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To: Water Utility Board

From: Robin Piper, Chief Administrative Officer and Kathy Schwenn, Finance Supervisor

Date: May 22, 2018

Subject: Madison Water Utility Deficit and Next Steps

While preparing the 2017 Annual Report and work papers for the 2017 annual audit, we became aware of a cash flow deficit at the Water Utility.

As of 12/31/17, the Water Utility had a negative cash balance of (\$6,036,654). We are taking the following steps to address this cash shortfall and put the Utility in a positive cash position while maintaining current levels of service:

- Working with the Public Service Commission on our current rate increase application to provide sufficient revenues to cover expenses.
- We have determined a list of properties that the Utility owns that it no longer needs and have begun talks with City Real Estate to sell these properties. We anticipate a rough estimated value of \$2,000,000 for all properties.

Madison Water Utility Surplus Property			
Address	Parcel Number	Sq. Feet	Notes
14 S PATERSON ST	0709-134-1014-1	10,890	Old East Well Site
320 S WHITNEY WAY	0709-193-0097-4	39,998	Future Well Site
3821 SAVANNAH RD	0710-261-0102-3	9,905	Inherited from Sanitary District #8
5802 FEMRITE DR	0710-233-0108-0	66,945	Former future well site
604 BORDNER DR	0709-192-2129-5	9,000	Former well site
6802 GRAASKAMP WAY	0810-162-0502-4	43,560	Future Well Site
10451 OLD SAUK RD	0708-201-0103-1	742,698	Blackhawk Tower site - 17 total acres, we will keep 2 and have 15 acres available

- We are working with City Finance to secure an advance from the City in 2018 to cover our cash deficit. This advance will have a loan repayment schedule.
- We are restricting all 2018 operating expenditures to necessary purchases only.
- We will be preparing our 2019 operating budget to maintain our current level of service but exclude any non-essential spending.
- We have cancelled certain non-obligated projects from our 2018 capital budget (i.e. Unit Well 12).
- We have significantly reduced our 2019 capital budget request. We are only funding our main replacement programs and our meter program.
- We are currently working with City Finance to convert our financial system to Munis (City Financial System). We plan to be live on Munis 1/1/2019.
- We are working with Springsted Financial to update our ten-year Financial Model and will be using this model to forecast our revenues, expenses, and rate needs from this point forward. This along with the financial system conversion will allow us to better track and report on our cash position.

We feel the steps that we have outlined above will provide a way forward for the Utility to ensure its financial stability in the future.