the utility's public image or credibility. Our Public Information Officer has written many informative stories written and shared them through social media; some have been picked up by industry and traditional media channels.
7. The financial audit and internal controls were discussed at the July 22nd board meeting.

I report compliance.