



March XX, 2016

DRAFT

Mayor Paul R. Soglin
City of Madison Mayor's Office
210 MLK Jr Blvd, Room 403
City-County Building
Madison, WI 53703

Dear Mayor Soglin,

This letter provides results of the Madison Water Utility Board's 2015 annual review of the Water Utility General Manager, Tom Heikkinen. We undertake this evaluation to assess the Utility's progress in meeting the Board's goals in fourteen aspects of utility management.

The board's mission is to ensure that Madison residents, businesses and visitors receive an adequate volume of high quality water for consumption and fire protection, at a reasonable financial and environmental cost. The general manager informs the Board on the Utility's progress in fulfilling this mission by providing updates on these topics:

- Water quality
- Water quantity
- Reliability of service
- Affordability
- Sustainability
- Treatment of consumers
- Treatment of staff
- Financial planning and budgeting
- Financial condition and activities
- Emergency succession
- Asset protection
- Infrastructure
- Communication and support to the board
- Quality and performance improvement

In 2015, Mr. Heikkinen fully met the Board's policies in 11 of these areas. Under Tom's leadership, the Water Utility continues to make significant progress on major infrastructure. The Utility completed renovations at Well 7, started reconstruction of the Lakeview Reservoir, and began extensive renovation of the Utility Operations Center, located at South Patterson and East Main Streets.

The Board is most appreciative of Mr. Heikkinen's leadership in the area of water conservation and aquifer sustainability. In 2015, Tom and his staff secured the Public Service Commission's approval for changes to the Utility's water rate structure. This allowed the Utility to implement a conservation rate for residential customers and to end a declining block price structure for the Utility's largest customers. Madison is now the largest city in Wisconsin to offer a price structure that rewards water conservation.

As in previous years, two conditions of Board policies were not met in 2015. The Board recognizes that mitigation projects are in progress to improve fire flow pressure and pressure at customer taps at several locations in the service area. The Utility also fell short on a goal to establish a reserve fund. The Board supports Mr. Heikkinen's decision to prioritize repayment of a loan from the City, and we expect that he will be able to make progress on the reserve fund in 2019.

An additional concern identified in 2015 relates to the Utility's financial record keeping. In addition to being unable to provide timely financial statements to the Board during the year, Mr. Heikkinen received several recommendations as part of the 2014 Independent Financial Audit of the Utility, which was performed in 2015. Since that time, Tom and his staff have moved quickly and diligently to address these challenges. They have kept the Board apprised of progress on a monthly basis. We are confident that the 2015 financial audit will determine that significant progress has been made on these issues.

In summary, Mr. Heikkinen has continued to make excellent progress in several key areas of utility management. The Board appreciates the dedication and leadership Mr. Heikkinen brings to the Water Utility, and we look forward to his success in solving several problems noted in the financial audit.

Please feel free to contact me if you have any questions about this review.

Sincerely,

Madeline Gotkowitz
President
Madison Water Utility Board