




Office of the Mayor

Paul R. Soglin, Mayor

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Date: August 2, 2018

To: Tom Heikkinen, Water Utility General Manager

From: Paul R. Soglin, Mayor 

Subject: Water Utility Financial Issues

In April of this year, during the development of its 2017 financial statements, the Water Utility discovered that it fell \$6 million short of required cash reserves related to covenants on its revenue bonds. Consequently, the City's General Fund had to advance \$6 million to the Water Utility to ensure sufficient cash to fulfill those covenants. This shortfall was due to a number of factors, including a less than timely application to the Public Service Commission of Wisconsin (PSC) for a utility rate increase and inadequate forecasting and monitoring of actual revenues and expenditures.

An essential duty of the Water Utility General Manager is to ensure that the finances of the Water Utility are sound and appropriately managed to ensure sufficient resources to fulfill operating goals, to ensure capital investment needs are addressed and to maintain financial covenants with investors. In light of the above-noted concerns, I am issuing the following directives. Work on these matters should begin immediately.

1. By December 31, 2018, PSC rate case finalized and Water Utility debt issued.
2. By December 31, 2018, with the Office of Real Estate Services, finalize a schedule for the sale of surplus property.
3. By December 31, 2018, adoption by the Common Council of a resolution formalizing a loan to the Water Utility from the City's General Fund.
4. Quarterly reporting to the Common Council, Water Utility Board and Finance Committee on monthly cash balances, annual cash forecasts, and long-range financial modeling, including a consistent and timely schedule for rate increases.

With this memo, it is my hope that I have clearly expressed my expectations regarding the needs of your position. If you have any questions or concerns regarding my expectations, please see me immediately for further guidance. I appreciate your efforts in addressing these critical issues and look forward to a successful resolution.

CC: Common Council
Water Utility Board
Katie Crawley, Deputy Mayor
Harper Donahue, Human Resources Director
David Schmiedicke, Finance Director
Natalie Erdman, Planning and Community and Economic Development Director
Personnel File