

Internal Monitoring Report

Policy #: EL-2F Asset Protection

Date: August 28, 2018

Frequency: Annual

Policy Language:

The General Manager shall not cause or allow utility assets to be unprotected, inadequately maintained, or unnecessarily risked. Utility assets include financial reserves, bond rating, physical infrastructure (such as pumps, pipes, reservoirs and wells), the groundwater supply, and the utility's reputation in the community.

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

1. Fail to comply with City policies regarding asset protection.
2. Fail to ensure water availability for future and current customer needs through long-term resource supply and demand analysis, conservation and public education.
3. Fail to ensure adequate water quality for future and current customers through long-term analysis of water quality trends in well head protection areas, and by coordinating with appropriate regulatory and enforcement agencies to pursue prevention and remediation of contaminant sources in well head protection areas.
4. Use or permit the use of water by others outside the Madison Water Utility's existing water service area, unless in compliance with Madison General Ordinances (if applicable) and the City of Madison's Comprehensive Plan.
5. Endanger the utility's public image or credibility.
6. Fail to follow the auditor's recommended internal controls.

General Manager's interpretation and its justification:

"City policies regarding asset protection" means Mayoral Administrative Procedure Memorandum No. 1-7, Investment Policy. This policy addresses the protection of financial assets. The General Manager is aware of no other "asset protection policies.

"Ensure water availability" for current customers means that no customer is without water at standard levels of service quality, pressure and flow for an extended period of time absent unusual circumstances, such as catastrophic mechanical failure or extreme drought. "Ensure water availability for future customers" means that no City-approved development or expansion is delayed for a lack of water supply.

"Use or permit the use of water by others outside the Madison Water Utility's existing water service area" applies to normal operating conditions and excludes emergency conditions when water may be supplied to the Cities of Fitchburg and Monona through interconnections in accordance with signed agreements.

Data directly addressing the General Manager's interpretation:

1. All utility reserves are invested in either the City's investment pool or bond reserve trust controlled by the City Treasurer, in compliance with APM 1-7.
2. There has been no lack of water available for current or future customers. The utility plans for supply through its [Master Plan](#). Part of the plan was updated through the East Side Water Supply project, and the utility has hired a consultant to study/evaluate the West Side's water supply needs. The utility is also partnering with the Madison Metropolitan Sewerage District and City Engineering to develop a comprehensive sustainability plan.
3. The City of Madison has enacted ordinances to define and protect the wellhead protection zones for all 22 active wells. Madison Water Utility hired an independent consultant to further analyze groundwater movement in the Well 8 area. The utility is also studying water quality issues at Well 27 (naturally-occurring radium) and Well 14 (road salt). The utility has worked cooperatively with other agencies and stakeholders to address the road salt issue, including the launch of a certification program for road salt applicators in 2017.
4. No water has been provided outside the authorized service area, as defined in Madison General Ordinance 13.16(2).
5. Madison Water Utility has both a Strategic Communication Plan and a Crisis Communication Plan. We have continued our policies of being open and transparent in our interactions with the public and media. Our Public Information Officer has also written many informative stories and shared them through social media; many have been picked up by industry and traditional media channels.
6. The financial audit was presented to the board at the July board meeting. Water Utility staff continues to work to implement recommendations made by the audit team, and made tremendous progress in that effort over the last year.

Per the directive of the Water Utility Board, the utility has hired an Asset Manager to lead our Asset Management Program. This program will optimize the value of the utility's assets, schedule repair and replacement, and protect the system's ability to provide drinking water service to the citizens of the City of Madison for generations to come.

I report compliance.