



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Agenda - Approved WATER UTILITY BOARD

*Consider: Who benefits? Who is burdened?
Who does not have a voice at the table?
How can policymakers mitigate unintended consequences?*

Tuesday, July 23, 2024

4:30 PM

119 E. Olin Ave.

This meeting is being held in person. To register to speak on an item, you will do so in person at the meeting. Please arrive early if you plan to register to speak.

Written Comments: You can send comments on agenda items to waterutilityboard@cityofmadison.com

If you need an interpreter, translator, materials in alternate formats or other accommodations to access this service, activity or program, please call the phone number below at least three business days prior to the meeting.

Si necesita un intérprete, un traductor, materiales en formatos alternativos u otros arreglos para acceder a este servicio, actividad o programa, comuníquese al número de teléfono que figura a continuación tres días hábiles como mínimo antes de la reunión.

Yog hais tias koj xav tau ib tug neeg txhais lus, ib tug neeg txhais ntawv, cov ntawv ua lwm hom ntawv los sis lwm cov kev pab kom siv tau cov kev pab, cov kev ua ub no (activity) los sis qhov kev pab cuam, thov hu rau tus xov tooj hauv qab yam tsawg peb hnuv ua hauj lwm ua ntej yuav tuaj sib tham.

CALL TO ORDER / ROLL CALL

APPROVAL OF MINUTES

Meeting minutes for 6/25/2024: <https://madison.legistar.com/calendar.aspx>

PUBLIC COMMENT

1. [16738](#) General Public Comment

DISCLOSURES AND RECUSALS

Members of the body should make any required disclosures or recusals under the City's Ethics Code.

NEW BUSINESS

2. [84466](#) 2023 Financial Statement & Auditors' Report

Attachments: [Item 2 - 2023 Financial Statements & Auditors' Report.pdf](#)
[Item 2 - Attachment 1 - Auditors' Presentation.pdf](#)
[Item 2 - Attachment 2 - Financial Statement Highlights - 2023.pdf](#)

3. [84467](#) Amendment of the 2024 Water Utility capital budget to change funding sources for certain capital projects and authorization for \$7.328 million Non-General Fund Government Obligation borrowing
Attachments: [Memo - Utility's General Obligation Borrowing.pdf](#)
4. [84360](#) BY TITLE ONLY: Authorizing the Issuance and Establishing the Parameters for the Sale of Not to Exceed \$[] General Obligation Promissory Notes, of the City of Madison, Wisconsin, and Directing the Final Approval of the Terms Thereof.
5. [84166](#) Authorizing Madison Water Utility's General Manager to certify municipal services bills, assessments, and charges to the 2024 tax rolls of other governmental units for delinquent accounts in those jurisdictions.
Attachments: [Memo - Authorize General Manager to Certify Tax Roll .pdf](#)
[Resolution #84166 Authorizing General Manager to Certify Tax Roll .pdf](#)
6. [84471](#) Temporary Change to the Water Board Meeting Format

REPORTS

7. [84480](#) Water Production Monthly Report
Attachments: [Item 6 Memo - Water Production Report July 2024.pdf](#)
[Item 6 Attachment A - Daily and Cumulative Water Production July 2024.pdf](#)
[Item 6 Attachment B - Unit Well Capacity Utilization July 2024.pdf](#)
[Item 6 Attachment C - Aquifer Levels July 2024.pdf](#)
8. [84481](#) Monthly Financial Conditions Report
Attachments: [Item 7 - Memo - Financial Conditions Report July 2024.pdf](#)
[Item 7 - Attachment - Financial Conditions Report as of 6.30.24.pdf](#)
9. [84482](#) Monthly Capital Projects Report
Attachments: [Item 8 - Memo - Capital Projects Monthly Report 2024-07-23.pdf](#)
[Item 8 - Attachment - Capital Projects Monthly Report 2024-07-23.pdf](#)
10. [84483](#) Monthly Operations Report
Attachments: [Item 9 - Memo - Monthly Operations report July 2024.pdf](#)
[Item 9 - Attachment - Monthly Operations Report July 2024.pdf](#)
11. [84484](#) Monthly Public Information Update

Attachments: [Item 10 - Memo - Public Information Report.pdf](#)
[Item 10 - Attachment - Utility Highlights.pdf](#)

12. [84022](#) Meeting Evaluation and Discussion

Attachments: [Board Self Evaluation Form.pdf](#)

ADJOURNMENT



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 16738

File ID: 16738

File Type: Miscellaneous

Status: In Committee

Version: 1

Reference:

Controlling Body: WATER UTILITY
BOARD

File Created Date : 11/24/2009

File Name: Written Public Comments

Final Action:

Title: General Public Comment

Notes:

Sponsors:

Effective Date:

Attachments:

Enactment Number:

Author:

Hearing Date:

Entered by: arobb@cityofmadison.com

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|

Text of Legislative File 16738

Title

General Public Comment



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84466

File ID: 84466

File Type: Miscellaneous

Status: Items Referred

Version: 1

Reference:

Controlling Body: WATER UTILITY
BOARD

File Created Date : 07/17/2024

File Name: 2023 Financial Statement and Auditors' Report

Final Action:

Title: 2023 Financial Statement & Auditors' Report

Notes:

Sponsors:

Effective Date:

Attachments: Item 2 - 2023 Financial Statements & Auditors'
Report.pdf, Item 2 - Attachment 1 - Auditors'
Presentation.pdf, Item 2 - Attachment 2 - Financial
Statement Highlights - 2023.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---|---------------|------------|---------|------------------------|-----------|-----------------|---------|
| 1 | Water Utility | 07/17/2024 | Refer | WATER UTILITY BOARD | | | |
| Action Text: This Miscellaneous was Refer to the WATER UTILITY BOARD | | | | | | | |

Text of Legislative File 84466

.Title

2023 Financial Statement & Auditors' Report

.Body

Annual presentation of the independent report of the auditor. See attachment for financial statements including independent auditors' report as of and for the years ended December 31, 2023 and 2022.

MADISON WATER UTILITY

An Enterprise Fund of the
City of Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2023 and 2022

MADISON WATER UTILITY

An Enterprise Fund of the City of Madison, Wisconsin

TABLE OF CONTENTS

As of and for the Years Ended December 31, 2023 and 2022

| | |
|--|---------|
| Independent Auditors' Report | 1 – 3 |
| Required Supplementary Information (Unaudited) | |
| Management's Discussion and Analysis | 4 – 11 |
| Financial Statements | |
| Statements of Net Position | 12 – 13 |
| Statements of Revenues, Expenses and Changes in Net Position | 14 |
| Statements of Cash Flows | 15 – 16 |
| Notes to Financial Statements | 17 – 52 |
| Required Supplementary Information (Unaudited) | |
| Schedule of Proportionate Share of Net Pension Liability | 53 |
| Schedule of Contributions | 53 |
| Notes to Required Supplementary Information | 54 |
| Schedule of Changes in the Net OPEB Liability and Related Ratios | 55 |
| Supplementary Information | |
| Revenue Bond Debt Repayment Schedules | 56 – 57 |
| Operating Revenues and Expenses | 58 – 59 |

Independent Auditors' Report

To the Water Utility Board of the
Madison Water Utility

Opinion

We have audited the financial statements of the Madison Water Utility (Utility), an enterprise fund of the City of Madison, Wisconsin, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Utility as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Utility are intended to present the the financial position, the changes in financial position, and cash flows of only the Utility. They do not purport to, and do not, present fairly the financial position of the City of Madison as of December 31, 2023, and 2022, and the changes in financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Utility adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangement*, effective January 1, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
June 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022

GENERAL INFORMATION ABOUT MADISON WATER UTILITY

Madison recognized the need for a central water supply early in its history. The common council of the City of Madison (municipality) directed its waterworks committee to establish the Madison Waterworks on September 5, 1881. Financing was obtained and contracts let in spring of 1882. Pumping commenced on December 7, 1882. Early management was vested in the common council through its committee, and on March 2, 1884, general management was transferred to a Board of Water Commissioners. The Madison Waterworks achieved department status in the early 1960s and, at that time, became the Madison Water Utility (Utility) under a General Manager leadership with a Water Utility Board that continues today.

The Utility has always been a groundwater system in spite of being surrounded by lakes. The Utility currently has 22 deep wells in service with a total capacity of 67.7 million gallons per day. In common with other Wisconsin water utilities, the Public Service Commission of Wisconsin (PSCW) regulates the Utility in matters of rates, rules, and levels of service.

2023 FINANCIAL HIGHLIGHTS

- > Total operating revenues increased \$9,656,000 or 20.1% from 2022 to 2023, and pumpage increased 1.7% for that same period.
- > Income before capital contributions and transfers increased \$9.4 million or 59.6% from the prior year. The increase was due largely to an increase of \$9.7 million in Operating Revenues.
- > Capital assets increased by \$9.7 million in 2023, which were financed with the issuance of 2019 Bond Anticipation Notes (BANs) and reserves. BANs in the amount of \$20 million were issued in 2019 to cover capital projects from 2019 through 2023, \$1.4 million in SDWL, and \$2.2 million due to the implementation of Expense Depreciation of replacement water mains.
- > Safe Drinking Water Loan approved for \$4.7 million via the DNR to partially redeem 2019 BANs.

2022 FINANCIAL HIGHLIGHTS

- > Total operating revenues increased \$49,000 or .1% from 2021 to 2022, and pumpage increased 1.1% for that same period.
- > Income before capital contributions and transfers decreased \$1.7 million or 9.5% from the prior year. The decrease was due largely to an increase of \$1.7 million in Operating and Maintenance costs.
- > Capital assets increased by \$3.8 million in 2022, which were financed with the issuance of 2019 Bond Anticipation Notes (BANs) and reserves. BANs in the amount of \$20 million were issued in 2019 to cover capital projects from 2019 through 2022.
- > Tyler Utility Billing was implemented in December 2022, along with a new payment portal.

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022

RATES

Current rates became effective March 1, 2023. The Utility filed an application to review rates with the Public Service Commission of Wisconsin on November 30, 2021. The rate order for the most recent case was issued on December 29, 2022. The utility is currently ranked fifth for residential rates out of eighty utilities classified as AB (over 4,000 customers) in Wisconsin.

UTILITY FINANCIAL ANALYSIS

The Statement of Net Position includes all of the Utility's assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utility.

A summary of the Utility's Statements of Net Position is presented in Table 1 as of December 31:

Table 1
Condensed Statements of Net Position
(000's)

| | 2023 | 2022 | Restated 2021 |
|----------------------------------|------------|------------|------------------|
| Current and Other Assets | \$ 78,119 | \$ 73,102 | \$ 73,236 |
| Capital Assets | 304,030 | 302,935 | 306,174 |
| Total Assets | 382,148 | 376,037 | 379,410 |
| Deferred Outflows of Resources | 11,146 | 9,371 | 6,759 |
| Current Liabilities | 33,869 | 18,131 | 17,577 |
| Long-term Debt Outstanding | 137,515 | 165,595 | 185,230 |
| Long-term Liabilities | 18,455 | 16,659 | 17,470 |
| Total Liabilities | 189,840 | 200,385 | 220,277 |
| Deferred Inflows of Resources | 12,315 | 17,248 | 11,377 |
| Net Investment in Capital Assets | 145,506 | 136,416 | 127,492 |
| Restricted | 15,974 | 19,332 | 19,900 |
| Unrestricted | 29,660 | 12,026 | 7,122 |
| Total Net Position | \$ 191,140 | \$ 167,775 | \$ 154,515 |

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022

UTILITY FINANCIAL ANALYSIS (cont.)

In 2023, total assets combined with deferred outflows of resources increased \$7.9 million and total liabilities with deferred inflows of resources decreased \$15.5 million, resulting in an increase in net position of \$23.4 million from 2022. The change was primarily due to an increase of \$5 million in total cash and other assets, increase of \$1.1 million increase in net capital assets, increase in net pension asset and pension related deferred outflows of \$1.8 million, decrease in debt of \$10.5 million and decrease in net pension asset and pension related deferred inflows of \$4.9 million. In 2022, total assets combined with deferred outflows of resources decreased \$761,000 and total liabilities with deferred inflows of resources decreased \$14.0 million, resulting in an increase in net position of \$13.3 million from 2021. The change was primarily due to a decrease in debt of \$19.9 million and an increase in net pension asset and pension related deferred outflows of \$3.5 million offset by an increase in deferred inflows of \$5.9 million due to the implementation of GASB 87 and a decrease in cash of \$4.2 million.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets (000's)

| | 2023 | 2022 | Restated 2021 |
|--|-------------------|-------------------|-------------------|
| Operating Revenues | \$ 56,709 | \$ 47,114 | \$ 47,149 |
| Non-operating Revenues | 1,088 | 1,026 | 941 |
| Total Revenues | <u>57,796</u> | <u>48,140</u> | <u>48,091</u> |
| | | | |
| Operation & Maintenance Expense | 19,609 | 17,606 | 15,927 |
| Depreciation Expense | 10,813 | 8,462 | 8,378 |
| Non-operating Expense | 2,092 | 6,226 | 6,272 |
| Total Expense | <u>32,515</u> | <u>32,295</u> | <u>30,577</u> |
| | | | |
| Income Before Capital Contributions and Transfers | 25,282 | 15,845 | 17,514 |
| | | | |
| Capital Contributions | 4,390 | 4,117 | 2,440 |
| Transfers, net | <u>(6,307)</u> | <u>(6,702)</u> | <u>(7,424)</u> |
| | | | |
| Change in Net Position | 23,365 | 13,260 | 12,530 |
| | | | |
| Beginning Net Position | <u>167,775</u> | <u>154,515</u> | <u>141,984</u> |
| | | | |
| Ending Net Assets | <u>\$ 191,140</u> | <u>\$ 167,775</u> | <u>\$ 154,515</u> |

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022

UTILITY FINANCIAL ANALYSIS (cont.)

The Utility's total revenues increased \$9.7 million 20.1% from 2022 to 2023 as a result of the rate increase implemented on March 1, 2023 and an increase of 1.7% in pumpage from 2022 to 2023. The Utility's total revenues increased \$49,000 or .1% from 2021 to 2022 as a result of the implementation of GASB 87 in 2022.

Table 3
Operating Revenues and Expenses
(000's)

| | 2023 | 2022 | Restated 2021 |
|---------------------------------|------------------|------------------|------------------|
| OPERATING REVENUES | | | |
| Unmetered Sales | \$ 541 | \$ 414 | \$ 375 |
| Metered Sales | | | |
| Residential | 24,001 | 20,466 | 21,555 |
| Duplex | 917 | 819 | 804 |
| Multi-Family | 11,065 | 9,356 | 9,126 |
| Commercial | 10,836 | 8,401 | 8,277 |
| Industrial | 1,135 | 992 | 1,071 |
| Public authorities | 7,490 | 6,124 | 5,357 |
| Sales for resale | 600 | 417 | 454 |
| Total Metered Sales | 56,044 | 46,575 | 46,644 |
| Public fire protection | 124 | 124 | 131 |
| Total Sales of Water | 56,709 | 47,114 | 47,150 |
| Customer Late Payment Penalties | 286 | 201 | 207 |
| Miscellaneous | 68 | 65 | 74 |
| Rents from Water Property | 399 | 375 | 276 |
| Other | 335 | 385 | 385 |
| Total Operating Revenues | 57,796 | 48,140 | 48,091 |
| OPERATING EXPENSES | | | |
| Source of Supply | 61 | 170 | 104 |
| Pumping | 4,679 | 4,203 | 3,951 |
| Water Treatment | 936 | 771 | 719 |
| Transmission and Distribution | 7,135 | 6,987 | 6,232 |
| Customer Accounts | 659 | 819 | 761 |
| Administrative and General | 5,485 | 4,028 | 3,570 |
| Total Operation and Maintenance | 18,954 | 16,977 | 15,337 |
| Depreciation | 10,813 | 8,462 | 8,377 |
| Taxes | 655 | 629 | 591 |
| Total Operating Expenses | 30,423 | 26,068 | 24,305 |
| OPERATING INCOME | <u>\$ 27,374</u> | <u>\$ 22,072</u> | <u>\$ 23,786</u> |

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022

UTILITY FINANCIAL ANALYSIS (cont.)

Revenues

Total operating revenues were \$57.8 million for 2023. Pumpage increased by 1.7% in 2023 over 2022. New rates became effective March 1, 2023. All classes experienced an increase in revenue in 2023.

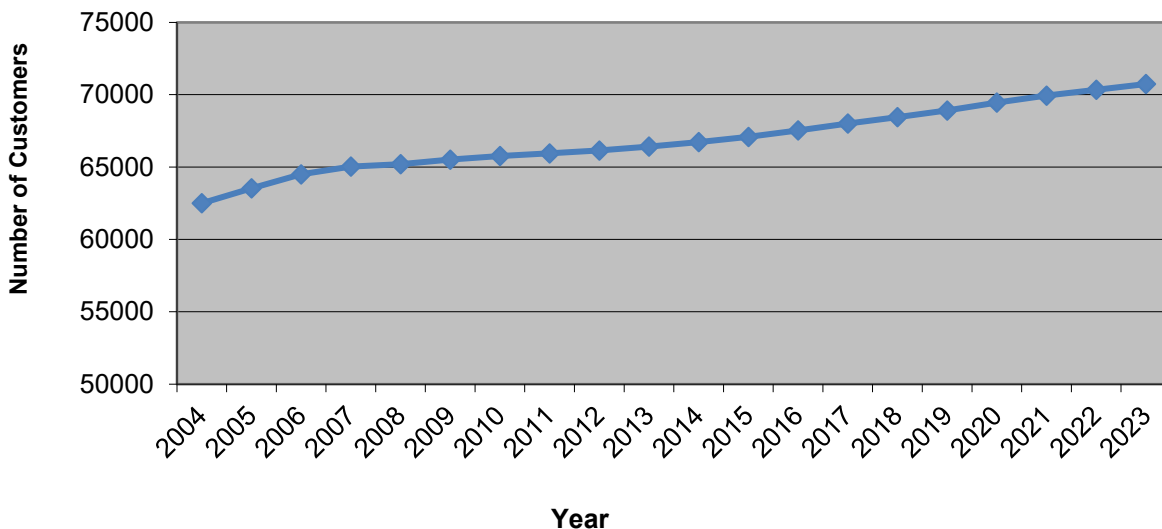
Total operating revenues were \$48.1 million for 2022 and 2021. Pumpage increased by 1.1% in 2022 over 2021.

Expenses

Operation and maintenance expenses (including taxes) totaled \$19.6 million in 2023, compared to \$17.6 million in 2022, an increase of \$2 million, or 11.4%. The increase is primarily due to an increase in total operating expenses. Depreciation Expense increased \$2.4 million from 2022 to 2023 due mostly to the implementation of Expense Depreciation for replacement water mains in our most recent rate order.

Operation and maintenance expenses (including taxes) totaled \$17.6 million in 2022, compared to \$15.9 million in 2021, an increase of \$1.7 million, or 10.5%. The increase is primarily due to an increase in costs across all expenses. Depreciation expense increased \$85,000 or 1.0% to \$8.5 million in 2022 from \$8.4 million in 2021 as a result of an additional \$3.8 million in capital assets placed into service.

Customer Growth 2004 - 2023



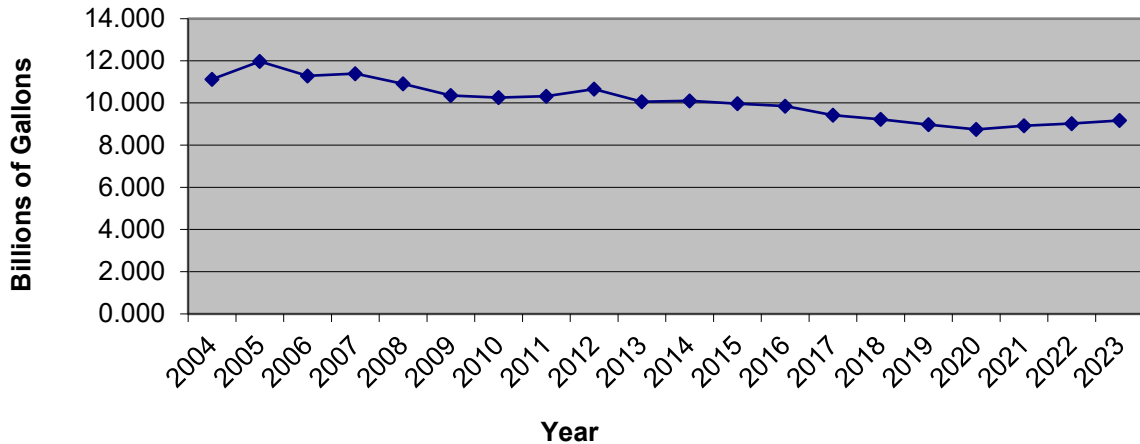
The Utility added 499 new customers in 2023 compared with 522, 496, and 627 new customers added in 2022, 2021 and 2020, respectively. The Utility added the most new customers (1,442) in 2002.

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022

UTILITY FINANCIAL ANALYSIS (cont.)

Pumpage 2004 - 2023



Pumping for the year increased 1.7% from 9.021 billion gallons in 2022 to 9.172 billion gallons in 2023.

CAPITAL EXPENDITURES

The Utility added \$11.1 million of plant in 2023. Of this amount, approximately \$4.4 million was contributed by developers and contractors or received by special assessment.

Capital projects paid for by the Utility in 2023 included; \$4.5 million for new and replacement water mains, laterals, and hydrants, \$1.1 million for pumping plant, general plant, and telemetry equipment, \$605,000 for power equipment and tools, and \$380,000 for our meter program.

The Utility added \$4.6 million of plant in 2022. Of this amount, approximately \$2.8 million was contributed by developers and contractors or received by special assessment.

Capital projects paid for by the Utility in 2022 included; \$639,000 for new and replacement water mains, laterals, and hydrants, \$588,000 for pumping plant and telemetry equipment: motor control center (MCC) SCADA upgrades, programmable logic controllers (PLC), transformers, and variable frequency drives (VFDs), \$115,000 for vehicles, and \$411,000 for our meter program.

Please refer to the notes to the financial statements for further details of the Utility's capital assets.

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022

CAPITAL BORROWING

The previous policy of the Utility had been to maintain depreciation and net revenues such that depreciation funds could be used for capital projects, and net income could be used for debt retirement. Due to the increased level of planned capital spending, the Utility has looked to fund the vast majority of its capital budget needs through the sale of revenue bonds or general obligation bonds. The Utility borrowed \$4.7 million of revenue bonds in 2023, \$20.3 million in general obligation bonds in 2022, \$66.7 million of revenue bonds in 2019, \$40.2 million of revenue bonds in 2018, \$38.4 million of revenue bonds in 2016 and \$41.6 million of revenue bonds in 2015. The 2023 borrowing was used to partially redeem the \$20 million BAN in 2023. The 2022 borrowing was used to refund \$29.4 million of 2012 and 2013 revenue bonds. The 2019 borrowing included \$20 million of bond anticipation notes (BAN) to fund the remainder of the 2019 capital projects and all of 2020, 2021 and 2022 capital projects, \$33.7 million to refund 2009A and 2010 bonds and \$13.0 million to advance refund 2011 bonds.

Management envisions a reduction in their capital borrowing in order to improve the debt to equity ratio. With that in mind, the Utility included expense depreciation in its 2021 rate case filed with the PSC on November 30, 2021. Expense depreciation is an alternative way to fund the Utility's main replacement program by effectuating a "pay as you go" funding for the main replacement program thereby reducing the amount of capital borrowing. The PSC approved expense depreciation of \$5 million annually for the Utility in its final rate order issued December 29, 2022. These funds may only be used for main replacement. The new rates were put into effect on March 1, 2023.

On June 29, 2022, the Utility filed an application with the Wisconsin Department of Natural Resources for the state fiscal year 2023 Safe Drinking Water Loan Program (SDWLP) for \$5.8 million of 2020 and 2021 main replacement projects. This program offers low interest loans to municipalities for qualifying drinking water infrastructure projects. On November 14, 2022 the Utility was placed on the Final Funding List at an estimated loan amount of \$5.8 million. On October 13, 2023, the Utility was approved and received a \$4.7 million 20-year loan with an interest rate of 2.145%.

On October 31, 2022, the Utility filed Intent to Apply for four program/projects totaling \$17.1 million with the Wisconsin Department of Natural Resources for the state fiscal year 2024 Safe Drinking Water Loan Program (SDWLP). Included in the Intent to Apply are \$3.3 million of 2021 and 2022 main replacement projects, \$1.0 million of operational resiliency projects, \$6.8 million for unit well 19 treatment system addition, and \$6.0 million for unit well 15 PFAS treatment project. The Utility is applying for principal forgiveness for the unit well 15 project.

ECONOMIC FACTORS AND FUTURE BUDGET ISSUES

Madison has a unique status in terms of economic stability, being the state capital and home to the University of Wisconsin – Madison and its 49,000 students, versus the national economy. While customer growth has slowed, the Utility added a net 11.4 miles of water main in the last three years as its service area has grown. Growth entails the need for additional infrastructure while meeting the challenge of upkeep of current infrastructure. Management believes that future rate increases will ensure that the Utility is well prepared to handle these challenges. While rates are expected to increase over time, management works within the Water Utility Board Policy for affordability, O-2D, maintaining increases that do not exceed 9% annualized per year.

The Utility included a two year pilot Customer Assistance Program in the 2021 rate case filed on November 30, 2021. This program was approved by the PSC of Wisconsin on December 29, 2022 and

MADISON WATER UTILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and 2022

ECONOMIC FACTORS AND FUTURE BUDGET ISSUES (cont.)

became effective on March 1, 2023. The program is a city-wide program being offered to Madison Municipal Services customers making at or below 50% of the area median income for the Madison area calculated by the Department of Housing and Urban Development (HUD).

The Utility experienced a significant decline in consumption starting in 2015 due to loss of industry, water conservation and changes in weather patterns. In 2023, consumption was up 1.7% over 2022. In 2022, consumption was up 1% over 2021. Management will continue to monitor these trends and revise financial goals accordingly.

UTILITY CONTACT INFORMATION

This financial report is designed to provide customers and creditors with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact the Madison Water Utility at 119 East Olin Avenue, Madison, Wisconsin 53713 or by phone at (608) 266-4651 or e-mail at water@madisonwater.org.

FINANCIAL STATEMENTS

MADISON WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2023 and 2022

| | 2023 | 2022 |
|---|--------------------|--------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and investments | \$ 29,457,401 | \$ 17,537,363 |
| Restricted Assets | | |
| Principal and interest account | 13,191,166 | 13,164,827 |
| Customer accounts receivable | 3,628,368 | 3,736,177 |
| Prepays | 231,152 | 232,909 |
| Materials and supplies | 1,482,163 | 1,481,911 |
| Due from municipality | 854,545 | 939,323 |
| Current portion of special assessments | 149,512 | 211,624 |
| Current portion of lease receivable | 187,105 | 221,495 |
| Other current assets, net | 521,632 | 211,515 |
| Total Current Assets | <u>49,703,044</u> | <u>37,737,144</u> |
| NONCURRENT ASSETS | | |
| Restricted Assets | | |
| Reserve account | 12,190,068 | 12,631,436 |
| Depreciation account | 750,000 | 750,000 |
| Assessment account | 1,858,134 | 1,504,541 |
| Construction account | 2,548,254 | 6,420,832 |
| Net pension asset | - | 4,074,884 |
| Expense Depreciation account | 1,966,423 | - |
| Other Assets | | |
| Special assessments receivable (net of current portion) | 2,720,347 | 3,082,424 |
| Preliminary survey and investigation | 477,248 | 477,248 |
| Property held for future use | 112,429 | 112,429 |
| Nonutility property (net of accumulated depreciation) | 558,105 | 943,558 |
| Lease receivable (net of current portion) | 4,189,638 | 4,376,743 |
| Capital Assets | | |
| Plant in service | 433,050,076 | 423,100,692 |
| Accumulated depreciation | (131,932,271) | (121,128,049) |
| Construction work in progress | 3,956,980 | 1,953,288 |
| Total Noncurrent Assets | <u>332,445,431</u> | <u>338,300,026</u> |
| Total Assets | <u>382,148,475</u> | <u>376,037,170</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Unamortized loss on refunding | 420,889 | 499,009 |
| Deferred outflows related to pension | 10,205,400 | 8,532,851 |
| Deferred outflows related to OPEB | 519,906 | 339,233 |
| Total Deferred Outflows of Resources | <u>11,146,195</u> | <u>9,371,093</u> |
| | <u>393,294,670</u> | <u>385,408,263</u> |

| | 2023 | 2022 |
|--|-------------|----------------|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 1,284,005 | \$ 1,242,967 |
| Other current liabilities | 1,852,959 | 1,832,655 |
| Current portion of GO debt | 1,730,000 | 1,690,000 |
| Current portion of advance from municipality | 161,533 | 153,138 |
| Current portion of lease liability | 50,244 | 47,511 |
| Current portion of SBITA liability | 65,743 | - |
| Current Liabilities Payable From Restricted Assets | | |
| Current portion of revenue bonds | 26,349,645 | 10,575,000 |
| Accrued interest | 2,374,736 | 2,589,827 |
| Total Current Liabilities | 33,868,865 | 18,131,098 |
| NONCURRENT LIABILITIES | | |
| Revenue bonds | 118,900,355 | 145,250,000 |
| Unamortized debt premium | 9,690,362 | 10,793,478 |
| Accrued sick leave | 2,178,540 | 2,044,005 |
| Total OPEB liability | 2,875,795 | 2,532,950 |
| GO debt | 18,615,000 | 20,345,000 |
| Advance from municipality | - | 161,533 |
| Lease liability (net of current portion) | 928,475 | 978,719 |
| SBITA liability (net of current portion) | 26,046 | - |
| Customer advances for construction | 113,749 | 148,592 |
| Net pension liability | 2,642,509 | - |
| Total Noncurrent Liabilities | 155,970,831 | 182,254,277 |
| Total Liabilities | 189,839,696 | 200,385,375 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unamortized gain on refunding | 1,398,290 | 1,543,850 |
| Deferred inflows related to OPEB's | 754,592 | 956,365 |
| Deferred inflows related to pension | 5,923,835 | 10,190,964 |
| Deferred inflows related to leases | 4,238,548 | 4,557,179 |
| Total Deferred Inflows of Resources | 12,315,265 | 17,248,358 |
| NET POSITION | | |
| Net investment in capital assets | 145,480,387 | 136,416,185 |
| Restricted for: | | |
| Debt service | 13,365,880 | 13,003,010 |
| Capital repairs and replacement | 2,608,134 | 2,254,541 |
| Pension | - | 4,074,884 |
| Unrestricted | 29,685,308 | 12,025,910 |
| TOTAL NET POSITION | 191,139,709 | \$ 167,774,530 |

MADISON WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Sales of water | \$ 56,708,747 | \$ 47,113,949 |
| Other | 1,087,670 | 1,025,994 |
| Total Operating Revenues | <u>57,796,417</u> | <u>48,139,943</u> |
| OPERATING EXPENSES | | |
| Operation and maintenance | 19,609,119 | 17,606,116 |
| Depreciation | 10,813,385 | 8,462,252 |
| Total Operating Expenses | <u>30,422,504</u> | <u>26,068,368</u> |
| Operating Income | <u>27,373,913</u> | <u>22,071,575</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Merchandising and jobbing | (81,292) | (62,804) |
| Bond issuance costs | (18,000) | (25,863) |
| Investment income | 2,432,543 | (289,082) |
| Interest and amortization expense | (5,033,446) | (5,848,579) |
| Gain on sale of property | 758,696 | - |
| Other | (150,691) | - |
| Total Nonoperating Revenues (Expenses) | <u>(2,092,190)</u> | <u>(6,226,328)</u> |
| Income before Capital Contributions and Transfers | 25,281,723 | 15,845,247 |
| CAPITAL CONTRIBUTIONS | 4,390,162 | 4,117,037 |
| TRANSFERS IN / (OUT) | 298,247 | 143,183 |
| TRANSFERS - TAX EQUIVALENT | (6,639,371) | (6,849,831) |
| CAPITALIZED TAX EQUIVALENT | 34,418 | 4,394 |
| Change in Net Position | 23,365,179 | 13,260,030 |
| NET POSITION - Beginning of Year | <u>167,774,530</u> | <u>154,514,500</u> |
| NET POSITION - END OF YEAR | <u>\$ 191,139,709</u> | <u>\$ 167,774,530</u> |

MADISON WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Received from customers | \$ 57,821,916 | \$ 48,408,513 |
| Paid to suppliers for goods and services | (9,790,764) | (10,457,436) |
| Paid to employees for services | (8,219,162) | (7,871,038) |
| Net Cash Flows from Operating Activities | <u>39,811,990</u> | <u>30,080,039</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers - paid to municipality for tax equivalent | (6,604,953) | (6,845,437) |
| Principal paid on operating loan | (1,005,000) | (975,000) |
| Interest paid on operating loan | (204,301) | (234,999) |
| Repayment of advances from other funds | (153,138) | (142,101) |
| Interest paid on advances and loans from other funds | (1,189) | (1,522) |
| Transfers from (to) other funds | 298,247 | 143,183 |
| Net Cash Flows from Noncapital Financing Activities | <u>(7,670,334)</u> | <u>(8,055,876)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (7,458,001) | (3,504,354) |
| Special assessments received | 362,420 | 307,605 |
| Contributions in aid of construction (advances refunded) | (34,844) | 32,216 |
| Debt issued - new revenue bonds | 4,675,000 | - |
| Debt issued - refunded bonds | - | 22,035,000 |
| Premium on debt issued | - | 2,320,506 |
| Debt issuance costs | (18,000) | (25,863) |
| Net interest on leases | (9,218) | (9,383) |
| Net interest on SBITA | (65,980) | - |
| Debt retired | (15,935,000) | (39,955,000) |
| Interest paid | (6,071,777) | (7,095,395) |
| Net Cash Flows from Capital and Related Financing Activities | <u>(24,555,400)</u> | <u>(25,894,668)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Marketable securities sold | 2,618,541 | 1,195,019 |
| Investment income | 2,366,191 | (355,085) |
| Net Cash Flows from Investing Activities | <u>4,984,732</u> | <u>839,934</u> |
| Net Change in Cash and Cash Equivalents | 12,570,988 | (3,030,571) |
| CASH AND CASH EQUIVALENTS – Beginning of Year | <u>39,080,403</u> | <u>42,110,974</u> |
| CASH AND CASH EQUIVALENTS – END OF YEAR | <u>\$ 51,651,391</u> | <u>\$ 39,080,403</u> |

| | 2023 | 2022 |
|--|----------------------|----------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income | \$ 27,373,913 | \$ 22,071,575 |
| Nonoperating income | (231,982) | (62,804) |
| Noncash items included in operating income | | |
| Depreciation | 10,813,385 | 8,462,252 |
| Depreciation charged to other accounts | 1,095,073 | 1,067,745 |
| Changes in Assets and Liabilities | | |
| Customer accounts receivable | 107,809 | (1,027,384) |
| Receivable from other funds | 84,778 | 104,666 |
| Materials and supplies | (252) | (503,436) |
| Other current assets | (308,637) | 81,012 |
| Accounts payable and other current liabilities | 5,254 | 360,362 |
| Other postemployment benefit deferrals and liabilities | (39,601) | 174,346 |
| Pension related deferrals and liabilities | 777,715 | (750,367) |
| Accrued compensated absences | 134,535 | 102,072 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 39,811,990 | \$ 30,080,039 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS | | |
| Cash and investments | \$ 29,457,401 | \$ 17,537,363 |
| Redemption account | 13,191,166 | 13,164,827 |
| Reserve account | 12,190,068 | 12,631,436 |
| Depreciation account | 750,000 | 750,000 |
| Assessment account | 1,858,134 | 1,504,541 |
| Construction account | 2,548,254 | 6,420,832 |
| Expense Depreciation account | 1,966,423 | - |
| Total Cash and Investments | 61,961,446 | 52,008,999 |
| Less: Noncash equivalents | (10,310,055) | (12,928,596) |
| CASH AND CASH EQUIVALENTS | \$ 51,651,391 | \$ 39,080,403 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Municipality, customer and developer financed additions to utility plant | \$ 4,390,162 | \$ 4,102,906 |
| Gain on sale of property | \$ 758,696 | \$ - |
| Capital additions assessed to customers | \$ (149,855) | \$ (1,319,173) |
| Adjustments to special assessments | \$ 211,624 | \$ 66,094 |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Madison Water Utility (Utility) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the Utility are described below.

REPORTING ENTITY

The Utility is a separate enterprise fund of the City of Madison (municipality). The Utility provides retail water service to customers in the municipality, portions of the Town of Burke, wholesale water service to the Villages of Maple Bluff and Shorewood Hills, and portions of Fitchburg Utility District No. 1.

The Utility charges rates and operates under rules authorized by the Public Service Commission of Wisconsin (PSCW). Accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW.

The Utility is managed by an eight member Water Utility Board comprised of two Madison Common Council members (each serving a two year term), five citizen members, and the Director, Public Health Madison and Dane County (ex-officio), each serving a five year term.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The Utility is presented as an enterprise fund of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, which is effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet the definition. This Statement defines a SBITA; establishes that a SBITA results in a tangible right-to-use subscription asset and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases. This Statement was implemented for fiscal year end December 31, 2023.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (cont.)

Actual results could differ from those estimates.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Investment of Utility funds is restricted by state statutes. Investments are limited to:

- Time deposits in any credit union, bank, savings bank or trust company.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

The Utility, as part of the municipality, has adopted an investment policy. The policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year-end.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Receivables/Payables

Transactions between the Utility and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year-end are referred to as advances to/from other funds. All other outstanding balances between the Utility and other funds of the municipality are reported as due to/from other funds.

The Utility has the right under Wisconsin statutes to place delinquent water bills on the tax roll for collection. As such, no allowance for uncollectible customer Utility service billings is considered necessary.

Prepaid Expenses

Prepaid expenses include the cost of insurance and other expenses paid in the current year and attributable to future periods.

Materials and Supplies

Materials and supplies inventories are generally used for construction, operation and maintenance work, not for resale. They are valued at average cost and charged to construction and expense when used.

Other Current Assets

The balance represents amounts due from other municipalities and miscellaneous receivables.

The Utility adopted the city's collection policy in 2019. All receivables greater than 90 days are evaluated and written off if deemed uncollectable. The allowance balance was \$-0- in 2023 and 2022.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Special Assessments Receivable

The municipality and Utility assess the cost of system improvements and extensions to benefited properties. This account represents the long-term portion of special assessments to be collected over various periods of time. Interest is charged on the unpaid balance at various rates.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Preliminary Survey and Investigation

The balance represents initial project engineering costs related to Utility plant construction or costs incurred for the assessment of future capital facilities. The balance will be transferred as a capital asset or expense upon commencement of the project.

Property Held for Future Use

These amounts represent land, tower and well sites which are owned by the Utility but not currently used during the course of operation.

Nonutility Property

This balance includes sewer meters which are being amortized over an average period of 20 years as well as certain parcels of land related to abandoned facilities or held for future sale.

Capital Assets

Capital assets are defined by the Utility as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets of the Utility are recorded at cost or estimated acquisition cost at the time of contribution to the Utility. Capital assets in service are depreciated using the straight-line method over the following useful lives:

| | <u>Years</u> |
|-------------------------------|--------------|
| Plant in Service | |
| Source of supply | 22–58 |
| Pumping | 23–31 |
| Water treatment | 17–31 |
| Transmission and distribution | 18–77 |
| General | 4–34 |

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Other Current Liabilities

The balance represents amounts payable relating to accrued wages, comp time, vacation time, sick time, payroll taxes and other benefits payable and accrued interest not payable from restricted assets.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Accrued Sick Leave and Vacation Leave

Utility employees with a sick leave value greater than \$2,000 are allowed to convert, at retirement, their accumulated days to a sick leave escrow account maintained in the municipality's trust and agency fund. Utility employees that have a sick leave value equal to or less than \$2,000, at retirement, will receive the value of their sick leave on their last paycheck. No payment is made if the employee resigns or is terminated. The balance on the financial statements is based on the probability employees will be employed by the Utility at the time of retirement. The liability is liquidated from general operating revenues of the Utility.

After the satisfactory employee completion of a probationary period, vacation leave is accrued on the basis of continuous service, including periods of paid absent time. The vacation leave is granted at a rate dependent on the employee's length of service.

Customer Advances for Construction

The balance represents customer advances for construction and meters which may be refundable in part or in whole pursuant to rules prescribed and on file with the PSCW.

Long-Term Obligations

Long-term debt and other obligations are reported as Utility liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Gains or losses on refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statements of net position. The balance at year-end for the loss on refunding is shown as a deferred outflow in the statements of net position and gains on refunding are presented as a deferred inflow of resources.

Leases

Leases are defined as a contract that conveys control of the right to use another entity's underlying asset for a specified period. The Utility is a lessee and lessor for various noncancellable leases.

The Utility is a lessor because it leases the right-to-use our water towers to cell companies. As a lessor, the Utility reports a lease receivable and a corresponding deferred inflow of resources in the financial statements. The Utility continues to report and depreciate the capital assets being leased as capital assets.

The Utility is a lessee because it leases an easement to use land. As a lessee, the Utility reports a lease liability and an intangible right-to-use leased asset.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Leases (cont.)

Measurement of Lease Amounts (Lessee)

The Utility's lease liability is recorded at the present value of future minimum lease payments as of the date of inception. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the Utility is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts (Lessor)

The Utility's lease receivable is measured at the present value of payments expected to be received during the lease term, reduced by any provision of estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments collected. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term, plus lease payments received from the lease at or before the commencement of the lease term that related to future periods. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

Key Estimates and Judgments

Key estimates and judgments include how the Utility determines (a) the discount rate it used to calculate the present value of the expected lease payments, (b) lease terms, and (c) lease payments

- The Utility uses the interest rate in the lease, if one is included, otherwise it uses the City's incremental borrowing rate for general obligation bonds for the current year for the discount rate.
- The lease term includes any noncancellable period of the lease.
- Lease payments are evaluated by the Utility to determine if they should be included in the measurement of the lease receivable or lease liabilities.

Remeasurement of Lease

The Utility monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Subscription-Based Information Technology Arrangements

SBITA arrangements are defined as a contract that conveys control of the right to use another entity's underlying information technology software alone or in combination with tangible capital assets for a specified period.

Measurement of SBITAs

The Utility's subscription liability is measured at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The Utility's subscription asset is initially measured at the initial amount of the subscription liability, adjusted for subscriptions payments made at or before the subscription commencement date, plus capitalizable initial implementation costs. Subsequently, the Utility's subscription asset is amortized on a straight-line basis over its useful life which matches the term of the subscription. Key estimates and judgements related to SBITAs are the same as those for leases.

Key Estimates and Judgments

The Utility recognizes subscription-based information technology arrangements (SBITAs) greater than one year, and with a present value of the minimum payments greater than \$10,000. SBITAs are recorded as a liability and an intangible right-to-use asset in the statement of net position.

Remeasurement of SBITAs

The Utility monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets and subscription liabilities are reported with current and long-term liabilities on the statement of net position.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined on the same basis as they are reported by the municipality's OPEB Plan. For this purpose, the municipality OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUES AND EXPENSES

The Utility distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Utility's principal ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

Utility billings are rendered and recorded based on actual service provided. The Utility does not accrue revenues beyond billing dates.

Capital Contributions

Cash and capital assets are contributed to the Utility from customers, the municipality, or external parties. The value of property contributed to the Utility is reported as revenue on the statements of revenues, expenses, and changes in net position.

Transfers – Tax Equivalent

The Utility records an annual payment in lieu of taxes (PILOT) expense based on the value of its capital assets times the current assessment ratio and local and school portions of the mill rate.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 99 *Omnibus 2022*, GASB Statement No. 100, *Accounting Changes and Error Corrections* – an Amendment of GASB Statement No. 62, GASB Statement No. 101, *Compensated Absences* and *GASB Statement No. 102, Certain Risk Disclosures*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 2 – DEPOSITS AND INVESTMENTS

| | Carrying Value as of December 31, | | Associated Risks |
|--|--------------------------------------|----------------------|---|
| | 2023 | 2022 | |
| Other Investment Pool | \$ 47,271,189 | \$ 38,017,488 | (A) |
| Money Market Mutual Funds | 4,359,102 | 1,041,815 | Custodial credit, interest rate |
| U.S. Agencies – implicitly guaranteed | 10,215,930 | 12,703,290 | Custodial credit, credit, concentration and interest rate risks |
| State and Local Bonds | 94,125 | 225,306 | Custodial credit, credit, concentration and interest rate risks |
| Working Funds – Petty Cash | 21,100 | 21,100 | None |
| Totals | <u>\$ 61,961,446</u> | <u>\$ 52,008,999</u> | |

(A) – The other investment pool is commingled with the municipality; therefore, the risk pertaining specifically to the Utility cannot be determined individually. Please refer to the municipality's financial statements.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

\$500,000 of the utilities' investments have coverage from the Securities Investor Protection Corporation (SIPC).

The Utility may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the SDGF apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the Utility alone. Therefore, coverage for the Utility may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

FAIR VALUE

The Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2023 and 2022, the Utility had investments in US Agency and State and Local Bond Securities of \$10,310,055 and \$12,928,596, respectively. These investments were valued using Level 2 input. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., "market-corroborated" inputs. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Market-corroborated inputs

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

FAIR VALUE (cont.)

In addition to US Agency, State and Local Bond Securities and Money Market Mutual Funds, the Utility maintains certain investments commingled with the municipality. The fair value hierarchy pertaining specifically to the Utility's resources cannot be determined for those accounts. Please refer to the municipality's financial statements for information on the fair value measurements.

CUSTODIAL CREDIT RISK

Deposits

Custodial credit risk is the risk that in an event of a financial institution failure, the Utility's deposits may not be returned to the Utility.

The Utility maintains certain deposits at the same institutions as the municipality. The custodial credit risk pertaining specifically to the Utility's resources at these institutions cannot be determined individually for those accounts. The following is a summary of the Utility's total deposit balances at these institutions on December 31:

| | 2023 | | 2022 | |
|---------|-----------------|-------------------|-----------------|-------------------|
| | Bank Balance | Carrying Value | Bank Balance | Carrying Value |
| US Bank | \$ 4,359,102 | \$ 4,359,102 | \$ 1,041,815 | \$ 1,041,815 |

The municipality's investment policy addresses this risk by requiring security for all cash and investments maintained in any financial institution designated as a depository. The municipality exercises this authority under Sec. 34.07 of the Wisconsin Statutes which states that security may be required of any public depository for any public deposits that exceed the amount of deposit insurance provided by an agency of the United States or by the Wisconsin public deposit guarantee program. The Utility is covered under the municipality's collateral agreements.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Utility's investments included \$10,310,055 and \$12,928,596 of U.S. Agencies and State and Local Bond securities which were exposed to custodial credit risk as of December 31, 2023 and 2022, respectively, because the investments were neither insured nor registered and are held by counterparty.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK (cont.)

Investments (cont.)

The municipality's investment policy addresses this risk by requiring funds in excess of insured or guaranteed limits to be secured by some form of collateral. The municipality will accept for collateral any of the following assets: obligations of the United States government or an agency or instrumentality of the United States government; obligations of the State of Wisconsin; investment grade obligations of Wisconsin local jurisdictions; obligations of the City of Madison. The fair market value of all collateral pledged will be not less than 110% of the amount of public funds to be secured at each institution. The ratio of fair market value of collateral to the amount of funds secured will be reviewed regularly and additional collateral will be requested when this ratio declines below the level required. Pledged collateral will be held in safekeeping by a third party. All collateral agreements will be written so as to preclude release of the assets without an authorized signature from the municipality. The municipality will allow for even exchange of collateral.

INTEREST RATE RISK, CREDIT RISK AND CONCENTRATION RISK

Interest rate risk is the risk changes in interest rates will adversely affect the fair market value of an investment. All U.S. Agency, State and Local Bond securities and Money Market Mutual Funds mature within six years.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2023 and 2022, all of the U.S. Agency investments were rated Aaa by Moody's Investors Service. All of the State and Local Bond investments were rated Aaa or Aa1 by Moody's Investors Service or AA+ by S&P.

Concentration risk is the risk of loss attributable to the magnitude of a government's investments in a single issuer. As of December 31, 2023, the Utility had 12% of its portfolio in Federal Farm Credit Bank system securities, 11% of its portfolio in Federal Home Loan Bank system securities and 9% of its portfolio in Federal National Mortgage Association ("Fannie Mae") system securities. As of December 31, 2022, the Utility had 19% of its portfolio in Federal Farm Credit Bank system securities, 10% of its portfolio in Federal Home Loan Bank system securities and 8% of its portfolio in Federal National Mortgage Association ("Fannie Mae") system securities.

The investment policy addresses these risks by permitting investments which mature to meet cash requirements, following state statutes as to allowable investments and limiting certificates with any one institution to 25% of the overall portfolio.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances as of December 31, 2023 and 2022:

| Due To | Due From | 2023 | | 2022 | |
|--------|--------------|------------|--|------------|--|
| | | Amount | Principal Purpose | Amount | Principal Purpose |
| Water | Municipality | \$ 854,545 | Delinquent water bills and special assessments on tax roll | \$ 939,323 | Delinquent water bills and special assessments on tax roll |

The following is a schedule of transfer balances as of December 31, 2023 and 2022:

| To | From | 2023 | | 2022 | |
|--------------|-------|--------------|--------------------|--------------|--------------------|
| | | Amount | Principal Purpose | Amount | Principal Purpose |
| Municipality | Water | \$ 6,639,371 | Tax equivalent | \$ 6,849,831 | Tax equivalent |
| Water | Sewer | 298,247 | Operating expenses | 143,183 | Operating expenses |

NOTE 4 – RESTRICTED ASSETS

RESTRICTED ACCOUNTS

Certain proceeds of the Utility's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants. The following accounts are reported as restricted assets:

- Principal and interest – Used solely for the purpose of paying principal and interest on the bonds or parity bonds.
- Reserve – Used solely for the purpose of paying principal and interest on the bonds or parity bonds whenever the balance in the principal and interest account is insufficient for that purpose.
- Assessment fund – Used for the purpose of paying construction costs for projects special assessed to customers.
- Depreciation – Used for the payment of principal and interest on the bonds and parity bonds whenever the balance in the principal and interest account is insufficient for that purpose, to remedy any deficiency in the principal and interest account, or to make extraordinary repairs or improvements to the Utility.
- Construction – Used to report bond proceeds restricted for use in construction.
- Pension – Used to report value of future benefits owed to employees for retirement benefits
- Expense Depreciation – Used to fund water main replacement in construction.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 4 – RESTRICTED ASSETS (cont.)

RESTRICTED ACCOUNTS (cont.)

The following calculation supports the amount of restricted net position:

| | December 31, | |
|---|---------------|---------------|
| | 2023 | 2022 |
| Restricted Assets | | |
| Current restricted assets | | |
| Principal and interest | \$ 13,191,166 | \$ 13,164,827 |
| Noncurrent Restricted Assets | | |
| Reserve – See Note (A) | 12,190,068 | 12,631,436 |
| Construction | 2,548,254 | 6,420,832 |
| Assessment fund | 1,858,134 | 1,504,541 |
| Depreciation | 750,000 | 750,000 |
| Net pension asset | - | 4,074,884 |
| Expense Depreciation | 1,966,423 | - |
| Total Noncurrent Restricted Assets | 19,312,879 | 25,381,693 |
| Total Restricted Assets | 32,504,045 | 38,546,520 |
| Less: Restricted Assets not Funded by Revenues | | |
| Reserve – See Note (A) | (9,640,618) | (10,203,426) |
| Construction | (2,548,254) | (6,420,832) |
| Current Liabilities Payable from Restricted Assets | (2,374,736) | (2,589,827) |
| Total Restricted Net Position | \$ 17,940,437 | \$ 19,332,435 |
| The purpose of the restricted net position is as follows: | | |
| Debt service | \$ 13,365,880 | \$ 13,003,010 |
| Capital repairs and replacement | 4,574,557 | 2,254,541 |
| Pension | - | 4,074,884 |
| Total | \$ 17,940,437 | \$ 19,332,435 |

Note (A) – The Reserve Fund consists of both proceeds received from prior bond issuances earmarked for the Reserve Fund and funds contributed by the Utility. Only those proceeds contributed specifically from bond proceeds are classified as restricted assets in the Reserve Fund.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2023 follows:

| | 1/1/23 Balance | Increases | Decreases | 12/31/23 Balance |
|---------------------------------------|-------------------|--------------|-----------|---------------------|
| Capital assets, not being depreciated | | | | |
| Land and land rights | \$ 3,144,738 | \$ 936 | \$ 16,034 | \$ 3,129,640 |
| Capital assets being depreciated | | | | |
| Source of supply | 14,386,109 | 284,214 | 140,094 | 14,530,229 |
| Pumping | 25,351,084 | 849,913 | 113,739 | 26,087,258 |
| Water treatment | 5,792,110 | 58,688 | 33,775 | 5,817,023 |
| Transmission and distribution | 334,387,098 | 9,477,758 | 719,273 | 343,145,583 |
| General | 40,039,553 | 724,030 | 423,240 | 40,340,343 |
| Total Capital Assets | | | | |
| Being Depreciated | 419,955,954 | 11,394,603 | 1,430,121 | 429,920,436 |
| Total Capital Assets | 423,100,692 | 11,395,539 | 1,446,155 | 433,050,076 |
| Less: Accumulated Depreciation | | | | |
| Source of supply | (7,314,142) | (470,326) | 6,094 | (7,778,374) |
| Pumping | (11,680,855) | (968,532) | 123,690 | (12,525,697) |
| Water treatment | (1,782,584) | (210,817) | 35,981 | (1,957,420) |
| Transmission and distribution | (82,979,208) | (8,702,271) | 759,396 | (90,922,083) |
| General | (17,371,260) | (1,800,919) | 423,482 | (18,748,697) |
| Total Accumulated Depreciation | (121,128,049) | (12,152,865) | 1,348,643 | (131,932,271) |
| Construction in progress | 1,953,288 | 8,624,694 | 6,621,002 | 3,956,980 |
| Net Capital Assets | \$ 303,925,931 | | | \$ 305,074,785 |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)

A summary of changes in capital assets for 2022 follows:

| | 1/1/22 Balance | Increases | Decreases | 12/31/22 Balance |
|---------------------------------------|-------------------|-------------|-----------|---------------------|
| Capital assets, not being depreciated | | | | |
| Land and land rights | \$ 3,119,262 | \$ 25,476 | \$ - | \$ 3,144,738 |
| Capital assets being depreciated | | | | |
| Source of supply | 14,415,649 | - | 29,540 | 14,386,109 |
| Pumping | 25,191,446 | 437,657 | 278,019 | 25,351,084 |
| Water treatment | 5,784,808 | 35,685 | 28,383 | 5,792,110 |
| Transmission and distribution | 330,834,246 | 3,887,070 | 334,218 | 334,387,098 |
| General | 39,996,193 | 202,469 | 159,109 | 40,039,553 |
| Total Capital Assets | | | | |
| Being Depreciated | 416,222,342 | 4,562,881 | 829,269 | 419,955,954 |
| Total Capital Assets | 419,341,604 | 4,588,357 | 829,269 | 423,100,692 |
| Less: Accumulated Depreciation | | | | |
| Source of supply | (6,964,131) | (378,264) | 28,252 | (7,314,142) |
| Pumping | (11,015,832) | (958,565) | 293,542 | (11,680,855) |
| Water treatment | (1,601,403) | (209,850) | 28,669 | (1,782,584) |
| Transmission and distribution | (76,913,855) | (6,414,760) | 349,407 | (82,979,208) |
| General | (15,851,760) | (1,679,160) | 159,660 | (17,371,260) |
| Total Accumulated Depreciation | (112,346,981) | (9,640,599) | 859,530 | (121,128,049) |
| Construction in progress | 236,689 | 3,466,318 | 1,749,719 | 1,953,288 |
| Net Capital Assets | \$ 307,231,312 | | | \$ 303,925,931 |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM OBLIGATIONS

REVENUE BONDS

| Date | Purpose | Final Maturity | Interest Rates | Original Amount | 12/31/2023 Amount Outstanding |
|----------|---|----------------|----------------|-----------------------|-------------------------------|
| 12/17/15 | System improvements | 1/1/36 | 2.85-5.00% | \$ 41,610,000 | \$ 30,120,000 |
| 12/28/16 | Refunding debt and system improvements | 1/1/37 | 1.24-3.82 | 38,420,000 | 26,140,000 |
| 12/20/18 | Series A – System Improvements | 1/1/39 | 4.00 | 30,765,000 | 26,405,000 |
| 12/20/18 | Series B - Operations | 1/1/28 | 3.00-3.55 | 9,390,000 | 5,550,000 |
| 12/19/19 | Series A - Refunding 2009A and 2010 bonds | 1/1/31 | 2.00-5.00 | 33,680,000 | 26,895,000 |
| 12/19/19 | Series B – Refunding 2011 bonds | 1/1/32 | 1.70-2.65 | 13,055,000 | 10,140,000 |
| 12/19/19 | Bond anticipation notes – system improvements | 11/1/24 | 1.50 | 20,000,000 | 15,325,000 |
| 10/11/23 | Safe Drinking Water Revenue Bond | 5/1/43 | 2.15 | 4,675,000 | 4,675,000 |
| | Totals | | | <u>\$ 191,595,000</u> | <u>\$ 145,250,000</u> |

Revenue bond debt service requirements to maturity follows:

| Year Ending December 31: | Principal | Interest | Total |
|--------------------------|-----------------------|----------------------|-----------------------|
| 2024 | \$ 26,349,645 | \$ 4,927,339 | \$ 31,276,984 |
| 2025 | 11,243,713 | 4,183,594 | 15,427,307 |
| 2026 | 11,682,868 | 3,697,938 | 15,380,806 |
| 2027 | 11,692,112 | 3,221,743 | 14,913,855 |
| 2028 | 12,191,448 | 2,736,427 | 14,927,875 |
| 2029-2033 | 42,960,594 | 8,336,084 | 51,296,678 |
| 2034-2038 | 25,588,807 | 2,584,671 | 28,173,478 |
| 2039-2043 | 3,540,813 | 117,812 | 3,658,625 |
| Total | <u>\$ 145,250,000</u> | <u>\$ 29,805,608</u> | <u>\$ 175,055,608</u> |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

GENERAL OBLIGATION BONDS

| Date | Purpose | Final Maturity | Interest Rate | Original Amount | Outstanding Amount 12/31/23 |
|------------|---------------------------------|----------------|---------------|-----------------|-----------------------------|
| 10/06/2022 | Refunding – System Improvements | 10/01/2033 | 4.00-5.00% | \$ 22,035,000 | \$ 20,345,000 |

General obligation bond debt service requirements to maturity follows:

| Year Ending December 31: | Principal | Interest | Total |
|--------------------------|---------------|--------------|---------------|
| 2024 | \$ 1,730,000 | \$ 977,700 | \$ 2,707,700 |
| 2025 | 1,805,000 | 891,200 | 2,696,200 |
| 2026 | 1,895,000 | 800,950 | 2,695,950 |
| 2027 | 1,985,000 | 706,200 | 2,691,200 |
| 2028 | 2,080,000 | 606,950 | 2,686,950 |
| 2029-2033 | 10,850,000 | 1,390,650 | 12,240,650 |
| Total | \$ 20,345,000 | \$ 5,373,650 | \$ 25,718,650 |

The bonds are secured by a pledge of the redemption fund, net Utility revenues and a mortgage lien on Utility plant. Principal and interest paid for 2023 and 2022 were \$15,817,486 and \$18,358,129, respectively. Total customer net revenues as defined for 2023 and 2022 were \$40,619,841 and \$30,244,745, respectively. Annual principal and interest payments are expected to require 22% of net revenues.

REVENUE BOND ANTICIPATION NOTES (BANS)

Included in long-term debt is \$20,000,000 of revenue bond anticipation notes maturing November 1, 2024. The proceeds from the BANS provide funding for certain capital and system improvements for fiscal years 2019 through 2023. The Notes bear interest payable on May 1 and November 1 of each year, commencing May 1, 2020 with the full principal payment due on November 1, 2024 if not refinanced at an earlier date. The BANS are subordinate debt to all outstanding senior revenue debt and include similar bond covenants to the senior bonds. The Utility anticipates repaying a portion of the BANS from reserves and refinancing the remaining BANS with permanent financing over the course of the five-year life of the debt with the earliest available redemption date of November 1, 2020. Permanent financing will depend on the availability of funds within eligible State of Wisconsin Revolving Loan programs or traditional revenue bond financings.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

ADVANCE FROM MUNICIPALITY

| Date | Purpose | Final Maturity | Interest Rate | Original Amount | 12/31/23 Amount Outstanding |
|---------|-----------------------------------|----------------|---------------|-----------------|-----------------------------|
| 10/3/10 | Payoff unfunded pension liability | 10/1/24 | 0.34% | \$ 1,404,052 | \$ 161,533 |

Advance debt service requirements to maturity follows:

| Year | Principal | Interest | Total |
|--------|------------|----------|------------|
| 2024 | \$ 161,533 | \$ 760 | \$ 162,293 |
| Totals | \$ 161,533 | \$ 760 | \$ 162,293 |

OTHER CONTRACT LIABILITY

The Utility has entered into a long-term easement for land. The terms and conditions for this obligation correlate to the water tower lease agreements for Northport Dr water tower, expiring May 31, 2037 and February 28, 2038.

| Date | Purpose | Final Maturity | Interest Rate | Original Amount | Outstanding Amount 12/31/23 |
|----------|-------------|---------------------|---------------|-----------------|-----------------------------|
| 1/1/2021 | Use of land | 5/31/2037-2/28/2037 | 0.935864% | \$ 1,123,944 | \$ 978,719 |

Future annual contract payments for the year ended December 31, 2023 follows:

| Year Ending December 31: | Principal | Interest | Total |
|--------------------------|------------|-----------|--------------|
| 2024 | \$ 50,244 | \$ 8,754 | \$ 58,998 |
| 2025 | 53,094 | 8,264 | 61,358 |
| 2026 | 56,066 | 7,747 | 63,813 |
| 2027 | 59,165 | 7,200 | 66,365 |
| 2028 | 62,395 | 6,624 | 69,019 |
| 2029-2033 | 365,443 | 23,342 | 388,785 |
| 2034-2037 | 332,312 | 4,932 | 337,244 |
| Total | \$ 978,719 | \$ 66,863 | \$ 1,045,582 |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

The Utility has also recorded a right to use asset to be recognized consistent with the revenues on the corresponding leases.

SBITA LIABILITY

The Utility, as a lessee, has entered into multiple SBITAs. As of December 31, 2023 the SBITA obligation was \$91,789. The SBITAs have interest rates between 2.81% and 3.57% and have an estimated life of 3 to 6 years. The Utility made \$60,032 of principal and \$3,314 of interest payments related to these SBITAs for the fiscal year ended December 31, 2023.

| Date | Purpose | Final Maturity | Interest Rate | Original Amount | Outstanding Amount 12/31/23 |
|--------------------|-------------------|--------------------|---------------|-----------------|-----------------------------|
| 8/1/2020-7/28/2023 | SBITA Obligations | 7/31/2025-1/6/2028 | 2.81-3.57% | \$ 213,513 | \$ 91,789 |

The Utility's total SBITA payments are as follows:

| Year Ending December 31: | Principal Amount | Interest Amount | Total |
|---|------------------|-----------------|-----------|
| 2024 | \$ 65,743 | \$ 1,703 | \$ 67,446 |
| 2025 | 10,510 | 473 | 40,983 |
| 2026 | 8,585 | 193 | 8,778 |
| 2027 | 6,951 | - | 6,951 |
| | 91,789 | 2,369 | 94,158 |
| Less current portion | (65,743) | (1,703) | (67,446) |
| Long-term portion as of December 31, 2023 | \$ 26,046 | \$ 666 | \$ 26,712 |

LONG-TERM OBLIGATIONS SUMMARY

Long-term obligation activity for the year ended December 31, 2023, is as follows:

| | 1/1/23 Balance | Additions | Reductions | 12/31/23 Balance | Due Within One Year |
|------------------------------------|----------------|--------------|---------------|------------------|---------------------|
| Revenue bonds | \$ 155,825,000 | \$ 4,675,000 | \$ 15,250,000 | \$ 145,250,000 | \$ 26,349,645 |
| General obligation bonds | 22,035,000 | - | 1,690,000 | 20,345,000 | 1,730,000 |
| Accrued sick leave | 2,044,005 | 310,181 | 175,646 | 2,178,540 | - |
| Customer advances for construction | 148,592 | 511,893 | 546,736 | 113,749 | - |
| Advance from municipality | 314,671 | - | 153,138 | 161,533 | 161,533 |
| Other Contract Liability | 1,026,230 | - | 47,511 | 978,719 | 50,244 |
| SBITA Liability | - | 154,151 | 60,032 | 94,119 | 65,743 |
| Unamortized debt premium | 10,793,478 | - | 1,103,116 | 9,690,362 | - |
| Totals | \$ 172,355,476 | \$ 5,651,225 | \$ 19,026,179 | \$ 178,812,022 | \$ 28,357,165 |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

LONG-TERM OBLIGATIONS SUMMARY (cont.)

Long-term obligation activity for the year ended December 31, 2022, is as follows:

| | 1/1/22 Balance | Additions | Reductions | 12/31/22 Balance | Due Within One Year |
|---|-------------------|---------------|---------------|---------------------|------------------------|
| Revenue bonds | \$ 196,755,000 | \$ - | \$ 40,930,000 | \$ 155,825,000 | \$ 10,575,000 |
| General obligation bonds | - | 22,035,000 | - | 22,035,000 | 1,690,000 |
| Accrued sick leave | 1,941,933 | 293,317 | 191,245 | 2,044,005 | - |
| Other postemployment benefit obligation | 3,015,304 | - | 482,354 | 2,532,950 | - |
| Customer advances for construction | 130,508 | 531,863 | 513,779 | 148,592 | - |
| Advance from municipality | 456,772 | - | 142,101 | 314,671 | 153,138 |
| Other Contract Liability | 1,071,121 | - | 44,891 | 1,026,230 | 47,511 |
| Unamortized debt premium | 11,041,320 | 2,320,506 | 2,568,348 | 10,793,478 | - |
| Totals | \$ 214,411,958 | \$ 25,180,686 | \$ 44,872,718 | \$ 194,719,926 | \$ 12,465,649 |

CURRENT REFUNDING

On October 11, 2023, the Utility obtained a Safe Drinking Water Loan from the Wisconsin Department of Natural Resources in the amount of \$4,675,000 with an average interest rate of 2.15% utilized to redeem a partial bond anticipation note in the amount of \$20,000,000 due to mature on November 1, 2024. The new bond anticipation note principal amount as of October 13, 2023 is now \$15,325,000.

On October 6, 2022, general obligation bonds in the amount of \$22,035,000 were issued with an average interest rate of 4.70% to refund \$12,880,000 of outstanding Series 2012 bonds with an average interest rate of 3.21% and \$16,525,000 of outstanding Series 2013 bonds with an average interest rate of 4.19%. The net proceeds were used to purchase U.S. government securities and pay issuance costs of the transaction. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, that portion of the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position. The 2013 bonds were called on January 3, 2023.

The cash flow requirements on the old bonds prior to the current refunding was \$35,979,375 from 2023 to 2034. The cash flow requirements on the new bonds are \$28,453,323 from 2023 through 2034. The current refunding resulted in an economic gain of \$1,013,348.

COMPLIANCE WITH FUNDING REQUIREMENTS

The Utility is required to comply with various debt covenants as a result of issuing revenue bonds. One such requirement states that net revenues earned must be at least 1.25 times the highest combined annual principal and interest requirements on outstanding revenue bonds. The Utility met this requirement in 2023 and 2022.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

NUMBER OF CUSTOMERS

At December 31, 2023 and 2022, the Utility served the following number of customers:

| | <u>2023</u> | <u>2022</u> |
|------------------|----------------------|----------------------|
| Residential | 59,273 | 58,656 |
| Multifamily | 4,908 | 4,725 |
| Duplex | 2,173 | 2,177 |
| Commercial | 5,558 | 5,063 |
| Industrial | 94 | 76 |
| Public Authority | <u>857</u> | <u>675</u> |
| Totals | <u><u>72,863</u></u> | <u><u>71,372</u></u> |

WATER PUMPED AND BILLED

During the years ended December 31, 2023 and 2022, the following amounts of water were pumped and billed:

| | <u>(000 gallons)</u> | <u>(000 gallons)</u> |
|--------------|-------------------------|-------------------------|
| | <u>2023</u> | <u>2022</u> |
| Water pumped | <u><u>9,272,248</u></u> | <u><u>9,021,090</u></u> |
| Water billed | <u><u>8,262,477</u></u> | <u><u>7,832,404</u></u> |

RISK MANAGEMENT

The Utility is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

NOTE 7 – NET POSITION

GASB No. 34 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets; rather, that portion of the debt is included in the same net position component as the unspent proceeds.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 7 – NET POSITION (cont.)

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – The component of net position consisting of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Utility's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the net investment in capital assets:

| | December 31, | |
|--|----------------|----------------|
| | 2023 | 2022 |
| Plant in Service | \$ 433,050,076 | \$ 423,100,692 |
| Accumulated Depreciation | (131,932,271) | (121,128,049) |
| Construction in Progress | 3,956,980 | 1,953,288 |
| Subtotal | 305,074,785 | 303,925,931 |
| Less: Capital Related Debt | | |
| Current portion of capital related long-term debt – see Note (A) | 27,039,645 | 11,260,000 |
| Current portion of lease liability | 50,244 | 47,511 |
| Current portion of SBITA liability | 65,743 | - |
| Lease liability (net of current portion) | 928,475 | 978,719 |
| SBITA liability (net of current portion) | 26,046 | - |
| Long-term portion of capital related long-term debt – see Note (A) | 133,005,354 | 160,045,000 |
| Unamortized debt premium | 9,690,362 | 10,793,478 |
| Unamortized gain on advance refunding | 1,398,290 | 1,543,850 |
| Unamortized loss on advance refunding | (420,889) | (499,009) |
| Subtotal | 171,783,270 | 184,169,549 |
| Add: Borrowed Funds on Hand | | |
| Reserve funds | 9,640,618 | 10,203,426 |
| Construction fund | 2,548,254 | 6,420,832 |
| Subtotal | 12,188,872 | 16,624,258 |
| Total net investment in capital assets | \$ 145,480,387 | \$ 136,380,640 |

Note (A) – The 2018 Series B bonds are not included in this calculation as the debt was for operating purposes and not capital.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Postretirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

General Information About the Pension Plan (cont.)

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |
| 2016 | 0.5 | (5) |
| 2017 | 2.0 | 4.0 |
| 2018 | 2.4 | 17.0 |
| 2019 | 0.0 | (10.0) |
| 2020 | 1.7 | 21 |
| 2021 | 5.1 | 13 |
| 2022 | 7.4 | 15 |

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including teachers, and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$656,253 and \$591,424 in contributions from the Utility during the current and prior reporting periods, respectively.

Contribution rates as of December 31, 2023 and December 31, 2022 are:

| | 2023 | | 2022 | |
|--|----------|----------|----------|----------|
| | Employee | Employer | Employee | Employer |
| General (including Executives and Elected Officials) | 6.80% | 6.80% | 6.50% | 6.50% |
| Protective with Social Security | 6.80 | 13.20 | 6.50 | 12.00 |
| Protective without Social Security | 6.80 | 18.10 | 6.50 | 16.40 |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the Utility reported a liability (asset) of \$2,642,509 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021, rolled forward to December 31, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2022, the municipality's proportion was 1.86503864%, which was an increase of 0.016987% from its proportion measured as of December 31, 2021.

At December 31, 2022, the Utility reported a liability (asset) of (\$4,074,884) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Utility's proportion of the net pension liability (asset) was based on the Utility's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the municipality's proportion was 1.8285%, which was an increase of 0.01862% from its proportion measured as of December 31, 2020.

For the years ended December 31, 2023, and 2022, the Utility recognized pension expense of (\$777,715) and (\$750,637), respectively.

At December 31, 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 4,885,238 | \$ (5,903,381) |
| Changes in assumptions | 594,677 | - |
| Net differences between projected and actual earnings on pension plan investments | 4,062,171 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 7,061 | (20,454) |
| Employer contributions subsequent to the measurement date | 656,253 | - |
| Totals | <u>\$ 10,205,400</u> | <u>\$ (5,923,835)</u> |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

At December 31, 2022, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 7,112,205 | \$ (838,179) |
| Changes in assumptions | 818,296 | - |
| Net differences between projected and actual earnings on pension plan investments | - | (9,338,979) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,926 | (13,806) |
| Employer contributions subsequent to the measurement date | 591,424 | - |
| Totals | <u>\$ 8,532,851</u> | <u>\$ (10,190,964)</u> |

Deferred outflows related to pension resulting from WRS Employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| 2023 | |
|-----------------------------|---------------------|
| Year Ending December 31: | Water Utility |
| 2024 | \$ 149,109 |
| 2025 | 749,678 |
| 2026 | 767,624 |
| 2027 | 1,958,901 |
| 2028 | - |
| Total | <u>\$ 3,625,312</u> |

Actuarial assumptions. The total pension liability (asset) in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

| | 2023 | 2022 |
|---|--------------------------------|-------------------------------------|
| Actuarial valuation date | December 31, 2021 | December 31, 2020 |
| Measurement date of net Pension liability (Asset) | December 31, 2022 | December 31, 2021 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |
| Asset valuation method | Fair value | Fair value |
| Long-term expected rate of return | 6.8% | 6.8% |
| Discount rate | 6.8% | 6.8% |
| Salary increases | | |
| Inflation | 3.0% | 3.0% |
| Seniority/Merit | 0.1% - 5.6% | 0.1% - 5.6% |
| Mortality | Wisconsin 2022 Mortality Table | 2020 WRS Experience Mortality Table |
| Post-retirement adjustments* | 1.7% | 1.7% |

* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.

Actuarial assumptions used in the December 2021 actuarial valuation is based upon an experience study conducted in 2021 using experience from 2018-2020. There were no changes in the actuarial assumptions used to measure the total pension liability (asset) from prior year. The total pension liability (asset) for December 31, 2022 is based upon a roll-forward of the liability (asset) calculated from the December 31, 2021 actuarial valuation.

Actuarial assumptions used in the December 31, 2020 actuarial valuation is based upon an experience study conducted in 2021 using experience from 2018– 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability (asset) changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability (asset) for December 31, 2021 is based upon a roll-forward of the liability (asset) calculated from the December 31, 2020 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2023 are summarized in the following table:

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

| Core Fund Asset Class | Current Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|----------------------------------|----------------------------|---|--|
| Global Equities | 48.0% | 7.6% | 5.0% |
| Fixed Income | 25.0 | 5.3 | 2.7 |
| Inflation Sensitive Assets | 19.0 | 3.6 | 1.1 |
| Real Estate | 8.0 | 5.2 | 2.6 |
| Private Equity/Debt | 15.0 | 9.6 | 6.9 |
| <i>Total Core Fund</i> | 115.0 | 7.4 | 4.8 |
| <u>Variable Fund Asset Class</u> | | | |
| US Equities | 70.0 | 7.2 | 4.6 |
| International Equities | 30.0 | 8.1 | 5.5 |
| <i>Total Variable Fund</i> | 100.0 | 7.7 | 5.1 |

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2022 are summarized in the following table:

| Core Fund Asset Class | Current Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|----------------------------------|----------------------------|---|--|
| Global Equities | 52.0% | 6.8% | 4.2% |
| Fixed Income | 25.0 | 4.3 | 1.8 |
| Inflation Sensitive Assets | 19.0 | 2.7 | 0.2 |
| Real Estate | 7.0 | 5.6 | 3.0 |
| Private Equity/Debt | 12.0 | 9.7 | 7.0 |
| <i>Total Core Fund</i> | 115.0 | 6.6 | 4.0 |
| <u>Variable Fund Asset Class</u> | | | |
| US Equities | 70.0 | 6.3 | 3.7 |
| International Equities | 30.0 | 7.2 | 4.6 |
| <i>Total Variable Fund</i> | 100.0 | 6.8 | 4.2 |

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%

Single discount rate. A single discount rate of 6.80 percent was used to measure the total pension liability (asset) as of December 31, 2023 and December 31, 2022. This single discount rate was based on the expected rate of return on pension plan investments of 6.80 and a municipal bond rate of 4.05 percent and 1.84 percent, in 2023 and 2022 respectively. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022 and 2021, respectively. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 6.80 percent expected rate of return implies that a dividend of approximately 1.7 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 8 – EMPLOYEES RETIREMENT SYSTEM (cont.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

Sensitivity of the Utility's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the utilities' proportionate share of the net pension liability (asset) calculated using the current discount rate, as well as what the utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

The sensitivity analysis as of December 31, 2023 is as follows:

| | 1% Decrease to Discount Rate (5.80%) | Current Discount Rate (6.80%) | 1% Increase to Discount Rate (7.80%) |
|---|--|----------------------------------|--|
| Utility's proportionate share of the net pension liability (asset) | \$ 8,755,677 | \$ 2,642,509 | \$ (1,570,315) |

The sensitivity analysis as of December 31, 2022 is as follows:

| | 1% Decrease to Discount Rate (5.80%) | Current Discount Rate (6.80%) | 1% Increase to Discount Rate (7.80%) |
|---|--|----------------------------------|--|
| Utility's proportionate share of the net pension liability (asset) | \$ 2,896,046 | \$ (4,074,884) | \$ (9,103,871) |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN

The Utility implemented GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective January 1, 2018. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2018. The prior year balances for deferred outflows of resources, deferred inflows of resources, and the total OPEB liability were not restated due to the measurement date used for the calculation of the balances and the timing of the information received by the Plan.

The municipality sponsors a single-employer defined benefit healthcare plan, (the plan) in which the Utility participates. The plan provides healthcare coverage to active and eligible retired municipal employees and their spouses. The plan is affiliated with the Wisconsin Public Employer's Group Health Insurance – Dane County service area plan, a purchasing plan administered by the State of Wisconsin. Benefit provisions are established through collective bargaining agreements. The plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

The plan provides eligible retirees with the opportunity to stay on the municipality's health insurance plan. Contribution requirements are established by statute and employee handbooks. Eligible retirees and spouses contribute the full amount of the premiums. As the eligibility requirements for different classes of employees vary, please see the audit report of the municipality for complete details of all benefits offered as well as the funding policy and required contribution rates. See the municipality's Comprehensive Annual Financial Report for more information on the Plan.

Employees covered by benefit terms. At December 31, 2023 and 2022, the following employees were covered by the benefit terms:

| | Water Utility | |
|---|---------------|------------|
| | 2023 | 2022 |
| Inactive plan members or beneficiaries currently receiving benefit payments | 27 | 9 |
| Inactive plan members entitled to but not yet receiving benefit payments | - | - |
| Active plan members | 111 | 105 |
| | <u>138</u> | <u>114</u> |

TOTAL OPEB LIABILITY

At December 31, 2023, the Utility's total OPEB liability of \$2,875,795 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date. At December 31, 2022, the Utility's total OPEB liability was \$2,532,950 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | 2023 | 2022 |
|--|--|--|
| Actuarial valuation date | December 31, 2023 | December 31, 2022 |
| Inflation | 2.50% per year | 2.50% per year |
| Salary increases | 3.00% | 3.00% |
| Investment rate of return | 4.31% as of January 1, 2023 and 4.00% as of December 31, 2023 | 2.25% as of January 1, 2022 and 4.31% as of December 31, 2022 |
| Healthcare cost trend rates | 8% initially reduced by decrements to an ultimate rate of 4.5% after 7 years | 7.5% initially reduced by decrements to an ultimate rate of 4.5% after 7 years |
| Retirees' share of benefit-related costs | 100% | 100% |
| Discount rate | 4.00% | 4.31% |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

The discount rate was based on the yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) as of the measurement date.

Mortality Rates are based on SOA RPH-2020 Total Dataset Mortality Table fully generational using Scale MP-2020

Other assumptions are based on a City-determined analysis of past trends and future expectations.

CHANGES IN THE TOTAL OPEB LIABILITY

| | Total OPEB Liability |
|--|-------------------------|
| Balances at January 1, 2023 | \$ 2,532,950 |
| Changes for the year: | |
| Allocation changes | (117,074) |
| Service cost | 169,425 |
| Interest | 108,843 |
| Change in benefit terms | - |
| Differences between expected and actual experience | 127,168 |
| Changes in assumptions | 175,656 |
| Benefit payments | (121,173) |
| Net changes | 342,845 |
| Balances at December 31, 2023 | \$ 2,875,795 |
| | Total OPEB Liability |
| Balances at January 1, 2022 | \$ 3,015,304 |
| Changes for the year: | |
| Allocation changes | 84,861 |
| Service cost | 234,723 |
| Interest | 73,513 |
| Change in benefit terms | 11,644 |
| Differences between expected and actual experience | (358,458) |
| Changes in assumptions | (392,615) |
| Benefit payments | (136,022) |
| Net changes | (482,354) |
| Balances at December 31, 2022 | \$ 2,532,950 |

There was a change in the discount rate from 4.31% to 4.00% from December 31, 2022 to December 31, 2023.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

As of December 31, 2023:

| | 1% Decrease (3.00%) | Discount Rate (4.00%) | 1% Increase (5.00%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 3,108,524 | \$ 2,875,795 | \$ 2,663,846 |

As of December 31, 2022:

| | 1% Decrease (3.31%) | Discount Rate (4.31%) | 1% Increase (5.31%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 2,739,910 | \$ 2,532,950 | \$ 2,344,889 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of December 31, 2023:

| | 1% Decrease (7.00%) | Healthcare Cost Trend Rates (8.00%) | 1% Increase (9.00%) |
|----------------------|------------------------|---|------------------------|
| Total OPEB liability | \$ 2,588,975 | \$ 2,875,975 | \$ 3,214,090 |

As of December 31, 2022:

| | 1% Decrease (6.50%) | Healthcare Cost Trend Rates (7.50%) | 1% Increase (8.50%) |
|----------------------|------------------------|---|------------------------|
| Total OPEB liability | \$ 2,300,167 | \$ 2,532,950 | \$ 2,806,321 |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2023 and 2022, the Utility recognized OPEB expense of \$225,044 and \$224,534, respectively. At December 31, 2023 and 2022, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2023 | | 2022 | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes of assumptions or other inputs | \$ 519,906 | \$ (312,152) | \$ 339,233 | \$ (386,610) |
| Differences between expected and actual experience | - | (442,440) | - | (569,755) |
| Total | <u>\$ 519,906</u> | <u>\$ (754,592)</u> | <u>\$ 339,233</u> | <u>\$ (956,365)</u> |

Deferred outflows related to OPEB resulting from the employer's contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

| | |
|------------|-------------|
| 2024 | \$ (51,096) |
| 2025 | (51,097) |
| 2026 | (22,581) |
| 2027 | (32,061) |
| 2028 | (64,012) |
| Thereafter | (13,839) |

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 10 – Leases

Water Utility as Lessor

The Utility has leased the right to place cellular antennas on water towers to various cellular companies.

A summary of lease activities for December 31, 2023 follows:

| Lessee | Date of Inception | Final Maturity | Interest Rate | Receivable Balance December 31, 2023 | Deferred Inflow Balance December 31, 2023 |
|---|-------------------|----------------|---------------|--------------------------------------|---|
| Verizon Wireless (Primeco) | 6/1/1997 | 5/31/2027 | 0.935864 % | \$ 629,231 | \$ 602,089 |
| New Cingular Wireless ATT Mobility | 1/12/1998 | 1/11/2023 | 0.935864 | 664,621 | 621,087 |
| Sprint Spectrum LP | 3/1/1998 | 2/28/2028 | 0.935864 | 663,586 | 624,934 |
| Sprint Spectrum LP | 6/1/2004 | 5/31/2024 | 0.935864 | - | 18,189 |
| Verizon Wireless Personal Communications LP | 10/10/2016 | 10/9/2026 | 0.935864 | 502,363 | 493,283 |
| New Cingular Wireless PCS LLC | 12/5/2021 | 12/4/2031 | 2.813855 | 632,819 | 628,205 |
| New Cingular Wireless PCS LLC | 4/1/2022 | 5/31/2027 | 2.813855 | 633,078 | 610,181 |
| New Cingular Wireless PCS LLC | 7/1/2022 | 6/30/2027 | 2.813855 | 651,046 | 640,580 |
| | | | | <u>\$ 4,376,744</u> | <u>\$ 4,238,548</u> |

A summary of lease activities for December 31, 2022 follows:

| Lessee | Date of Inception | Final Maturity | Interest Rate | Receivable Balance December 31, 2023 | Deferred Inflow Balance December 31, 2023 |
|---|-------------------|----------------|---------------|--------------------------------------|---|
| Verizon Wireless (Primeco) | 6/1/1997 | 5/31/2027 | 0.935864 % | \$ 662,035 | \$ 646,966 |
| New Cingular Wireless ATT Mobility | 1/12/1998 | 1/11/2023 | 0.935864 | 695,754 | 665,357 |
| Sprint Spectrum LP | 3/1/1998 | 2/28/2028 | 0.935864 | 694,670 | 669,047 |
| New Cingular Wireless PCS LLC | 4/1/2002 | 3/31/2022 | 0.935864 | - | - |
| New Cingular Wireless PCS LLC | 7/1/2002 | 6/30/2022 | 0.935864 | - | - |
| Sprint Spectrum LP | 6/1/2004 | 5/31/2024 | 0.935864 | 46,170 | 61,843 |
| Verizon Wireless Personal Communications LP | 10/10/2016 | 10/9/2026 | 0.935864 | 531,660 | 531,898 |
| New Cingular Wireless PCS LLC | 12/5/2021 | 12/4/2031 | 2.813855 | 651,003 | 663,247 |
| New Cingular Wireless PCS LLC | 4/1/2022 | 5/31/2027 | 2.813855 | 649,259 | 643,615 |
| New Cingular Wireless PCS LLC | 7/1/2022 | 6/30/2027 | 2.813855 | 667,686 | 675,206 |
| | | | | <u>\$ 4,598,237</u> | <u>\$ 4,557,179</u> |

The Utility recognized \$318,631 and \$319,197 of lease revenue as of December 31, 2023 and 2022, respectively.

The Utility recognized \$78,321 and \$66,903 of interest revenue as of December 31, 2023 and 2022, respectively.

MADISON WATER UTILITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 11 – COMMITMENTS AND CONTINGENCIES

CLAIMS AND JUDGMENTS

From time to time, the Utility is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Utility's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Utility's financial position or results of operations.

OPEN CONTRACTS

The Utility has construction contracts that continue into subsequent years. The value of service provided and the corresponding liability as of December 31, 2023 and 2022 has been accrued in these financial statements.

NOTE 12 – SUBSEQUENT EVENTS

The Utility evaluated subsequent events through the date that the financial statements were available to be issued for events requiring recording or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MADISON WATER UTILITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2023

The required supplementary information presented below represents the proportionate information for the enterprise fund included in this report.

| Fiscal Year Ending | City's Proportion of the Net Pension Liability (Asset) | Utility's Proportionate Share of the Net Pension Liability (Asset) | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Asset |
|-----------------------|--|--|--------------------|--|--|
| 12/31/23 | 1.84596% | \$ 2,642,509 | \$ 9,098,831 | 29.04% | 95.72% |
| 12/31/22 | 1.82854% | (4,074,884) | 8,744,178 | 46.60% | 106.02% |
| 12/31/21 | 1.80992% | (3,317,731) | 9,215,274 | 36.00% | 105.26% |
| 12/31/20 | 1.78515% | (1,803,263) | 9,089,634 | 19.84% | 102.96% |
| 12/31/19 | 1.74728% | 2,015,781 | 8,837,448 | 22.81% | 96.45% |
| 12/31/18 | 1.68891% | (1,594,540) | 8,270,529 | 19.28% | 102.93% |
| 12/31/17 | 1.62005% | 438,906 | 7,895,803 | 5.56% | 99.12% |
| 12/31/16 | 1.58205% | 880,490 | 7,765,706 | 11.34% | 98.20% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2023

| Fiscal Year Ending | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-----------------------|--|---|--|--------------------|---|
| 12/31/23 | \$ 656,253 | \$ 656,253 | \$ - | \$ 9,650,779 | 6.80% |
| 12/31/22 | 591,424 | 591,424 | - | 9,098,831 | 6.50% |
| 12/31/21 | 590,232 | 590,232 | - | 8,744,178 | 6.75% |
| 12/31/20 | 622,031 | 622,031 | - | 9,215,274 | 6.75% |
| 12/31/19 | 595,371 | 595,371 | - | 9,089,634 | 6.55% |
| 12/31/18 | 592,109 | 592,109 | - | 8,837,448 | 6.70% |
| 12/31/17 | 562,396 | 562,396 | - | 8,270,529 | 6.80% |
| 12/31/16 | 521,123 | 521,123 | - | 7,895,803 | 6.60% |
| 12/31/15 | 528,068 | 528,068 | - | 7,765,706 | 6.80% |

MADISON WATER UTILITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2023

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions.

| | 2015 - 2018 | 2019 - 2021 |
|-----------------------------------|--------------------------------|--------------------------------|
| Long-term expected rate of return | 7.00% | 7.00% |
| Discount rate | 7.00% | 7.00% |
| Salary increases | | |
| Inflation | 3.00% | 3.00% |
| Seniority/Merit | 0.1% - 5.6% | 0.1% - 5.6% |
| Mortality | Wisconsin 2012 Mortality Table | Wisconsin 2018 Mortality Table |
| Post-retirement adjustments | 1.90% | 1.90% |

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

MADISON WATER UTILITY

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS (LAST TEN FISCAL YEARS) *

| | 2023 | 2022 | 2021 | 2020 |
|---|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | |
| Allocation changes | \$ (117,074) | \$ 84,861 | \$ (67,393) | \$ (98,467) |
| Service Cost | 169,425 | 234,723 | 230,069 | 178,623 |
| Interest on Total OPEB Liability | 108,843 | 73,513 | 65,889 | 88,516 |
| Changes in benefits terms | - | 11,644 | - | (2,792) |
| Difference between expected and actual experience | 127,168 | (358,458) | (68,576) | (142,947) |
| Changes in assumptions | 175,656 | (392,615) | (31,930) | 409,586 |
| Employee Contributions | (121,173) | - | - | - |
| Benefit payments, including employee refunds | - | (136,022) | (115,485) | (128,683) |
| Administrative expense | - | - | - | - |
| Net Change in total OPEB Liability | 342,845 | (482,354) | 12,574 | 303,836 |
| Total OPEB Liability - Beginning | 2,532,950 | 3,015,304 | 3,002,730 | 2,698,894 |
| Total OPEB Liability - Ending | \$ 2,875,795 | \$ 2,532,950 | \$ 3,015,304 | \$ 3,002,730 |
| Covered-employee payroll | \$ 8,754,323 | \$ 8,472,381 | \$ 7,953,849 | \$ 7,573,090 |
| Total OPEB liability as a percentage of covered-employee payroll | 32.85% | 29.90% | 37.91% | 39.65% |

Notes to OPEB Schedule:

Changes in Assumptions

Changes in assumptions:

Discount Rate - The discount rate has been updated from 2.25% to 4.31% in the December 31, 2022 valuation.

Health Care and Subsidy Trend Rates - No change in the health care and subsidy trend rates -

an initial rate of 7.50% decreasing by 0.05% annually to an ultimate rate of 4.50% for the December 31, 2022 valuation.

Inflation - The inflation rate remained the same, 2.50%, in the December 31, 2021 valuation.

* Measurement fiscal year 2018 was the first year of GASB 75 implementation, therefore only three years are presented.

SUPPLEMENTAL INFORMATION

MADISON WATER UTILITY

REVENUE BOND AND BOND ANTICIPATION NOTE DEBT REPAYMENT SCHEDULES As of December 31, 2023

| Year | 2015 Revenue Bonds | | | 2016A Revenue Bonds | | | 2016B Revenue Bonds | | |
|--------|--------------------|--------------|---------------|---------------------|--------------|---------------|---------------------|------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ 1,855,000 | \$ 960,079 | \$ 2,815,079 | \$ 980,000 | \$ 791,900 | \$ 1,771,900 | \$ 1,340,000 | \$ 336,250 | \$ 1,676,250 |
| 2025 | 1,930,000 | 865,454 | 2,795,454 | 1,025,000 | 741,775 | 1,766,775 | 1,405,000 | 267,625 | 1,672,625 |
| 2026 | 2,005,000 | 787,129 | 2,792,129 | 1,080,000 | 689,150 | 1,769,150 | 1,475,000 | 195,625 | 1,670,625 |
| 2027 | 2,090,000 | 725,704 | 2,815,704 | 1,135,000 | 633,775 | 1,768,775 | 1,550,000 | 120,000 | 1,670,000 |
| 2028 | 2,170,000 | 663,431 | 2,833,431 | 1,190,000 | 575,650 | 1,765,650 | 1,625,000 | 40,625 | 1,665,625 |
| 2029 | 2,235,000 | 598,983 | 2,833,983 | 1,250,000 | 514,650 | 1,764,650 | - | - | - |
| 2030 | 2,305,000 | 529,731 | 2,834,731 | 1,310,000 | 457,200 | 1,767,200 | - | - | - |
| 2031 | 2,380,000 | 455,924 | 2,835,924 | 1,365,000 | 403,700 | 1,768,700 | - | - | - |
| 2032 | 2,460,000 | 379,406 | 2,839,406 | 1,420,000 | 348,000 | 1,768,000 | - | - | - |
| 2033 | 2,540,000 | 301,281 | 2,841,281 | 1,475,000 | 290,100 | 1,765,100 | - | - | - |
| 2034 | 2,625,000 | 220,578 | 2,845,578 | 1,535,000 | 229,900 | 1,764,900 | - | - | - |
| 2035 | 2,715,000 | 135,444 | 2,850,444 | 1,595,000 | 167,300 | 1,762,300 | - | - | - |
| 2036 | 2,810,000 | 45,661 | 2,855,661 | 1,660,000 | 102,200 | 1,762,200 | - | - | - |
| 2037 | - | - | - | 1,725,000 | 34,500 | 1,759,500 | - | - | - |
| Totals | \$ 30,120,000 | \$ 6,668,805 | \$ 36,788,805 | \$ 18,745,000 | \$ 5,979,800 | \$ 24,724,800 | \$ 7,395,000 | \$ 960,125 | \$ 8,355,125 |

| Year | 2018A Revenue Bonds | | | 2018B Taxable Revenue Bonds (Operating) | | | 2019A Refunding Bonds | | |
|--------|---------------------|--------------|---------------|---|------------|--------------|-----------------------|--------------|---------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ 1,210,000 | \$ 1,032,000 | \$ 2,242,000 | \$ 1,040,000 | \$ 171,832 | \$ 1,211,832 | \$ 3,395,000 | \$ 1,009,050 | \$ 4,404,050 |
| 2025 | 1,260,000 | 982,600 | 2,242,600 | 1,070,000 | 137,537 | 1,207,537 | 3,320,000 | 892,100 | 4,212,100 |
| 2026 | 1,310,000 | 931,200 | 2,241,200 | 1,110,000 | 101,012 | 1,211,012 | 3,440,000 | 723,100 | 4,163,100 |
| 2027 | 1,360,000 | 877,800 | 2,237,800 | 1,145,000 | 62,105 | 1,207,105 | 3,120,000 | 559,100 | 3,679,100 |
| 2028 | 1,415,000 | 822,300 | 2,237,300 | 1,185,000 | 21,034 | 1,206,034 | 3,280,000 | 399,100 | 3,679,100 |
| 2029 | 1,470,000 | 764,600 | 2,234,600 | - | - | - | 5,515,000 | 206,800 | 5,721,800 |
| 2030 | 1,530,000 | 704,600 | 2,234,600 | - | - | - | 4,045,000 | 56,050 | 4,101,050 |
| 2031 | 1,595,000 | 642,100 | 2,237,100 | - | - | - | 780,000 | 7,800 | 787,800 |
| 2032 | 1,655,000 | 577,100 | 2,232,100 | - | - | - | - | - | - |
| 2033 | 1,720,000 | 509,600 | 2,229,600 | - | - | - | - | - | - |
| 2034 | 1,790,000 | 439,400 | 2,229,400 | - | - | - | - | - | - |
| 2035 | 1,865,000 | 366,300 | 2,231,300 | - | - | - | - | - | - |
| 2036 | 1,935,000 | 290,300 | 2,225,300 | - | - | - | - | - | - |
| 2037 | 2,015,000 | 211,300 | 2,226,300 | - | - | - | - | - | - |
| 2038 | 2,095,000 | 129,100 | 2,224,100 | - | - | - | - | - | - |
| 2039 | 2,180,000 | 43,600 | 2,223,600 | - | - | - | - | - | - |
| Totals | \$ 26,405,000 | \$ 9,323,900 | \$ 35,728,900 | \$ 5,550,000 | \$ 493,520 | \$ 6,043,520 | \$ 26,895,000 | \$ 3,853,100 | \$ 30,748,100 |

MADISON WATER UTILITY

REVENUE BOND AND BOND ANTICIPATION NOTE DEBT REPAYMENT SCHEDULES As of December 31, 2023

| Year | 2019B Refunding Bonds | | | 2019 Bond Anticipation Notes | | | 2023 Revenue Bond (SDWL) | | |
|--------------------------|-----------------------|---------------|----------------|------------------------------|------------|---------------|--------------------------|--------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ 1,015,000 | \$ 222,412 | \$ 1,237,412 | \$ 15,325,000 | \$ 300,000 | \$ 15,625,000 | \$ 189,645 | \$ 103,816 | \$ 293,461 |
| 2025 | 1,040,000 | 202,370 | 1,242,370 | - | - | - | 193,713 | 94,133 | 287,846 |
| 2026 | 1,065,000 | 180,788 | 1,245,788 | - | - | - | 197,868 | 89,934 | 287,802 |
| 2027 | 1,090,000 | 157,615 | 1,247,615 | - | - | - | 202,112 | 85,644 | 287,756 |
| 2028 | 1,120,000 | 133,025 | 1,253,025 | - | - | - | 206,448 | 81,262 | 287,710 |
| 2029 | 1,150,000 | 106,912 | 1,256,912 | - | - | - | 210,876 | 76,786 | 287,662 |
| 2030 | 1,185,000 | 78,884 | 1,263,884 | - | - | - | 215,399 | 72,214 | 287,613 |
| 2031 | 1,220,000 | 48,813 | 1,268,813 | - | - | - | 220,020 | 67,545 | 287,565 |
| 2032 | 1,255,000 | 16,629 | 1,271,629 | - | - | - | 224,739 | 62,774 | 287,513 |
| 2033 | - | - | - | - | - | - | 229,560 | 57,902 | 287,462 |
| 2034 | - | - | - | - | - | - | 234,484 | 52,925 | 287,409 |
| 2035 | - | - | - | - | - | - | 239,514 | 47,842 | 287,356 |
| 2036 | - | - | - | - | - | - | 244,651 | 42,649 | 287,300 |
| 2037 | - | - | - | - | - | - | 249,899 | 37,345 | 287,244 |
| 2038 | - | - | - | - | - | - | 255,259 | 31,927 | 287,186 |
| 2039 | - | - | - | - | - | - | 260,735 | 26,393 | 287,128 |
| 2040 | - | - | - | - | - | - | 266,327 | 20,740 | 287,067 |
| 2041 | - | - | - | - | - | - | 272,040 | 14,966 | 287,006 |
| 2042 | - | - | - | - | - | - | 277,875 | 9,069 | 286,944 |
| 2043 | - | - | - | - | - | - | 283,836 | 3,044 | 286,880 |
| Totals | \$ 10,140,000 | \$ 1,147,448 | \$ 11,287,448 | \$ 15,325,000 | \$ 300,000 | \$ 15,625,000 | \$ 4,675,000 | \$ 1,078,910 | \$ 5,753,910 |
| | | | | | | | | | |
| TOTAL (All Revenue Debt) | | | | | | | | | |
| | Principal | Interest | Total | | | | | | |
| 2024 | \$ 26,349,645 | \$ 4,927,339 | \$ 31,276,984 | | | | | | |
| 2025 | 11,243,713 | 4,183,594 | 15,427,307 | | | | | | |
| 2026 | 11,682,868 | 3,697,938 | 15,380,806 | | | | | | |
| 2027 | 11,692,112 | 3,221,743 | 14,913,855 | | | | | | |
| 2028 | 12,191,448 | 2,736,427 | 14,927,875 | | | | | | |
| 2029 | 11,830,876 | 2,268,731 | 14,099,607 | | | | | | |
| 2030 | 10,590,399 | 1,898,679 | 12,489,078 | | | | | | |
| 2031 | 7,560,020 | 1,625,882 | 9,185,902 | | | | | | |
| 2032 | 7,014,739 | 1,383,909 | 8,398,648 | | | | | | |
| 2033 | 5,964,560 | 1,158,883 | 7,123,443 | | | | | | |
| 2034 | 6,184,484 | 942,803 | 7,127,287 | | | | | | |
| 2035 | 6,414,514 | 716,886 | 7,131,400 | | | | | | |
| 2036 | 6,649,651 | 480,810 | 7,130,461 | | | | | | |
| 2037 | 3,989,899 | 283,145 | 4,273,044 | | | | | | |
| 2038 | 2,350,259 | 161,027 | 2,511,286 | | | | | | |
| 2039 | 2,440,735 | 69,993 | 2,510,728 | | | | | | |
| 2040 | 266,327 | 20,740 | 287,067 | | | | | | |
| 2041 | 272,040 | 14,966 | 287,006 | | | | | | |
| 2042 | 277,875 | 9,069 | 286,944 | | | | | | |
| 2043 | 283,836 | 3,044 | 286,880 | | | | | | |
| Totals | \$ 145,250,000 | \$ 29,805,608 | \$ 175,055,608 | | | | | | |

MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---------------------------------------|------------|------------|
| OPERATING REVENUES | | |
| Unmetered Sales | \$ 540,703 | \$ 414,271 |
| Metered Sales | | |
| Residential | 24,001,175 | 20,465,839 |
| Duplex | 916,667 | 819,138 |
| Multi-Family | 11,065,432 | 9,356,211 |
| Commercial | 10,836,069 | 8,401,264 |
| Industrial | 1,135,101 | 992,148 |
| Public authority | 7,489,586 | 6,123,855 |
| Sales for resale | 600,320 | 416,957 |
| Total Metered Sales | 56,044,350 | 46,575,412 |
| Public Fire Protection | 123,694 | 124,266 |
| Total Sales of Water | 56,708,747 | 47,113,949 |
| Customer Late Payment Penalties | 286,079 | 200,945 |
| Miscellaneous | 67,921 | 65,313 |
| Rents from water property | 398,532 | 375,103 |
| Other | 335,138 | 384,633 |
| Total Operating Revenues | 57,796,417 | 48,139,943 |
| OPERATING EXPENSES | | |
| Operation and Maintenance | | |
| Source of Supply | | |
| Maintenance | | |
| Supervision and engineering | 17,353 | 13,874 |
| Collecting and impounding reservoirs | 9,934 | 56,736 |
| Wells and springs | 33,422 | 99,182 |
| Total Source of Supply | 60,709 | 169,792 |
| Pumping | | |
| Operation supervision and engineering | 52,815 | 51,175 |
| Power purchased for pumping | 2,419,199 | 2,095,612 |
| Pumping labor | 506,042 | 437,020 |
| Miscellaneous | 539,135 | 431,234 |
| Maintenance | | |
| Supervision and engineering | 199,895 | 201,087 |
| Structures and improvements | 550,367 | 519,901 |
| Pumping equipment | 411,644 | 466,512 |
| Total Pumping | 4,679,097 | 4,202,541 |
| Water Treatment | | |
| Operation supervision and engineering | 126,300 | 133,521 |
| Chemicals | 202,965 | 167,748 |
| Operation labor | 262,958 | 259,787 |
| Miscellaneous | 175,637 | 83,578 |
| Maintenance | | |
| Supervision and engineering | 17,353 | 13,874 |
| Water treatment equipment | 150,479 | 112,119 |
| Total Water Treatment | 935,692 | 770,627 |

MADISON WATER UTILITY

OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---------------------------------------|--------------------------|--------------------------|
| OPERATING EXPENSES (cont.) | | |
| Operation and Maintenance (cont.) | | |
| Transmission and Distribution | | |
| Operation supervision and engineering | \$ 268,225 | \$ 292,009 |
| Storage facilities | 103,399 | 99,317 |
| Transmission and distribution lines | 429,907 | 405,691 |
| Meter | 188,267 | 158,883 |
| Customer installation | 444,032 | 435,112 |
| Miscellaneous | 1,804,114 | 1,606,752 |
| Maintenance | | |
| Reservoirs | 57,812 | 63,491 |
| Mains | 2,134,691 | 2,257,263 |
| Services | 1,261,114 | 1,227,719 |
| Meters | 119,195 | 104,144 |
| Hydrants | 324,154 | 336,154 |
| Total Transmission and Distribution | <u>7,134,910</u> | <u>6,986,535</u> |
| Customer Accounts | | |
| Supervision | 12,358 | 19,678 |
| Meter reading | 71,869 | 63,902 |
| Customer records and collection | 396,056 | 577,056 |
| Conservation | 178,556 | 158,819 |
| Total Customer Accounts | <u>658,839</u> | <u>819,455</u> |
| Administrative and General | | |
| Salaries | 1,164,154 | 1,054,323 |
| Office, building, and supplies | 403,951 | 442,830 |
| Outside services employed | 665,823 | 692,475 |
| Property insurance | 46,516 | 549 |
| Injuries and damages | 279,816 | 328,199 |
| Employee pensions and benefits | 2,850,292 | 1,354,908 |
| Miscellaneous | 69,765 | 151,126 |
| Maintenance of general plant | 4,567 | 3,528 |
| Total Administrative and General | <u>5,484,884</u> | <u>4,027,938</u> |
| Total Operation and Maintenance | 18,954,131 | 16,976,887 |
| Depreciation | 10,813,385 | 8,462,252 |
| Taxes | 654,988 | 629,229 |
| Total Operating Expenses | <u>30,422,504</u> | <u>26,068,368</u> |
| OPERATING INCOME | <u>\$ 27,373,913</u> | <u>\$ 22,071,575</u> |



Madison Water Utility

Commission Presentation: 2023 Financial Statement Audit

July 23rd, 2024



AGENDA

- Audit results
- Required communication to governing body
- Financial statement highlights and informational points
- Discussion



What were the audit results



Audit performed in accordance with Generally Accepted Auditing Standards



Audit objective – reasonable assurance that financial statements are free from material misstatement



Financial statements of Madison Water Utility received Unmodified Opinions

Auditor communication to those charged with governance

**Auditor
responsibility &
independence**

**Board
responsibility**

**Accounting
policies and
estimates**

**Baker Tilly agrees with Madison
Water Utility's accounting policies
and disclosures**

**There was no
adjustment to
the financial
statements**

**No other audit findings or
concerns**

Highlights and informational points

- Financial Statement Highlights: Refer to handout
- Informational Points: Upcoming GASB pronouncements
 - GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*
 - GASB Statement No. 101, *Compensated Absences*
 - GASB Statement No. 102, *Certain Risk Disclosures*
 - GASB Statement No. 103, *Financial Reporting Model Improvements*

Madison Water Utility
Thank you!

We appreciate the support of the Madison Water Utility personnel in preparing for and assisting in the audit.





Discussion

Contact Information

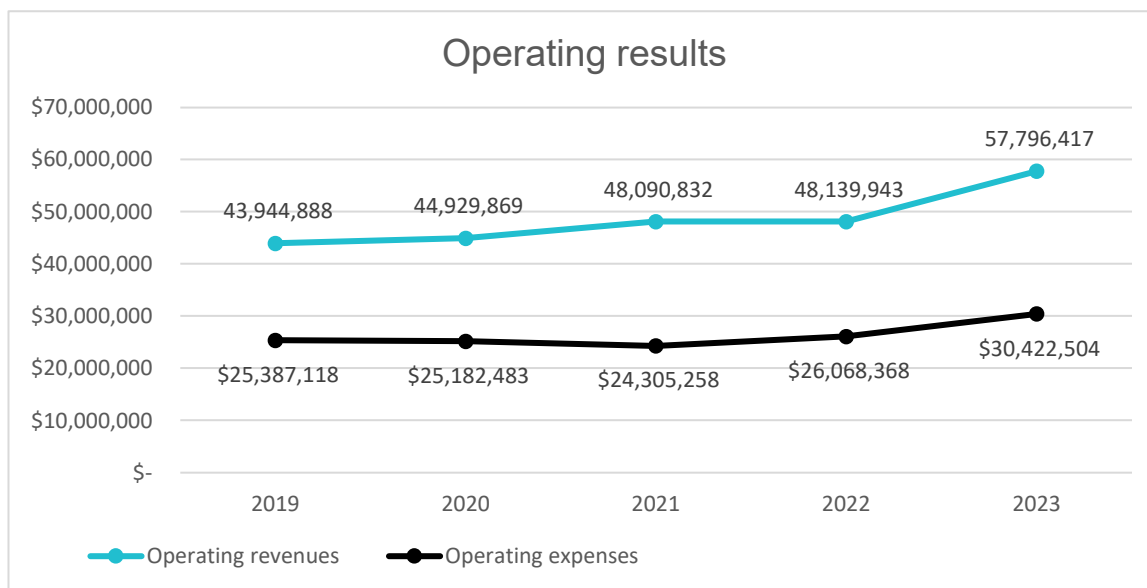


- Jodi Dobson, CPA, Principal
- D: (608) 240 2469
- Jodi.Dobson@bakertilly.com



- Ryan Theiler, CPA, Manager
- D: (608) 240 2571
- Ryan.Theiler@bakertilly.com





Unrestricted Reserves

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|--------------|---------------|---------------|---------------|---------------|
| Year end balance | \$ 5,111,108 | \$ 10,243,738 | \$ 15,133,156 | \$ 17,537,363 | \$ 29,457,401 |
| Months on hand | 1.40 | 2.74 | 3.78 | 4.37 | 6.12 |

Debt Coverage

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------|------|------|------|------|------|
| Actual | 1.39 | 1.50 | 1.69 | 1.95 | 2.61 |
| Required | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |

Investment in Capital





City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84467

File ID: 84467

File Type: Discussion Item

Status: Items Referred

Version: 1

Reference:

Controlling Body: Water Utility

File Created Date : 07/17/2024

File Name: Amendment of the 2024 Water Utility capital budget to change funding sources for certain capital projects and authorization for \$7.328 million Non-General Fund Government Obligation borrowing

Final Action:

Title: Amendment of the 2024 Water Utility capital budget to change funding sources for certain capital projects and authorization for \$7.328 million Non-General Fund Government Obligation borrowing

Notes:

Sponsors:

Effective Date:

Attachments: Memo - Utility's General Obligation Borrowing.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---|---------------|------------|---------|------------------------|-----------|-----------------|---------|
| 1 | Water Utility | 07/17/2024 | Refer | WATER UTILITY BOARD | | | |
| Action Text: This Discussion Item was Refer to the WATER UTILITY BOARD | | | | | | | |

Text of Legislative File 84467

.Title

Amendment of the 2024 Water Utility capital budget to change funding sources for certain capital projects and authorization for \$7.328 million Non-General Fund Government Obligation borrowing

.Body

The Finance Committee will draft a substitute resolution No. 84360 to amend the 2024 Water Utility capital budget to change funding sources for certain capital projects and authorization for \$7.328 million Non-General Fund Government Obligation borrowing.

RECOMMENDATION

1) Amend 2024 Water Utility capital budget to change the funding source for certain capital projects from \$7.328 million of Non-GF GO borrowing to Water Utility reserves.

2) Authorize \$7.328 million of Non-General Fund Government Obligation (Non-GF GO) borrowing for Unit Well 19 Iron and Manganese Mitigation Project and cancel \$7.328 million of revenue bond borrowing for said project.

BACKGROUND

Madison Water Utility (Utility) would like to change the funding sources for certain capital improvement projects included in its 2024 capital budget as detailed in Table-1 of the attached memo.

Total estimated project cost for Well 19 project is \$9.2M. Projected will be funded by \$7.328M of Non GF GO Bond and \$1.872M of available Water Utility reserves.

The changes in the funding sources would result in 1) utilization of available Utility reserves instead of borrowing, thus reducing the total cost burden on rate payers and 2) avoidance of revenue bond issuance costs by taking advantage of the City's planned 2024 General Obligation borrowing. The interest rate for Non-General Fund Government Obligation borrowing is anticipated to be around 4% and the repayment term for the borrowing will be 20 years.

The Utility had previously applied for a State Drinking Water Program loan for the Well 19 Project, which was denied by the WI Department of Natural Resources since the loan application did not make the priority points for the award of the loan.



MEMORANDUM

Date: July 23, 2024

To: Mayor Satya Rhodes Conway
Common Council
Finance Committee
Water Utility Board

From: January Vang, Finance & Admin Manager
Krishna Kumar, General Manager

Subject: Amendment of the 2024 Water Utility capital budget to change funding sources for certain capital projects and authorization for \$7.328 million Non-General Fund Government Obligation borrowing

RECOMMENDATION

- 1) Amend 2024 Water Utility capital budget to change the funding source for certain capital projects from \$7.328 million of Non-GF GO borrowing to Water Utility reserves.
- 2) Authorize \$7.328 million of Non-General Fund Government Obligation (Non-GF GO) borrowing for Unit Well 19 Iron and Manganese Mitigation Project and cancel \$7.328 million of revenue bond borrowing for said project.

BACKGROUND

Madison Water Utility (Utility) would like to change the funding sources for certain capital improvement projects included in its 2024 capital budget as detailed below in Table-1.

| Table - 1 | | | | |
|-----------|---|------------------------|--|--|
| | Capital Project | Estimated Funding Need | Current Source of Funding | Proposed Source of Funding |
| 1 | Well 19 Iron and Manganese Mitigation Project | \$7.328 million | Revenue Bonds | Non-General Fund Government Obligation Bonds |
| 2 | 11 Other Capital Projects (Table – 2) | \$7.328 million | Non-General Fund Government Obligation Bonds | Water Utility Reserves |



Total estimated project cost for Well 19 project is \$9.2M. Projected will be funded by \$7.328M of Non GF GO Bond and \$1.872M of available Water Utility reserves.

The changes in the funding sources would result in 1) utilization of available Utility reserves instead of borrowing, thus reducing the total cost burden on rate payers and 2) avoidance of revenue bond issuance costs by taking advantage of the City's planned 2024 General Obligation borrowing. The interest rate for Non-General Fund Government Obligation borrowing is anticipated to be around 4% and the repayment term for the borrowing will be 20 years.

The Utility had previously applied for a State Drinking Water Program loan for the Well 19 Project, which was denied by the WI Department of Natural Resources since the loan application did not make the priority points for the award of the loan.

| Table - 2 | | |
|------------------|---|--------------------|
| 1 | Booster Pump Station #213 Lakeview Reconstruction | \$500,000 |
| 2 | Chlorinators & Florinators Program | \$40,000 |
| 3 | New Water Facility Planning | \$800,000 |
| 4 | Unit Well Rehab Program | \$371,000 |
| 5 | Water Hydrants Program | \$412,000 |
| 6 | Water Mains – New | \$89,000 |
| 7 | Water Mains Replacement | \$1,250,000 |
| 8 | Network Program | \$539,000 |
| 9 | Water Utility Facility Improvements | \$2,248,000 |
| 10 | Water Utility Vehicles & Equipment | \$1,015,000 |
| 11 | Water Value Cut-In Program | \$64,000 |
| Total | | \$7,328,000 |

LEGISLATIVE PATH

- Common Council: 7/16/24
- Finance Committee: 7/22/2024
- Water Utility Board: 7/23/2024
- Common Council: 8/6/2024



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84360

File ID: 84360

File Type: Resolution

Status: Items Referred

Version: 1

Reference:

Controlling Body: FINANCE
COMMITTEE

File Created Date : 07/09/2024

File Name: Authorizing General Obligation Promissory Notes
2024

Final Action:

Title: BY TITLE ONLY: Authorizing the Issuance and Establishing the Parameters for the Sale of Not to Exceed \$[] General Obligation Promissory Notes, of the City of Madison, Wisconsin, and Directing the Final Approval of the Terms Thereof.

Notes: INTRODUCED BY TITLE ONLY ON 7/16/2024

GenObligationPromNotes2024

Sponsors: Satya V. Rhodes-Conway

Effective Date:

Attachments:

Enactment Number:

Author: Matthew Robles

Hearing Date:

Entered by: mglaeser@cityofmadison.com

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|---|------------|------------------------------|----------------------|-----------|-----------------|---------|
| 1 | Attorney's Office | 07/09/2024 | Referred for Introduction | | | | |
| | Action Text: This Resolution was Referred for Introduction | | | | | | |
| | Notes: Finance Committee (7/22/24), Common Council (8/6/24) | | | | | | |
| 1 | COMMON COUNCIL | 07/16/2024 | Referred | FINANCE COMMITTEE | | | |
| | Action Text: This Resolution was Referred to the FINANCE COMMITTEE | | | | | | |

Text of Legislative File 84360

Fiscal Note

Fiscal note pending.

Title

BY TITLE ONLY: Authorizing the Issuance and Establishing the Parameters for the Sale of Not to Exceed \$[] General Obligation Promissory Notes, of the City of Madison, Wisconsin, and Directing the Final Approval of the Terms Thereof.

Body



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84166

File ID: 84166

File Type: Resolution

Status: Items Referred

Version: 1

Reference:

Controlling Body: WATER UTILITY BOARD

File Created Date : 06/25/2024

File Name: Authorizing Madison Water Utility's General Manager to certify municipal services bills, assessments, and charges to the 2024 tax rolls of other governmental units for delinquent accounts in those jurisdictions.

Final Action:

Title: Authorizing Madison Water Utility's General Manager to certify municipal services bills, assessments, and charges to the 2024 tax rolls of other governmental units for delinquent accounts in those jurisdictions.

Notes:

Sponsors: Charles Myadze, Amani Latimer Burris And Derek Field

Effective Date:

Attachments: Memo - Authorize General Manager to Certify Tax Roll_.pdf, Resolution #84166 Authorizing General Manager to Certify Tax Roll_.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|---|------------|---------------------------|---------------------|-----------|-----------------|---------|
| 1 | Water Utility | 06/25/2024 | Referred for Introduction | | | | |
| | Action Text: This Resolution was Referred for Introduction | | | | | | |
| | Notes: Finance Committee (7/22/24), Water Utility Board (7/23/24), Common Council (8/6/24) | | | | | | |
| 1 | COMMON COUNCIL | 07/02/2024 | Refer | FINANCE COMMITTEE | | | Pass |
| | Action Text: A motion was made by Figueroa Cole, seconded by Duncan, to Refer to the FINANCE COMMITTEE. The motion passed by voice vote/other. | | | | | | |
| | Notes: Additional referral to Water Utility Board. | | | | | | |
| 1 | FINANCE COMMITTEE | 07/02/2024 | Referred | WATER UTILITY BOARD | | | |
| | Action Text: This Resolution was Referred to the WATER UTILITY BOARD | | | | | | |

Text of Legislative File 84166

.Fiscal Note

City of Madison water and sewer utilities provide service to customers outside the City of Madison to the following local jurisdictions:

Cities of Fitchburg, Middleton, and Monona

Towns of Blooming Grove, Burke, Middleton, and Verona

Villages of Maple Bluff, McFarland, and Shorewood Hills

The Madison Water Utility administers the billing service for water and sewer service to residents in these other jurisdictions. All delinquent water and sewer bills for these other local jurisdictions with due dates between September 23, 2023 thru September 23, 2024 will get transferred into the respective local jurisdiction's tax rolls for eventual collection. This resolution is one of the necessary steps to aid those jurisdictions to accomplish this. No appropriation is required.

Madison Water Utility is currently exploring options to address water affordability for all City residents subject to existing regulatory guidelines.

.Title

Authorizing Madison Water Utility's General Manager to certify municipal services bills, assessments, and charges to the 2024 tax rolls of other governmental units for delinquent accounts in those jurisdictions.

.Body

WHEREAS, Madison Water Utility administers the billing system for the City of Madison Municipal Services Bill, which includes water, sewer, stormwater, landfill remediation, urban forestry charges and Resource Recovery; and

WHEREAS, the City water and sewer utilities provide service to customers outside the City of Madison in accordance with Madison General Ordinances Section 13.16(2) and Section 35.02; and

WHEREAS, the City water and sewer utilities are authorized under section 66.0809(3) of Wisconsin Statutes to certify amounts owed in arrears to the utilities to the tax rolls of the appropriate town, village, or city;

NOW, THEREFORE, BE IT RESOLVED, that the Common Council authorizes Madison Water Utility's general manager to certify the 2024 tax rolls to the towns of Blooming Grove, Burke, Middleton, and Verona, of the villages of Maple Bluff, McFarland, and Shorewood Hills, and the cities of Fitchburg, Middleton, and Monona any delinquent municipal services bills, water or sewer main assessment installations, and water and sewer lateral charges.

MEMORANDUM

Date: June 26, 2024

To: Mayor Satya Rhodes Conway
City of Madison Common Council
City of Madison Finance Committee
City of Madison Water Utility Board

From: January Vang, Finance and Administration Manager
Krishna Kumar, General Manager

Subject: Authorize Madison Water Utility's general manager to certify municipal services bills, assessments, and charges to the 2024 tax rolls of **other governmental units** for delinquent accounts in those jurisdictions.

RECOMMENDATION:

Staff request authorization for the general manager to certify the 2024 tax rolls on behalf of the towns of Blooming Grove, Burke, Middleton, Verona, the villages of Maple Bluff, McFarland, and Shorewood Hills, and the cities of Fitchburg, Middleton, and Monona for any delinquent municipal services bills, water or sewer main assessment installations, and water and sewer lateral charges.

BACKGROUND:

City of Madison water and sewer utilities provide service to customers outside the City of Madison to the following ten local jurisdictions:

1. Cities of Fitchburg, Middleton, and Monona (3)
2. Towns of Blooming Grove, Burke, Middleton, and Verona (4)
3. Villages of Maple Bluff, McFarland, and Shorewood Hills (3)

The Madison Water Utility administers the billing service for water and sewer service to residents in these ten other local governmental jurisdictions. These other jurisdictions desire that all delinquent water and sewer related bills, assessments, and charges with due dates between September 23, 2023 thru September 23, 2024 be transferred into their respective 2024 tax rolls for eventual collection. This resolution is one of the necessary steps to aid those ten local jurisdictions to accomplish this. No appropriation is required.

LEGISLATIVE PATH:

07/02/24 –Common Council (Introduction)

07/22/24 – Finance Committee

07/23/24 – Water Utility Board

08/08/24 – Common Council (Final Approval)

ATTACHMENTS:

1. Resolution #84166 authorizing general manager to certify the 2024 tax rolls on behalf of other governmental units.

Fiscal Note

City of Madison water and sewer utilities provide service to customers outside the City of Madison to the following local jurisdictions:

Cities of Fitchburg, Middleton, and Monona

Towns of Blooming Grove, Burke, Middleton, and Verona

Villages of Maple Bluff, McFarland, and Shorewood Hills

The Madison Water Utility administers the billing service for water and sewer service to residents in these other jurisdictions. All delinquent water and sewer bills for these other local jurisdictions with due dates between September 23, 2023 thru September 23, 2024 will get transferred into the respective local jurisdiction's tax rolls for eventual collection. This resolution is one of the necessary steps to aid those jurisdictions to accomplish this. No appropriation is required.

Madison Water Utility is currently exploring options to address water affordability for all City residents subject to existing regulatory guidelines.

Title

Authorizing Madison Water Utility's General Manager to certify municipal services bills, assessments, and charges to the 2024 tax rolls of other governmental units for delinquent accounts in those jurisdictions.

Body

WHEREAS, Madison Water Utility administers the billing system for the City of Madison Municipal Services Bill, which includes water, sewer, stormwater, landfill remediation, urban forestry charges and Resource Recovery; and

WHEREAS, the City water and sewer utilities provide service to customers outside the City of Madison in accordance with Madison General Ordinances Section 13.16(2) and Section 35.02; and

WHEREAS, the City water and sewer utilities are authorized under section 66.0809(3) of Wisconsin Statutes to certify amounts owed in arrears to the utilities to the tax rolls of the appropriate town, village, or city;

NOW, THEREFORE, BE IT RESOLVED, that the Common Council authorizes Madison Water Utility's general manager to certify the 2024 tax rolls to the towns of Blooming Grove, Burke, Middleton, and Verona, of the villages of Maple Bluff, McFarland, and Shorewood Hills, and the cities of Fitchburg, Middleton, and Monona any delinquent municipal services bills, water or sewer main assessment installations, and water and sewer lateral charges.



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84471

File ID: 84471

File Type: Miscellaneous

Status: Items Referred

Version: 1

Reference:

Controlling Body: WATER UTILITY BOARD

File Created Date : 07/17/2024

File Name:

Final Action:

Title: Temporary Change to the Water Board Meeting Format

Notes:

Sponsors:

Effective Date:

Attachments:

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---|---------------|------------|---------|---------------------|-----------|-----------------|---------|
| 1 | Water Utility | 07/17/2024 | Refer | WATER UTILITY BOARD | | | |
| Action Text: This Miscellaneous was Refer to the WATER UTILITY BOARD | | | | | | | |

Text of Legislative File 84471

.Title

Temporary Change to the Water Board Meeting Format

.Body

RECOMMENDATION:

It is recommended to temporarily change the Water Board meeting format to virtual from in-person meetings from August through November 2024.

BACKGROUND:

The Water Utility (Utility) and the City's Information Technology Department have been working together to renovate the Water Utility conference rooms A & B to upgrade those rooms to function as one of the City's Emergency Operations Centre, as and when a need arises. The renovation is anticipated to last from August through November 2024.

Since the Water Board in-person meetings are ordinarily held in conference rooms A & B, staff is recommending to temporarily change the Water Board meeting format to virtual for those

four months, a practice in place during the height of Covid restrictions until in-person meetings resumed in the fall of 2022. Once completed, these upgraded conference rooms will have better audio-visual and virtual/in-person hybrid capabilities for Water Utility board meetings when room usage resumes.

There will be no change to either the start time of the meeting or to the previously determined meeting dates. Staff will ensure compliance with all applicable City requirements for providing adequate public notice about this change in meeting format.

FISCAL IMPACT:

Minimal

ATTACHMENT:

None



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84480

File ID: 84480

File Type: Report

Status: In Committee

Version: 1

Reference:

Controlling Body: Water Utility

File Created Date : 07/17/2024

File Name: Water Production Monthly Report

Final Action:

Title: Water Production Monthly Report

Notes:

Sponsors:

Effective Date:

Attachments: Item 6 Memo - Water Production Report July 2024.pdf, Item 6 Attachment A - Daily and Cumulative Water Production July 2024.pdf, Item 6 Attachment B - Unit Well Capacity Utilization July 2024.pdf, Item 6 Attachment C - Aquifer Levels July 2024.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|

Text of Legislative File 84480

.Title

Water Production Monthly Report

.Body

See corresponding memos and attachments.

MEMORANDUM

Date: July 23, 2024

To: Water Utility Board

From: Joseph DeMorett, Water Supply Manager
Krishna Kumar, General Manager

Subject: Water Production Report

BACKGROUND

Board governance policy requires that current and future customers will receive water that meets or exceeds industry-accepted levels of service for fire protection and pressure.

This includes:

1. Water delivered to hydrants at proper flow rates for fire protection.
2. Water delivered to the customer tap at a pressure that meets industry-accepted low, high, and emergency operation criteria.
3. Water used for outdoor irrigation under drought-free conditions.

The Water Supply Section of the Utility strives hard to meet or exceed the expectations laid out above. The Monthly Water Production, Unit Well Cumulative Capacity Utilization, and COM Aquifer Level Reports as of June 30, 2024, reflecting these efforts are attached.

ATTACHMENTS

- A. Monthly Water Production as of June 30, 2024
- B. Unit Well Cumulative Capacity Utilization as of June 30, 2024
- C. City of Madison Aquifer Levels as of June 30, 2024

Madison Water Utility
Daily and Cumulative Water Production

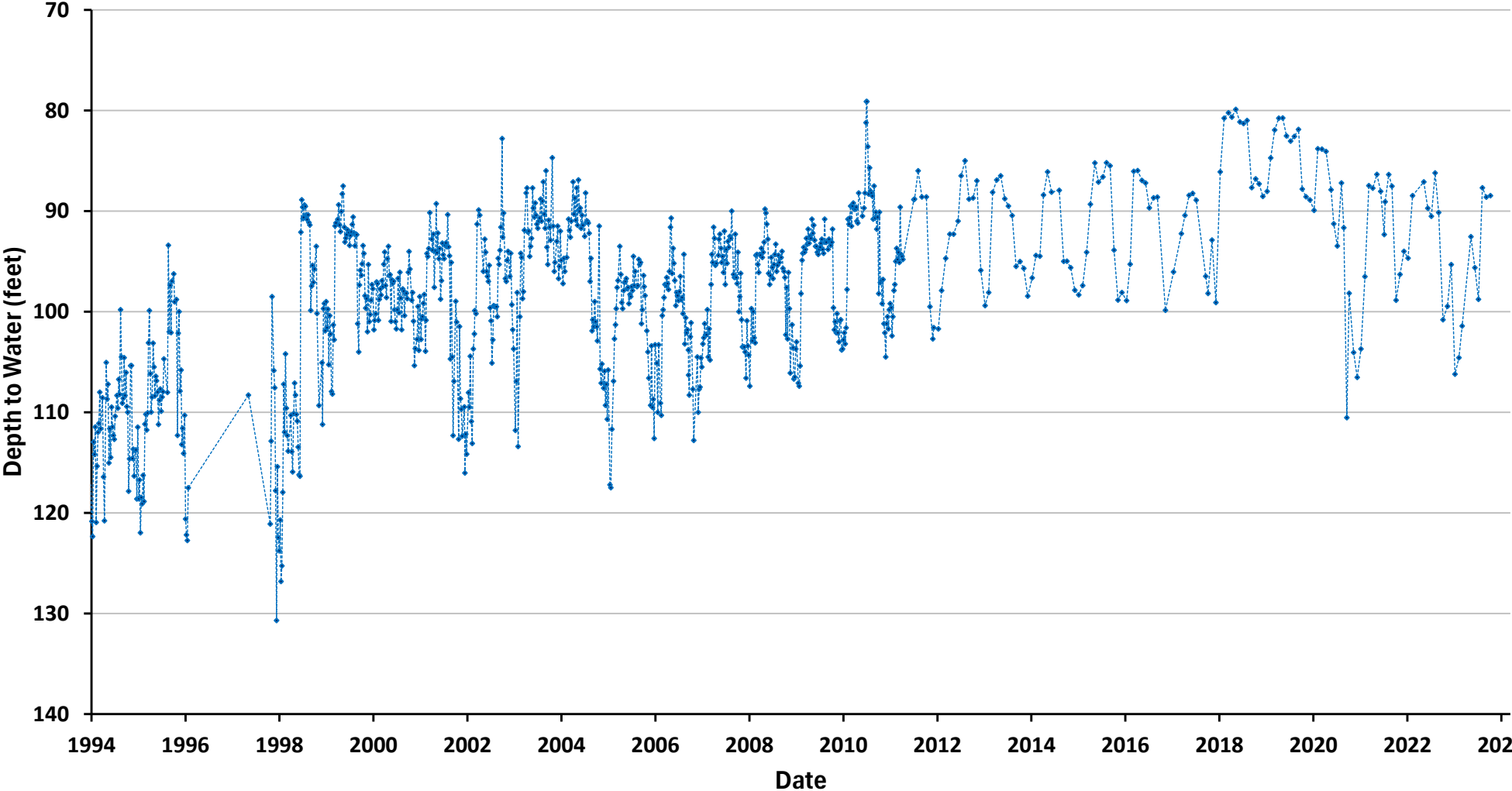
| Hydrological Regions | No. of Wells | Daily Production (MGD) | | | | Year-to-Date Cumulative Production (In billion gallons) | | | |
|----------------------|--------------|------------------------|-------------------------|--------------------------|---------------------------------|--|-------------|------------|------------|
| | | Max Daily Capacity | Reliable Daily Capacity | June 2024 | | 2022 Actual | 2023 Actual | 30-Jun | |
| | | | | Average Daily Production | Regional Surplus / (Deficiency) | | | 2023 | 2024 |
| A | 6 | 14.8 | 8.9 | 6.9 | 2.0 | 2.5 | 2.4 | 1.2 | 1.2 |
| B | 2 | 5.4 | 2.4 | 1.9 | 0.5 | 0.6 | 0.6 | 0.3 | 0.3 |
| C | 10 | 28.8 | 22.3 | 12.2 | 10.1 | 4.5 | 4.6 | 2.3 | 2.1 |
| D | 3 | 9.1 | 5.9 | 4.3 | 1.6 | 1.5 | 1.6 | 0.8 | 0.7 |
| System Total | 21 | 58.1 | 39.5 | 25.3 | 14.2 | 9.1 | 9.2 | 4.6 | 4.3 |

Attachment B

Madison Water Utility Unit Well Cumulative Capacity Utilization 6/30/2024

| Region | Unit Well | YTD Production (MG) | YTD Utilization (%) | Remaining Drawdown to Pump (ft) |
|---------------|-----------|---------------------|---------------------|---------------------------------|
| A | 7 | 265 | 45.9% | 117 |
| | 8 | 0 | 0.0% | Out of Service |
| | 11 | 285 | 52.1% | 29 |
| | 13 | 219 | 31.9% | 128 |
| | 25 | 133 | 25.4% | 42 |
| | 29 | 247 | 42.9% | 164 |
| | All | 1,149 | 43.8% | |
| B | 9 | 138 | 32.1% | 41 |
| | 31 | 169 | 29.3% | 133 |
| | All | 307 | 30.5% | |
| C | 6 | 377 | 55.4% | 68 |
| | 12 | 279 | 46.9% | 45 |
| | 14 | 0 | 0.0% | Out of Service |
| | 17 | 123 | 20.4% | Out of Service |
| | 18 | 303 | 57.7% | 108 |
| | 19 | 239 | 38.8% | 25 |
| | 20 | 206 | 38.3% | 41 |
| | 24 | 150 | 27.8% | 68 |
| | 27 | 163 | 34.9% | 38 |
| | 30 | 300 | 47.7% | 97 |
| | All | 2,138 | 36.7% | |
| D | 16 | 166 | 27.6% | 98 |
| | 26 | 349 | 59.2% | 59 |
| | 28 | 196 | 33.2% | 29 |
| | All | 712 | 39.9% | |
| Entire System | | 4,306 | 38.3% | |

Attachment C: Madison's Aquifer Water Levels - State Capitol Well





City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84481

File ID: 84481

File Type: Report

Status: In Committee

Version: 1

Reference:

Controlling Body: Water Utility

File Created Date : 07/17/2024

File Name: Monthly Financial Conditions Report

Final Action:

Title:

Monthly Financial Conditions Report

Notes:

Sponsors:

Effective Date:

Attachments: Item 7 - Memo - Financial Conditions Report July 2024.pdf, Item 7 - Attachment - Financial Conditions Report as of 6.30.24.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|

Text of Legislative File 84481

.Title

Monthly Financial Conditions Report

.Body

Please see corresponding memo and attachment.

MEMORANDUM

Date: July 23, 2024

To: Water Utility Board

From: January Vang, Finance and Administrative Manager

Subject: Monthly Financial Report – Operating and Capital Funds

BACKGROUND

Board governance policy requires that the Utility shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Outcomes policies. Accordingly, the Utility shall not cause or allow conditions, procedures, or decisions that:

1. Fail to ensure long-term financial health.
2. Fail to present a balanced annual operating budget and quarterly updates on actual expenditures and income.
3. Exceed total appropriations for the fiscal year, unless directed to do so by the board.
4. Use any dedicated reserves for purposes other than those for which they are designated, unless directed to do so by the board.
5. Undertake a debt without payoff schedule and identification of revenue stream.
6. Fail to establish an unrestricted reserve equal to a typical three months' operating expenses.
7. Fail to inform the board of where the utility stands with any current rate case in progress.
8. Fail to be able to provide a concise summary of the financial condition of the utility at any time.
9. Fail to adjust spending related to revenue shortfalls in a budget deficit.

The Finance Section of the Utility strives hard to meet or exceed the expectations laid out above. The monthly financial update provided in the attached Budget to Actual comparison, as of June 30, 2024, reflecting these efforts is attached.

As of June 30, 2024:

- Water revenues are down \$626,000 compared to budget. Pumpage was down 4.6% during this time period.
- Operating Fund balance is \$16.1million.
- Capital Fund expenditures is \$20.5 million, of which \$16 million is encumbrances.
- Capital Fund balance is \$852 thousand.

MadCAP Data Summary (as of July 12, 2024)

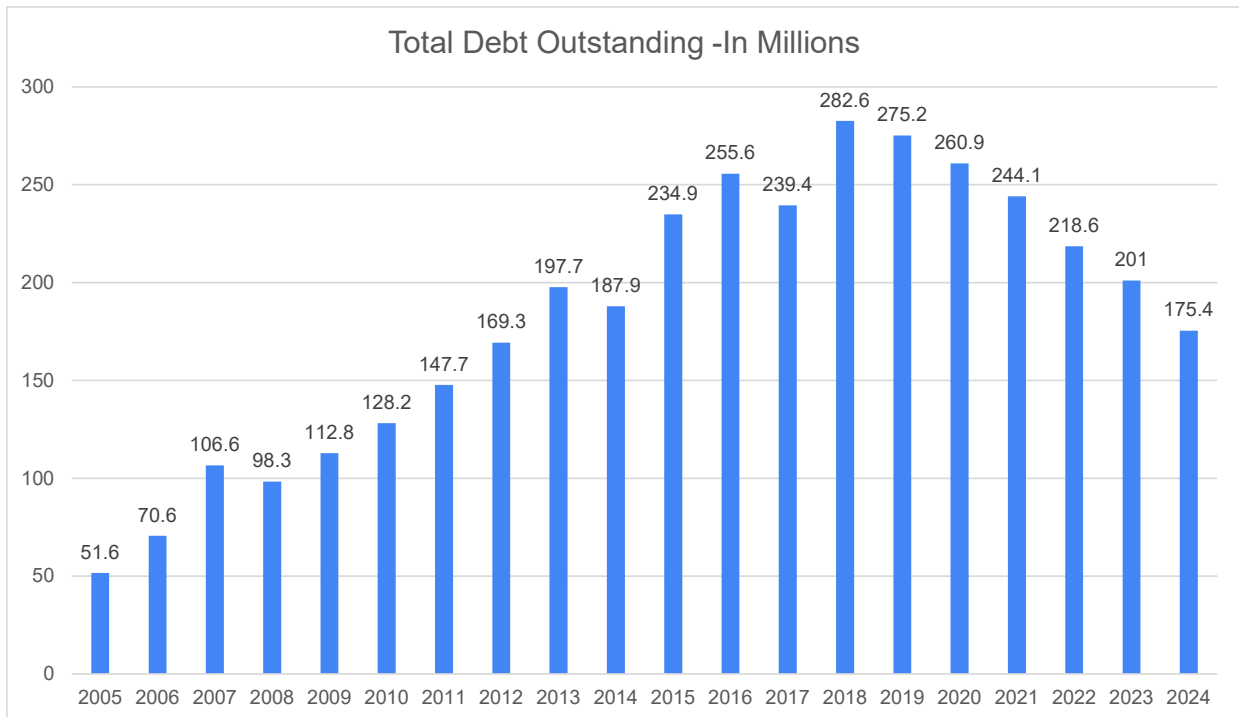
| | AMI <30% | AMI >30% and <50% | Total |
|--|----------|-------------------|-------|
| Total Applications Received | 291 | 187 | 478 |
| Total Applications Approved | 205 | 119 | 324 |
| <i>Homeowners</i> | 125 | 84 | 209 |
| <i>Renters</i> | 80 | 35 | 115 |
| Total Applications Not Approved | 86 | 68 | 154 |
| Households Newly Enrolled in Conservation Programs | 78 | 42 | 120 |

ATTACHMENTS:

- Budget to Actual comparison as of June 30, 2024

| Madison Water Utility | | | | | |
|---|---------------------|----------------------|----------------------|-------------------------------|---------------------|
| Budget to Actual Comparison | | | | | |
| As of June 30, 2024 | | | | | |
| | FY 2022 Actual | FY 2023 Actual | FY 2024 Budget | Year to Date June 30, 2024 | Projected 2024 |
| Operating Fund | | | | | |
| Revenues: | | | | | |
| Sales of water (Operations) | \$ 46,706,428 | \$ 52,008,356 | \$ 51,512,500 | \$ 23,913,010 | \$ 51,512,500 |
| Other Revenues | 1,539,894 | 1,704,401 | 1,174,000 | 462,820 | \$ 1,174,000 |
| Interest Income | 719,880 | 1,840,905 | 894,000 | 763,134 | \$ 1,200,000 |
| Total Revenues | 48,966,202 | 55,553,662 | 53,580,500 | 25,138,964 | 53,886,500 |
| Expenditures: | | | | | |
| Operating Expenses | 17,657,979 | 18,885,166 | 21,743,529 | 8,471,684 | 21,743,529 |
| Debt Service - Interest & Principal | 24,071,874 | 18,709,260 | 18,889,317 | 9,341,741 | 18,683,481 |
| Transfer Out to City (PILOT) | 6,849,831 | 6,440,655 | 6,400,000 | 3,199,998 | 6,400,000 |
| Total Expenditures | 48,579,684 | 44,035,081 | 47,032,846 | 21,013,423 | 46,827,010 |
| Net Operating Fund Inc(Decr) | 386,518 | 11,518,582 | 6,547,654 | 4,125,541 | 7,059,490 |
| Operating Fund Balance | | | | | |
| Opening Fund Balance | 8,575,829 | 6,198,389 | 12,178,312 | 12,178,312 | 12,178,312 |
| Net Operating Fund Inc(Decr) | 386,518 | 11,518,582 | 6,547,654 | 4,125,541 | 7,059,490 |
| Transfer Out to BAN* Repmt Fund | (5,000,000) | - | - | - | - |
| Transfer Out to Tank Recoat Reserve | - | - | - | - | (800,000) |
| Transfer In from BAN Repmt Fund | - | - | - | - | - |
| Transfer Out to Capital Fund | (1,543,211) | (2,564,519) | - | (14,384,265) | (8,500,000) |
| Transfer In from Bond Repmt Fund | 2,680,625 | - | - | - | - |
| Transfer In from Investment Acct | 2,359,583 | - | - | - | - |
| Accrual Adjustments | (1,260,954) | (2,974,140) | (1,779,000) | 14,131,888 | (1,779,000) |
| Ending Fund Balance | \$ 6,198,389 | \$ 12,178,312 | \$ 16,946,966 | \$ 16,051,476 | \$ 8,158,802 |
| Construction Fund | | | | | |
| Revenues: | | | | | |
| Bond/Loan Proceeds | - | - | 7,328,000 | - | 7,328,000 |
| SDWL Proceeds | - | - | 5,135,000 | - | 5,865,724 |
| Sales of Water (Expense Depreciation) | - | 4,166,667 | 5,000,000 | 2,500,000 | 5,000,000 |
| Trans from Oper Fund / Reserves | 1,543,211 | 2,564,519 | - | 14,384,265 | 8,500,000 |
| Total Capital Revenues | 1,543,211 | 6,731,186 | 17,463,000 | 16,884,265 | 26,693,724 |
| Actual Expenditures & Encumbrances | | | | | |
| Pipeline | 1,100,392 | 5,122,766 | 6,339,000 | 5,373,107 | 6,339,000 |
| Facility ~ | 1,193,819 | 1,825,551 | 8,683,000 | 13,417,913 | 17,883,000 |
| Fleet/Other | 1,172,107 | 1,689,181 | 2,441,000 | 1,755,291 | 2,441,000 |
| Total Capital Expend & Encumb | 3,466,318 | 8,637,497 | 17,463,000 | 20,546,311 | 26,663,000 |
| Net Construction Fund Inc(Decr) | (1,923,107) | (1,906,311) | - | (3,662,047) | 30,724 |
| Construction Fund Balance | | | | | |
| Opening Fund Balance | 8,343,939 | 6,420,832 | 4,514,521 | 4,514,521 | 4,514,521 |
| Net Capital Fund Inc(Decr) | (1,923,107) | (1,906,311) | - | (3,662,047) | 30,724 |
| Ending Fund Balance | \$ 6,420,832 | \$ 4,514,521 | \$ 4,514,521 | \$ 852,474 | \$ 4,545,245 |
| ~ Well 19 - budget authority in 2023 | | | | | |

| Madison Water Utility Cash Reserves & Long-Term Debt | | | | |
|---|---------------------------|---------------------------|---------------------------|--------------------------------|
| Cash Reserves | FY 2021 Actual | FY 2022 Actual | FY 2023 Actual | As of June 30, 2024 |
| Restricted: | | | | |
| Bond Redemption Fund | \$ 14,917,677 | \$ 13,164,827 | \$ 13,191,166 | \$ 6,609,000 |
| Bond Redemption Reserve Fund | 17,295,374 | 13,970,411 | 12,190,068 | 14,711,332 |
| BAN Repayment Fund | 5,000,000 | 10,000,000 | 10,000,000 | - |
| Tank Recoat Reserve | - | - | 800,000 | 800,000 |
| Depreciation Fund | 750,000 | 750,000 | 750,000 | 750,000 |
| PILOT Fund | - | - | - | 3,723,600 |
| Assessment Account | 1,351,770 | 1,504,541 | 1,858,134 | 1,858,134 |
| Revenue Bond Construction Fund | 8,343,939 | 6,420,832 | 2,548,254 | 169,085 |
| Expense Depreciation | - | - | 1,966,423 | 3,645,396 |
| Timing Adjustments | - | - | - | 1,005,322 |
| Unrestricted Cash Balance | 8,575,829 | 6,198,389 | 16,178,312 | 16,701,207 |
| Total Cash & Investments (Munis) | \$ 56,234,588 | \$ 52,009,000 | \$ 59,482,356 | \$ 49,973,075 |
| No. of months expenditures covered by Operating Reserves | 2.54 | 1.73 | 4.41 | 2.38 |
| Debt Coverage Ratio | 1.69 | 1.95 | | |





City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84482

File ID: 84482

File Type: Report

Status: In Committee

Version: 1

Reference:

Controlling Body: Water Utility

File Created Date : 07/17/2024

File Name: Monthly Capital Projects Report

Final Action:

Title: Monthly Capital Projects Report

Notes:

Sponsors:

Effective Date:

Attachments: Item 8 - Memo - Capital Projects Monthly Report
2024-07-23.pdf, Item 8 - Attachment - Capital
Projects Monthly Report 2024-07-23.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|

Text of Legislative File 84482

.Title

Monthly Capital Projects Report

.Body

See corresponding memo and attachment.

MEMORANDUM

Date: July 23, 2024

To: Water Utility Board

From: Pete Holmgren, P.E. – Chief Engineer
Krishna Kumar – General Manager

Subject: Capital Projects Report

BACKGROUND

Board governance policy requires that the Utility shall not cause or allow conditions, procedures, or decisions that prevent the Madison Water Utility from meeting its obligation to serve current and future generations of customers within the City of Madison and its authorized service areas. Accordingly, the Utility shall not cause or allow conditions, procedures, or decisions that:

1. Fail to assure that required rates fund all expenditures for timely and prudent capital improvements to existing utility systems, and that those capital improvements are driven by reliability, operational or regulatory requirements, replacement of aging infrastructure, utility relocations for public works and road projects, extension of the life of existing systems, or customer input.
2. Fail to identify and plan for resource and infrastructure needs for the provision of water service to customers in a timely manner.
3. Fail to coordinate Madison Water Utility activities and policies with the City of Madison's Comprehensive Plan and other relevant guidelines for community development.
4. Fail to consider participation with other governmental or private entities on regional major water infrastructure or water supply planning projects.

The Engineering Section of the Utility strives to meet or exceed the expectations laid out above. The monthly Capital Budget to Actual Monthly Report reflecting these efforts is attached.

SUMMARY

The attached 2024 Capital Budget Monthly Report presents the total of both actual capital expenditures *and* encumbrances through June 2024; this total is ~\$20,546,000.

The 2024 actual expenditures in June total ~\$717,000 and consist of:

- ~\$63,000 in facility expenses
- ~\$17,000 in fleet/other expenses
- ~\$637,000 in pipeline expenses

For expense depreciation related to water main replacement projects:

- The total targeted spend amount in 2024 is \$5,000,000.
- The estimated amount spent through May 2024 is ~3,972,000.
- The remaining amount for our 2024 spending target is ~\$1,028,000.

Please refer to the attached report for additional information, which also includes project updates for:

- Major Capital Project Unit Well 19
- Major Capital Project Unit Well 15
- 2024 Cast In Place Pipe (CIPP)

ATTACHMENTS:

1. Capital Projects Monthly Report – July 2024

WATER UTILITY BOARD

CAPITAL PROJECTS MONTHLY REPORT

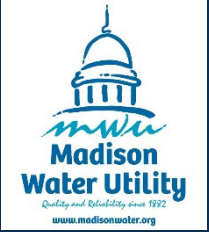


Pete Holmgren, P.E.
Chief Engineer

July 23, 2024



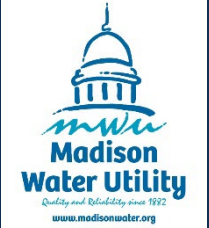
Capital Projects Monthly Report



■ PRESENTATION OVERVIEW:

1. Actual Expenditures and Encumbrances Through June 2024
2. Water Main Replacement Expense Depreciation Through June 2024
3. Capital Project Updates:
 - Unit Well 19 Fe, Mn, Radium Treatment Facility
 - Unit Well 15 PFAS Treatment Facility
 - 2024 Cast In Place Pipe (CIPP)

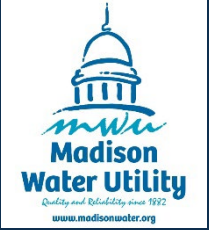
Capital Projects Monthly Report



2024 Actual Expenditures and Encumbrances (Through June):

- Total of Actual Expenditures and Encumbrances: ~\$20,546,000
- April 2024 Actual Expenditures (~\$717,000):
 1. **Facilities: ~\$63,000**
 - Well 25 VFD Replacement; Well 15 PFAS Treatment; Well 19 Treatment
 2. **Fleet/Other: ~\$17,000**
 - Raise/Replace Hydrants; Citywide Controls/Instrumentation
 3. **Pipelines: ~\$637,000**
 - W Washington & South Henry; Hammersley Rd; East Wilson St & Doty St

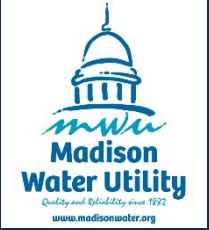
Capital Projects Monthly Report



2024 Water Main Expense Depreciation (Through June):

- 2024 targeted spend amount: \$5,000,000
- Current estimated amount spent: ~\$3,972,000
- Remaining estimated amount for spend target:
~\$1,028,000
 - Starker Avenue / Doncaster Drive / Rutledge Street

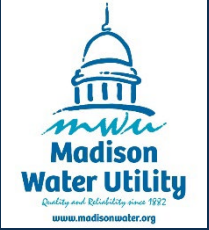
Capital Projects Monthly Report



Project Update: Well 19 Fe, Mn, Radium Treatment Facility

- Project Budget: \$9,088,000 (2024 Budget: \$8,116,000)
- Current Status: Construction
 - Ongoing review of product submittals and requests for information
 - Coordination with MG&E for new gas line and temporary generator displacement
 - Finalization of site water main and hydrant installation
 - Regular meetings with contractor and engineering consultant
- Upcoming:
 - Excavation and rock removal for building addition and backwash tank

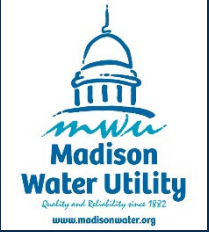
Capital Projects Monthly Report



Project Update: Well 15 PFAS Treatment Facility

- Project Budget: \$5,943,000
- Current Status: Construction
 - Removal and transportation of old air stripper equipment
 - Coordination of site access logistics
- Upcoming:
 - Structural reinforcement of existing columns
 - Removal/modification of current floor in the treatment room
 - Ongoing meetings with consultant and contractor

Capital Projects Monthly Report



Project Update: 2024 Cast In Place Pipe (CIPP)

■ June through August 2024

■ Current Status: Construction

- Camera assessment in pipes, inserting pipe liners, curing, pressure testing
- Maintenance of road/driveway access and temporary bypass piping

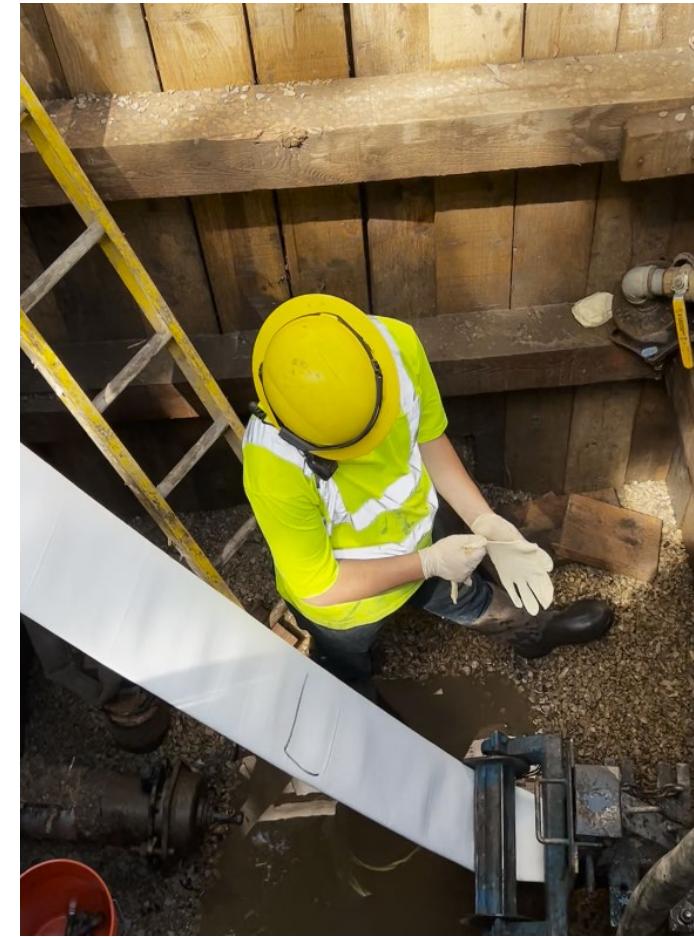
■ Upcoming:

- Water quality testing, then service reinstatements
- Work on lining 4-inch water main
- Coordination with chip sealing contractor (City Engineering) for streets

Capital Projects Monthly Report



Project Update: 2024 Cast In Place Pipe (CIPP)





Questions / Comments?

Contact Information:

Pete Holmgren

pholmgren@madisonwater.org



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84483

File ID: 84483

File Type: Miscellaneous

Status: In Committee

Version: 1

Reference:

Controlling Body: Water Utility

File Created Date : 07/17/2024

File Name: Monthly Operations Report

Final Action:

Title: Monthly Operations Report

Notes:

Sponsors:

Effective Date:

Attachments: Item 9 - Memo - Monthly Operations report July 2024.pdf, Item 9 - Attachment - Monthly Operations Report July 2024.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|

Text of Legislative File 84483

.Title

Monthly Operations Report

.Body

Please see corresponding memo and attachment.

MEMORANDUM

Date: July 23, 2024

To: Water Utility Board

From: Dan Rodefeld, Operations Manager

Subject: Monthly Operations Report

BACKGROUND

Board governance policy require that Madison residents will receive water which is consistent in its availability and quality. Accordingly, residents will:

- a. Experience minimal unplanned service interruptions
- b. Receive adequate notice of planned service interruptions
- c. Receive adequate notice of planned maintenance work that would significantly reduce water flow or pressure, and/or cause water discoloration

The Operations Section of the Utility strives hard to meet or exceed the expectations laid out above. The attached Monthly Operations Report for July 2024 reflecting these efforts is attached.

ATTACHMENTS

- A. Monthly Operations Report – July 2024



**Madison
Water Utility**

MONTHLY OPERATIONS REPORT Jul-24

| | Jan-May-24 | Jun-24 | 2024 YTD Total |
|---|------------|--------|-------------------|
| Hydrants | | | |
| Total in Service - 9,494 | | | |
| No. Replaced | 42 | 5 | 47 |
| No. of Inspections | 1,869 | 304 | 2,173 |
| No. Repaired | 24 | 7 | 31 |
| Unidirectional Flushing Runs | 649 | 250 | 899 |
| Conventional Flushing Runs | 429 | 50 | 479 |
| No. Re-painted | 129 | 408 | 537 |
| (Temp Water Connections) | 183 | 13 | 196 |
| | | | |
| Valves | | | |
| Total System valves - 16,048 | | | |
| Total Large Service valves - 4,256 | | | |
| Total Hydrant valves - 6,985 | | | |
| No. Replaced | 36 | 5 | 41 |
| No. of Inspections | 5,668 | 537 | 6,205 |
| No. Repaired | 83 | 6 | 89 |
| | | | |
| System Leaks | | | |
| Total Miles in Service - 923 | | | |
| Number of Main Leaks Repaired | 112 | 8 | 120 |
| Number of Service Leaks Repaired | 13 | 3 | 16 |
| | | | |
| Operational Projects | | | |
| Cast-in-place pipe lining (feet) | 0 | 0 | 0 |
| Pavement repair (open work orders) | 246 | 33 | 279 |
| Pavement repair (closed work orders) | 37 | 50 | 87 |
| Terrace repair (open work orders) | 245 | 20 | 265 |
| Terrace repair (closed work orders) | 361 | 2 | 363 |



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84484

File ID: 84484

File Type: Report

Status: In Committee

Version: 1

Reference:

Controlling Body: Water Utility

File Created Date : 07/17/2024

File Name: Monthly Public Information Update

Final Action:

Title: Monthly Public Information Update

Notes:

Sponsors:

Effective Date:

Attachments: Item 10 - Memo - Public Information Report.pdf, Item
10 - Attachment - Utility Highlights.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|

Text of Legislative File 84484

.Title
Monthly Public Information Update

.Body
Please see corresponding memo and attachment.



MEMORANDUM

Date: July 23, 2024
To: Water Utility Board
From: Marcus Pearson, Public Information Officer
Krishna Kumar, General Manager
Subject: Public Information Report

BACKGROUND

Madison Water Utility's overarching mission is to supply high quality water for consumption and fire protection, at a reasonable cost, while conserving and protecting our ground water resources for present and future generations. Community trust and awareness is built through our constant commitment to the preservation and protection our aquifer and care for Madison's vital drinking water infrastructure. This is cultivated through a wide variety of efforts performed by Utility staff on a daily basis.

The above expectations are met through:

1. Operation, maintenance, and management of our system.
2. Community Outreach and engagement.
3. Customer service.

The Public Information Department of the Utility strives hard to exceed the expectations laid out above. The Monthly Public Information Report encompasses Utility highlights pertaining to events occurring on or after July 1, 2024. The attachment(s) below reflect these efforts.

ATTACHMENTS

- A. Water Utility Highlights as of July 1, 2024



WATER UTILITY HIGHLIGHTS

JULY 2024

Madison Water Utility Makes Progress on PFAS Treatment Facility at Well 15



Promising construction progress has been made since the official Well 15 Treatment Facility construction groundbreaking back in May 2024. As many are aware, Well 15 was shut down in 2019 due to PFAS contamination concerns; after nearly five years of being offline, these images provide a cheerful reality that Well 15 will indeed be operational *soon*!

Informed by community input throughout the planning process, Madison Water Utility opted for a hybrid PFAS treatment system at Well 15 that utilizes granular activated carbon (GAC) and ion exchange (IX) resin. GAC will remove PFAS (and other volatile organics) while IX will reduce concentrations of short-chain PFAS. This treatment is expected to remove all PFAS down to a non-detectable level.



The chosen technology – granular activated carbon (GAC) with ion exchange (IX) – comes in the form of large vessels containing media that will remove PFAS and at least two other volatile organic compounds (VOC) from the water pumped at Well 15.

In order to install four large tanks (two IX tanks and two GAC tanks), it was necessary to remove the roof of the building. Construction cranes are used to transport and position each tank within the limited space

available at the existing Well 15 facility. For this reason, additional modifications to the interior of the building are needed to accommodate the four new large IX and GAC media-filled tanks.

The PFAS treatment at Municipal Well 15 highlights Madison's commitment to providing safe, high-quality water to our community. The expectation is for the PFAS treatment system to be operational by next summer (2025).



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Master

File Number: 84022

File ID: 84022

File Type: Miscellaneous

Status: In Committee

Version: 1

Reference:

Controlling Body: WATER UTILITY
BOARD

File Created Date : 06/20/2024

File Name: Board Meeting Evaluation and Discussion

Final Action:

Title: Meeting Evaluation and Discussion

Notes:

Sponsors:

Effective Date:

Attachments: Board Self Evaluation Form.pdf

Enactment Number:

Author:

Hearing Date:

Entered by: jberndt@madisonwater.org

Published Date:

History of Legislative File

| Ver- sion: | Acting Body: | Date: | Action: | Sent To: | Due Date: | Return Date: | Result: |
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|
|---------------|--------------|-------|---------|----------|-----------|-----------------|---------|

Text of Legislative File 84022

.Title
Meeting Evaluation and Discussion

Water Utility Board Self-Evaluation Form

(Relates to Board Policy BP-2A and GUIDE 5)

All members actively participate in discussions, and all members have opportunities to voice opinions/positions on agenda topics.

Not Met 1 2 3 4 5 Fully Met

Members come prepared to engage in discussion by reviewing materials provided prior to the meeting.

Not Met 1 2 3 4 5 Fully Met

Members engage in active listening and avoid interrupting other speakers.

Not Met 1 2 3 4 5 Fully Met

Members offer honest opinions and respect the viewpoints expressed by other members.

Not Met 1 2 3 4 5 Fully Met

Members honor WUB procedures and policies as outlined in the WUB Policy book.

Not Met 1 2 3 4 5 Fully Met

Members represent the collective interest of current and future Madison residents.

Not Met 1 2 3 4 5 Fully Met

Members make decisions based on equity principles considering the decision's impact on all residents. The decision-making process considers: Who benefits? Who is burdened? Who does not have a voice at the table? How can policymakers mitigate unintended consequences?

Not Met 1 2 3 4 5 Fully Met

Developed by Pat Delmore, January 2019. Updated July 2020.