

Internal Monitoring Report

Policy: EL-2C Financial Planning/Budgeting

Frequency: Twice a year (May and August)

Date: August 27, 2019

Policy Language:

The General Manager shall not cause or allow financial planning to deviate materially from the board's Outcomes priorities, risk financial jeopardy or fail to be derived from a multiyear plan.

Accordingly, the General Manager shall not cause or allow conditions, procedures or decisions that:

1. Allow budgeting which would risk incurring those situations or conditions described as unacceptable in the Financial Condition and Activities policy (EL-2D).
2. Fail to provide the full amount established by the board according to the Agenda Planning to Achieve Board Outputs policy (BP-2C).
3. Fail to provide the board with an opportunity for one month's deliberation prior to approval of cost increases in excess of 15% of the established budget for a project.
4. Fail to provide the board with an estimated impact on the rate increase for capital projects with the annual presentation of the capital budget.

General Manager's interpretation and its justification:

This Executive Limitations policy recognizes that financial planning and sound budgeting are necessary for the achievement of the board's Outcomes priorities and in order to avoid financial jeopardy. Sound budgeting is also necessary for the board to invest resources in improving its own governance capacity. The Utility has the responsibility to establish, manage and plan for the necessary water rates and debt to fund all expenditures to meet identified capital and operational requirements, and to budget accordingly.

Data directly addressing the General Manager's interpretation:

The proposed Water Utility Capital Budget and Capital Improvement Plan is aligned materially with the board's Outcomes priorities and projects capital expenditures through the year 2025. However, due to the water utility's current financial condition, facility projects to accomplish Water Quantity, Water Quality, and Reliability Outcomes have been postponed in 2019 and 2020. The Capital Budget for 2020 provides primarily for pipeline projects and miscellaneous equipment replacements. The Capital Budget was presented to the board at its May meeting.

The 2020 Operating Budget is attached. It includes the amount established by the board for board member training and/or education.

In the past year, the board has always been provided with a one month period of time for review and deliberation of cost increases in excess of 15% of the established budget for a project.

I report compliance.

Attachments:

Proposed 2020 Operating Budget

**MADISON WATER UTILITY
BUDGET SUMMARY
AUGUST 2019**

	2020	2019			2018			2017		
	Budget	Projected	Budget	Variance	Actuals	Budget	Variance	Actuals	Budget	Variance
Water Sales	\$ 43,518,000	\$ 43,647,070	\$ 44,935,000	\$ (1,287,930)	\$ 35,099,182	\$ 41,640,000	\$ (6,540,818)	\$ 34,919,941	\$ 41,914,422	\$ (6,994,481)
Other Income	1,270,300	897,780	951,000	(53,220)	484,945	735,000	(250,055)	1,247,351	860,883	386,468
Total Revenues	<u>\$ 44,788,300</u>	<u>\$ 44,544,850</u>	<u>\$ 45,886,000</u>	<u>\$ (1,341,150)</u>	<u>\$ 35,584,127</u>	<u>\$ 42,375,000</u>	<u>\$ (6,790,873)</u>	<u>\$ 36,167,292</u>	<u>\$ 42,775,305</u>	<u>\$ (6,608,013)</u>
							-			-
Payroll & Benefits	11,387,233	11,778,617	12,441,331	(662,714)	10,814,333	12,048,532	(1,234,199)	12,111,999	12,029,917	82,082
Goods & Supplies	2,322,500	1,891,859	2,516,350	(624,491)	2,555,772	2,912,000	(356,228)	2,615,767	3,292,000	(676,233)
Purchased Services	5,610,000	4,864,606	5,549,950	(685,344)	4,434,312	5,692,500	(1,258,188)	6,440,234	7,701,380	(1,261,146)
Principal & Interest	19,462,000	18,171,060	19,925,583	(1,754,523)	16,337,292	16,515,434	(178,142)	13,400,078	14,855,835	(1,455,757)
PILOT Pmt	7,600,000	7,502,887	7,502,887	-	7,399,750	7,364,256	35,494	6,923,928	6,912,099	11,829
Interagency Charges	962,217	866,009	866,399	(390)	590,692	605,424	(14,732)	751,316	803,870	(52,554)
Capital Contributions	-	-	-	-	(3,849,748)	-	(3,849,748)	(6,693,090)	-	(6,693,090)
Miscellaneous	-	1,469,000	-	1,469,000	(409,526)	-	(409,526)	(1,089,762)	-	(1,089,762)
Interagency Revenues	(2,960,000)	(2,904,057)	(2,916,500)	12,443	(2,738,483)	(2,763,146)	24,663	(2,669,323)	(2,819,796)	150,473
Total Expenses	<u>\$ 44,383,950</u>	<u>\$ 43,639,981</u>	<u>\$ 45,886,000</u>	<u>\$ (2,246,019)</u>	<u>\$ 35,134,394</u>	<u>\$ 42,375,000</u>	<u>\$ (7,240,606)</u>	<u>\$ 31,791,147</u>	<u>\$ 42,775,305</u>	<u>\$ (10,984,158)</u>
							0			0
Net Income/Fund Bal	<u>\$ 404,350</u>	<u>\$ 904,869</u>	<u>\$ -</u>	<u>\$ 904,869</u>	<u>\$ 449,733</u>	<u>\$ -</u>	<u>\$ 449,733</u>	<u>\$ 4,376,145</u>	<u>\$ -</u>	<u>\$ 4,376,145</u>