

Financial Management and Planning Practices Audit

Madison Water Utility

January 2020

Overview & Approach

Completed pursuant to City Council request

Contracted with consultant Ruckert Mielke

Consultant Approach

Interviewed 22 water utility and city personnel, primarily leadership roles

Inquiries directed around financial decision making at the utility

Accumulated interview results and summarized into suggestions for improvement

Specific recommendations summarized in subsequent slides

Water Utility Overview

(10-year snapshot)

Substantial investment in capital infrastructure from 2007 to 2018

Approx. \$176m in new capital assets financed primarily with revenue bonds

Operating revenues increased \$16m or 84% in that same time period

Consumption decreased due to conservation, loss of significant customers, and wet summers

Accumulation of multiple factors lead to a \$6M cash deficit in 2017

Significant progress made in 2 years since

2018 year end cash was positive \$3M

2019 year end cash projected to be similar to 2018

Bond rating outlook restored to stable in 2019

Audit Recommendations

More effective internal collaboration and communication particularly with regard to budget and vision

STATUS: *In progress*

Changes made to increase effectiveness of weekly leadership meetings. Planned changes in 2020 to budget development and reporting.

Finalize Asset Management Plan

STATUS: *In progress.*

Recruitment begun to replace recently departed Asset Manager.

Clarify the role and authority of the CFO

STATUS: *Complete*

Audit Recommendations (cont.)

Educate staff on relevant PSC regulations

STATUS: *In progress*

Part of 2020 work plan.

Assess technology staffing level

STATUS: *In progress*

Evaluating need for a water utility data analyst in 2021 budget request.

City Finance and MWU working together to 1) make any accounting changes necessary for MWU to comply with PSC regulations and 2) Implement Tyler Utility Billing system

STATUS: *In progress*