Internal Monitoring Report

Policy #:

EL-2C Financial Planning/Budgeting

Date: August 27, 2013

Frequency: Twice a year (May and August)

I certify that the following information is true.

, General Manager

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:

- 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 the full amount established by the board according to the Agenda Planning to Achieve Board Outputs policy (BP-2C).

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.

The board has enumerated in this policy two specific areas: budgeting in accordance with EL-2D, and providing funds for board education and training as described in policy BP-2C.

Data directly addressing the General Manager's interpretation:

The Utility's 2014 Capital Improvement Program was approved by the board on May 28, 2013. It is aligned materially with the board's Outcomes priorities, including the Global Outcomes Policy and the Water Quantity, Water Quality and Reliability policies. In addition, it projects capital expenditures through 2019.

The Utility has implemented and uses a financial planning model to evaluate and project funding required for financing infrastructure and operating needs. Through the use of this model, bond sales are planned and rate increases are developed.

The 2014 Operating budget was submitted to the City's Finance Dept. on August 6, 2013, and is attached herewith. It is a balanced budget and includes the full amount established by the board for governance capacity as described in Board Process policies BP-2C and BP-2I.

I report compliance.

Attachment:

2014 Water Utility Operating Budget

Water Utility

Agency Number:

64

Budget Function:

Water

The mission of the Madison Water Utility is to provide and maintain an adequate supply of safe water for consumption and fire protection, with quality service at a reasonable price, for present and future generations.

Major Service	2012 Actual	2013 Adopted	2013 Projected	2014 Request	2014 Executive	2014 Adopted
Water Supply	0	0	0	(0)	0	0
Agency Total	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0

Requested Budget Highlights

The Budget includes:

- 1. The Utility expects to issue approximately \$23 million in revenue bonds in December 2013. The bond proceeds will fund the balance of the Utility's 2013 capital budget and part of the 2014 capital budget. The costs of servicing the debt are included in the 2014 operating budget request. The last bond issue was in December 2012.
- 2. The Utility plans to file a formal 22% rate increase application with the Public Service Commission of Wisconsin by the end of 2013. In 2012, the Utility planned to file for a 12% rate increase, which was not needed. The revenue in the 2014 operating budget request includes the 22% rate increase beginning with the August 2014 customer billing. The last rate increase of 9% was granted more than three years ago, in May 2011.
- 3. The Utility expects to complete its implementation of an Advanced Metering Infrastructure called *Project* H_2 O by the end of 2013. In addition, starting in April 2014, the Utility will be converting its semiannual metered accounts to monthly, which will help customers in budgeting for a lower monthly billing.

Water Utility

Budget Service Descriptions:

Water Supply

The Madison Water Utility serves over 66,000 customers, providing approximately 11 billion gallons of water a year. The Utility operates 22 wells to supply the water, which is delivered to customers through over 840 miles of water main.

S	erv	ice Summa	ıry		-	
		2012 Actual		2013 Adopted	E	2014 xecutive
Total Expenditures Less Inter-Agency Billings	\$	32,335,304 32,335,304	\$	33,546,291 33,546,291	\$	0
Net Total	\$	0	\$_	0	\$	0

Water Utility Summary by Major Object of Expenditure

	_	2012 Actual		2013 Adopted	_ <u>F</u>	2013 Projected		2014 Request	E	2014 xecutive	_	2014 Adopted
Permanent Salaries	\$	6,967,185	\$	7,332,911	\$	7,332,911	\$	7,355,505	\$	0	\$	0
Hourly Employee Pay		137,749		200,310		200,310		252,000		0		0
Overtime Pay		294,418		204,398		204,398		300,000		0		0
Fringe Benefits		2,689,142		2,706,578		2,706,578		2,734,321		0		0
Purchased Services		3,913,528		5,086,450		5,086,450		4,618,100		0		0
Supplies		1,378,311		2,118,282		2,118,282		1,771,000		0		0
Inter-Departmental Charges		756,234		862,475		862,475		914,829		0		0
Debt/Other Financing Uses		15,698,471		14,469,687		14,469,687		16,404,670		0		0
Capital Assets		500,267		565,200	_	565,200		696,600		0		0
Total Expenditures	\$	32,335,304	\$	33,546,291	\$	33,546,291	\$	35,047,025	\$	0	\$	0
Inter-Agency Billings		32,335,304	_	33,546,291	_	33,546,291	_	35,047,025		0	_	0
Net Budget	\$. 0	\$	0	\$	0	\$	(0)	\$	0	\$	0

2013 PROJECTED

Summary by Major Object:

•		2000	3000	 <u>4000</u>		<u>5000</u>		6000		<u>7000</u>		8000	9000		<u>l otal</u>
Permanent Salaries	\$ 7,	,332,911	\$ 0	\$ 0	\$		0	\$ 0	\$	0	\$. 0	\$ 0	\$	7,332,911
Hourly Employee Pay		200,310	0	 0			0	0		0		0	0		200,310
Overtime Pay		204,398	0	0			0	0		0		0	0		204,398
Fringe Benefits	2,	,706,578	0	0			0	 0		0		0	0		2,706,578
Purchased Services	5,	,086,450	0	0			0	Ó		0		0	0]	5,086,450
Supplies	2,	,118,282	0	0			0	 0		0		0	0		2,118,282
Inter-Departmental Charges		862,475	0	0			0	 0		0		0	0]	862,475
Debt/Other Financing Uses	14,	,469,687	0	0			0	 0		0		0	0		14,469,687
Capital Assets		565,200	 0	 0			0	0	<u>`</u>	0		0	 0]	565,200
Total Expenditures	\$ 33,	,546,291	\$. 0	\$ 0	\$		0.	\$ 0	\$	0	\$.	0	\$ 0	\$	33,546,291
Total Inter-Agency Billings	33,	546,291	0	0			0	0		0		0	0]	33,546,291
Net Budget	\$	0	\$ 0	\$ 0	\$_		0	\$ 0	\$	0	\$. 0	\$ 0	<u>\$</u>	0

2014 REQUESTED

Summary by Major Object:

		<u>2000</u>	3000			<u>4000</u>			<u>5000</u>		6000		7000		<u>8000</u>			9000			<u>Total</u>
Permanent Salaries	\$	7,355,505	\$	0	\$		0	\$		0	\$	0	\$	0	\$	0	\$		0	\$	7,355,505
Hourly Employee Pay		252,000		0			0			0		0		0		0			0		252,000
Overtime Pay		300,000		0			0			0		0		0		0			0		300,000
Fringe Benefits		2,734,321		0			0			0		0		0		0			0		2,734,321
Purchased Services		4,618,100		0			0			0		0		0		0			0		4,618,100
Supplies		1,771,000		0			0			0		0		0		0			0		1,771,000
Inter-Departmental Charges		914,829		0			0			0		0		0		0	•		0		914,829
Debt/Other Financing Uses		16,404,670		0			0			0		0		0		0			0	1	16,404,670
Capital Assets	_	696,600	 	0	_		0	_		_0	 	0	 	0	 	0			0		696,600
Total Expenditures	\$	35,047,025	\$	0	\$		0	\$		0	\$	0	\$	0	\$	0	\$		0	\$ 3	35,047,025
Total Inter-Agency Billings		35,047,025	 	0			0			0	 	0	 	0	 	0			0	_3	35,047,025
Net Budget	\$	(0)	\$ 	0	\$		0	\$_		_0	\$	0	\$ 	0	\$ 	0	\$		0	<u>\$</u>	(0)

City of Madison Operating Budget Detail Summary Water Utility

2014

2012 ACTUAL

Summary by Major Object:

	<u>2000</u>	<u>3000</u>	<u>4000</u>	<u>5000</u>	6000	<u>7000</u>	8000	<u>9000</u>	<u>Total</u>
Permanent Salaries	\$ 6,967,185	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,967,185
Hourly Employee Pay	137,749	. 0	0	0	0	0	0	0	137,749
Overtime Pay	294,418	0	0	0	0	0	0	0	294,418
Fringe Benefits	2,689,142	0	0	0	0	0	0	0	2,689,142
Purchased Services	3,913,528	- 0	0	0	0	0	0	0	3,913,528
Supplies	1,378,311	0	0	0	. 0	0	0	0	1,378,311
Inter-Departmental Charges	756,234	0	0	0	0	0	0	0	756,234
Debt/Other Financing Uses	15,698,471	0	0	0	0	0	0	0	15,698,471
Capital Assets	500,267	0	0	0	0	0	0	0	500,267
Total Expenditures	\$ 32,335,304	\$ 0	\$ 0	\$ 0	. \$ 0	\$ 0	\$ 0	\$ 0	\$ 32,335,304
Total Inter-Agency Billings	32,335,304	0	0	0	0	0	0	0	32,335,304
Net Budget	\$ (0)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)

2013 ADOPTED

Summary by Major Object:

•	2000		<u>3000</u>		<u>4000</u>		<u>5000</u>			<u>6000</u>		7000		<u>8000</u>		9000			<u>Total</u>
Permanent Salaries	\$ 7,332,911	\$		0	\$	0	\$	0	\$		0	\$	0	\$	0	\$	0	\$	7,332,911
Hourly Employee Pay	200,310			0		0		0			0		0		0		0		200,310
Overtime Pay	204,398			0		0		0			0		0		0		0		204,398
Fringe Benefits	2,706,578			0		0		0			0		0		0		0		2,706,578
Purchased Services	5,086,450			0		0		0			0		0		0		0		5,086,450
Supplies	2,118,282			0		0		0			0		0		0		0		2,118,282
Inter-Departmental Charges	. 862,475			0		0		0			0		0		0		0		862,475
Debt/Other Financing Uses	14,469,687			0		0		0			0		0		0		0		14,469,687
Capital Assets	 565,200			0	 	0	 	0			0	 	0	 	0	 	0		565,200
Total Expenditures	\$ 33,546,291	\$		0	\$	0	\$	0	\$		0	\$	0	\$	0	\$	0	\$:	33,546,291
Total Inter-Agency Billings	 33,546,291			0	 	0		0			0		0	 	0	 	0	;	33,546,291
Net Budget	\$ 0	<u>\$</u>		0	\$ ·	0	\$ 	0	\$_		0	\$ 	0	\$ 	0	\$ 	0	\$	0

		2012 Actual	2013 Adopted	2013 Projected	2014 Request	2014 Executive	2014 Adopted
Water	Utility						
Expen	ditures						
•	sed Services						
	Natural Gas	40,744	43,000	43,000	54,000	0	0
54103	Electricity	2,529,401	2,600,000	2,600,000	2,600,000	0	0
54201	Telephone Cellular	24,255	23,000	23,000	15,000	0	0
	Telephone Regular	18,742	24,000	24,000	20,000	0	0
54301	General B&G Repairs & Maint	184,333	375,000	375,000	360,000	0	0
54314		14,466	15,400	15,400	15,400	0	0
54401	General Equip Repairs & Maint	294,931	251,700	251,700	251,700	0	0
54472		70,134	400,000	400,000	75,000	0	0
54473	Sidewalk Maintenance	65,615	75,000	75,000	75,000	0	. 0
54610	Recruitment	7	700	700	. 0	0	0
54620	Mileage	1,980	1,750	1,750	2,000	0	0
54630	Conference/Meetings	28,773	55,000	55,000	134,000	. 0	0
54704	_	45,860	45,000	45,000	50,000	0	0
54901	Other Services General	158,827	835,000	835,000	475,000	. 0	0
54910		38,296	45,000	45,000	45,000	0	0
54913	Schedules	42,492	45,000	45,000	45,000	0	0
54941	Computer License & Maint	281,807	137,900	137,900	300,000	. 0	. 0
54951	Lab Services	31,084	35,000	35,000	55,000	. 0	0
54967	Memberships	40,163	77,000	77,000	45,000	0	. 0
54974	Permits/Licenses	618	2,000	2,000	1,000	0	0
54930	Legal Services	1,000	0	0	0	0	0
. 0	#N/A	0	0	0	0	. 0	0
0	#N/A	0	0	0	. 0	0	0
0	#N/A	. 0	0	0	. 0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	. 0	0.	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0 .	. 0	0	0	0	0
0	#N/A	0	. 0	0	. 0	0	0
0	#N/A	0	0	0	0	0	0
	Total	\$ 3,913,528	\$ 5,086,450	\$ 5,086,450	\$ 4,618,100	\$ 0	\$ 0
Supplies	S						
55110	General Office Supplies	18,781	28,000	28,000	25,000	0	0
	Postage	119,749	360,000	360,000	360,000	0	0
55150	Computer Supplies	31,854	60,000	60,000	50,000	0	0
55210	General Equipment Supplies	123,820	112,000	112,000	125,000	0	0
55270		23,770	27,000	27,000	45,000	0	0
55280	Training Materials/Supplies	812,123	1,232,282	1,232,282	900,000	0	0
55460		158,135	.185,000	185,000	166,000	0	0
55470	Diesel Fuel	75,852	94,000	94,000	85,000	0	0
55600	Lab Supplies	8,837	15,000	15,000	10,000	0	0
	Uniforms	5,392	5,000	5,000	5,000	0	0
0	#N/A	0	0	0	0	0	. 0
0	#N/A	0	0	0	0	0	. 0
0	#N/A	0	0	0	0	. 0	0
0	#N/A #N/A	0	0	0	0	0	0
0	#N/A	. 0	0	0	0	0	. 0
0	#N/A #N/A	0	0	. 0	. 0	0	0
J	, 15.14/C		J	J	. 0	U	J

		2012 Actual	2013 Adopted	2013 Projected	2014 Request	2014 Executive	2014 Adopted
Water	Utility						
0	#N/A	0	0	. 0	, O	0	0
0	#N/A	0	0	. 0	0	0	. 0
0	#N/A #N/A	-	0	. 0	0	0	
0		0	-	0	0		0
U	#N/A Total	\$ 1,378,311	0 \$ 2,118,282	\$ 2,118,282	\$ 1,771,000	0 \$ 0	\$ 0
Inter-De	partmental Charges					÷	
	Attorney-Inter-D (Pmts To)	11,968	11,500	11,500	11,500	0	0
56330	Finance Dept-Inter-D (Pmts To)	37,904	37,904	37,904	37,904	0	0
56340	Info Technology-Inter-D (Pmts To)	73,663	70,000	70,000	108,871	0	0
56380	Human Res-Inter-D (Pmts To)	51,088	52,110	52,110	53,152	0	0
56440	Health-Inter-D (Pmts To)	65,805	68,415	68,415	79,525	0	0
56460	Treasurer-Inter-D (Pmts To)	70,313	126,436	126,436	127,786	0	0
56530	Engineering-Inter-D (Pmts To)	92,769	73,970	73,970	58,250	0	0
56540	Sewer Utility-Inter-D (Pmts To)	19,798	15,000	15,000	20,000	0	0
56550	Fleet Service-Inter-D (Pmts To)	8,430	5,000	5,000	7,500	0	0
56571	TE Signs-Inter-D (Pmts To)	14,548	15,377	15,377	15,383	. 0	0
56630	Streets-Inter-D (Pmts To)	3,972	15,000	15,000	10,000	0	0
56950	Insurance Fund-Inter-D (Pmts To)	68,354	83,085	83,085	63,155	0	0
56960	Workers Comp-Inter-D (Pmts To)		288,678			0	0
		237,366		288,678	321,803		
56290	Economic Dev-Inter-D (Pmts To)	256	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	. 0	0	0	0	0
0	#N/A	0	0	0	0	0	. 0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	. 0	0	0	0 ,
0	#N/A	0	0	0	0	0	. 0
. 0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	. 0	0	0	0
	Total	\$ 756,234	\$ 862,475	\$ 862,475	\$ 914,829	\$ 0	\$ 0
	ther Financing Uses						
57110	Principal - Debt Service	4,017,717	4,802,357	4,802,357	5,768,158	0	0
57120	Interest - Debt Service	3,835,307	4,299,088	4,299,088	4,717,256	0	0
57200	Payment In Lieu Of Taxes	5,017,460	5,368,242	5,368,242	5,919,256	0	0
57999	Reserves Generated	2,827,987	0,	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	. 0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	. 0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
_	Total	\$ 15,698,471	\$ 14,469,687	\$ 14,469,687	\$ 16,404,670	\$ 0	\$ 0
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		2012 Actual	2013 Adopted	2013 Projected	2014 Request	2014 Executive	2014 Adopted
Water	Utility						
59530	ID Pmt From City Engineering	123	15,000	15,000	15,000	0	0
59540	ID Pmt From Sewer Utility	1,609,804	2,046,177	2,046,177	2,021,287	0	0
59560	ID Pmt From Storm Utility	132,600	148,300	148,300	122,500	0	0
59630	ID Pmt From Streets Division	3,857	5,000	5,000	5,000	0	0
59290	ID Pmt From Economic Dev Div	2,326	0	0	0	0	0
59550	ID Pmt From Fleet Service	1,300	. 0	0	0	0	0
0	#N/A	0	0	0	0	0	. 0
0	#N/A	0	. 0	0	0.	. %	0
0	#N/A	0	0	0	0	. 0	0
0	#N/A	0	. 0	0	0	0	0
0	#N/A	0	0	. 0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
	Total	\$ 1,750,011	\$ 2,214,477	\$ 2,214,477	\$ 2,163,787	\$ 0	0
Other S	ources						
	Late Sewer Bill Fees	262,111	304,340	304,340	282,412	0	0
76231	Dane County Space Rent	. 0	1,900	0	0	0	0
76920		30,122,378	30,671,651	30,671,651	32,407,126	. 0	0
78110		198,779	125,100	125,100	191,500	0	0
79410	Transfer In From General Fund	0	21,999	21,999	0	0	0
79999	Reserves Applied	0	206,824	206,824	0	. 0	0
78220	Operating Lease Payments	2,025	0	1,900	2,200	0	0
0	#N/A	0	0	0	2,230	0	0
0	#N/A	0	0	. 0	0	0	0
0	#N/A	0	0	0	0	0	. 0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	. 0	0
0	#N/A	0	.0	0	0	0	0
. 0	#N/A	0	0	. 0	0	0	. 0
0	#N/A	. 0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
-	Total	\$ 30,585,293	\$ 31,331,814	\$ 31,331,814	\$ 32,883,238		\$ 0
Total In	nter-Agency Billings	\$ 32,335,304	\$ 33,546,291	\$ 33,546,291	\$ 35,047,025	\$ 0	\$ 0

City of Madison Operating Budget Capital Assets

2014 Departmental Request

Water Utility

		(Dolla	r Allocation B	y Service			
	R	equested								<u> </u>	
Item Description	<u>Units</u>	Amount	2000	3000	4000	5000	6000	7000	8000	9000	Total
E450 Utilimaster Step Van	1	\$ 75,000	\$ 75,000			I	T .	1			\$ 75,000
Chevy or Ford Cutaway Truck	1	35,000	35,000								35,000
Chrysler Ram Cargo Van	1	25,000	25,000								25,000
F350 Utility Box Truck w/ERV	1	68,000	68,000					Ţ			68,000
F150 4x4 Pick up Truck	1	24,000	24,000								24,000
John Deere Backhoe w/attach	1	130,000	130,000								130,000
Tandem Axle Box Dump Truck	1	125,000	125,000								125,000
E350 Utilimaster Step Van	1	70,000	70,000								70,000
VSB Ops Ctr Floor Sweeper	1	70,000	70,000								70,000
VSB Ops Ctr Pressure Washer	1	10,000	10,000								10,000
Jumping Jack Compactor	2	8,000	8,000								8,000
20" Asphalt/Blacktop Saw	1	9,000	9,000								9,000
Chlorine Gas Leak Locator	2	8,000	8;000								8,000
Valve Repair Tool	1	10,000	10,000								10,000
Laser Alignment Tool	1	6,000	6,000	· ·							6,000
Other Small Equipment & Tools	22	23,600	23,600								23,600
Item									1		0
Item											0
Item		14	-								0
Item											0
Item											0
Item							T .				0
Item		-									0
Item											0
Item											0
Item											0
Item] 0
Item											0
Item											0
Last item											0
		\$ 696,600	\$ 696,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0) \$ (\$ 696,600