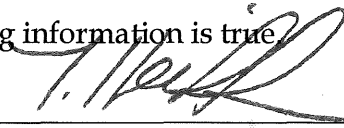


Internal Monitoring Report

Policy #: EL-2C Financial Planning/Budgeting
Frequency: Twice a year (May and August)

Date: August 26, 2014

I certify that the following information is true.

Signed  _____, General Manager

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 to the utility the full amount established by the board for any given activity.

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.

The board has enumerated in this policy two specific areas: budgeting in accordance with EL-2D, and providing funds for board activities.

Data directly addressing the General Manager's interpretation:

The Utility's 2015 Capital Improvement Program was approved by the board on May 27, 2014. It is aligned materially with the board's Outcomes priorities, including the Global Outcomes Policy and the Water Quantity, Water Quality and Reliability policies. In addition, it projects capital expenditures through 2020.

The Utility has implemented and uses a financial planning model to evaluate and project funding required for financing infrastructure and operating needs. Through the use of this model, bond sales are planned and rate increases are developed.

The 2015 Operating Budget was submitted to the City's Finance Dept. on August 18, 2014, and is attached herewith. It is a balanced budget and includes the full amount established by the board for board governance capacity at its meeting on April 30, 2014.

I report compliance.

Attachment:

2015 Water Utility Operating Budget

Water Utility

Agency Number: **64**
 Budget Function: **Water**

The mission of the Madison Water Utility is to provide and maintain an adequate supply of safe water for consumption and fire protection, with quality service at a reasonable price, for present and future generations.

<u>Major Service</u>	<u>2013 Actual</u>	<u>2014 Adopted</u>	<u>2014 Projected</u>	<u>2015 Request</u>	<u>2015 Executive</u>	<u>2015 Adopted</u>
Water Supply	0	(0)	(0)	0	0	0
Agency Total	\$ 0	\$ (0)	\$ (0)	\$ 0	\$ 0	\$ 0

Requested Budget Highlights

The Budget includes:

1. A revenue bond issue of approximately \$24.3 million planned for December 2014. Bond proceeds will fund the balance of the Utility's 2014 capital budget and part of the 2015 capital budget. The costs of servicing the debt are included in the 2015 operating budget. The last bond issue was in December 2013.
2. A 30% revenue increase (9.5% annualized since the Utility's last revenue increase became fully effective) beginning in March 2015. The last revenue increase became fully effective January 1, 2012. The utility plans to file a rate increase application with the Public Service Commission of Wisconsin in September 2014.
3. Principal and interest payments totaling \$6,774,249 and \$5,874,914 respectively, an increase of \$1,006,091 or 17.4% (principal) and \$1,157,658 or 24.5% (interest) from the 2014 Adopted Budget. PILOT is \$6,536,475 an increase of \$617,219 or 10.4% from the 2014 Adopted Budget.
4. The full year effect of monthly customer billing slated to begin in September 2014, resulting in higher postage and printing costs (schedules).
5. A 3% COLA increase of \$229,622 separately budgeted for permanent salaried employees of the Water Utility as a business unit (enterprise) agency of the City.

Water Utility

Budget Service Descriptions:

Water Supply

The Madison Water Utility serves over 66,000 customers, providing approximately 11 billion gallons of water a year. The Utility operates 22 wells to supply the water, which is delivered to customers through over 840 miles of water main.

Service Summary			
	2013 Actual	2014 Adopted	2015 Executive
Total Expenditures	\$ 32,066,641	\$ 35,111,485	\$ 0
Less Inter-Agency Billings	<u>32,066,641</u>	<u>35,111,485</u>	<u>0</u>
Net Total	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 0</u>

Water Utility Summary by Major Object of Expenditure

	2013 Actual	2014 Adopted	2014 Projected	2015 Request	2015 Executive	2015 Adopted
Permanent Salaries	\$ 7,013,797	\$ 7,493,484	\$ 7,493,484	\$ 7,564,692	\$ 0	\$ 0
Hourly Employee Pay	157,583	204,200	204,200	178,000	0	0
Overtime Pay	440,173	306,300	306,300	300,000	0	0
Fringe Benefits	2,793,998	2,840,894	2,840,894	2,863,328	0	0
Purchased Services	3,913,727	4,448,258	4,448,258	4,451,000	0	0
Supplies	1,796,906	1,781,000	1,781,000	1,921,000	0	0
Inter-Departmental Charges	823,723	936,079	936,079	1,072,326	0	0
Debt/Other Financing Uses	14,836,733	16,404,670	16,404,670	19,415,260	0	0
Capital Assets	<u>290,002</u>	<u>696,600</u>	<u>696,600</u>	<u>785,000</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$ 32,066,641	\$ 35,111,485	\$ 35,111,485	\$ 38,550,606	\$ 0	\$ 0
Inter-Agency Billings	<u>32,066,641</u>	<u>35,111,485</u>	<u>35,111,485</u>	<u>38,550,606</u>	<u>0</u>	<u>0</u>
Net Budget	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

		<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
		<u>Actual</u>	<u>Adopted</u>	<u>Projected</u>	<u>Request</u>	<u>Executive</u>	<u>Adopted</u>
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
Total		<u>\$ 1,796,906</u>	<u>\$ 1,781,000</u>	<u>\$ 1,781,000</u>	<u>\$ 1,921,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

Inter-Departmental Charges

56020	Attorney-Inter-D (Pmts To)	3,951	11,500	11,500	11,500	0	0
56260	CDBG-Inter-D (Pmts To)	0	21,250	21,250	0	0	0
56330	Finance Dept-Inter-D (Pmts To)	37,904	37,904	37,904	39,041	0	0
56340	Info Technology-Inter-D (Pmts To)	70,000	108,871	108,871	108,871	0	0
56380	Human Res-Inter-D (Pmts To)	52,110	53,152	53,152	54,747	0	0
56440	Health-Inter-D (Pmts To)	0	79,525	79,525	0	0	0
56460	Treasurer-Inter-D (Pmts To)	73,147	127,786	127,786	158,040	0	0
56530	Engineering-Inter-D (Pmts To)	87,545	58,250	58,250	148,570	0	0
56540	Sewer Utility-Inter-D (Pmts To)	10,265	20,000	20,000	20,000	0	0
56550	Fleet Service-Inter-D (Pmts To)	9,757	7,500	7,500	10,000	0	0
56571	TE Signs-Inter-D (Pmts To)	1,265	15,383	15,383	0	0	0
56630	Streets-Inter-D (Pmts To)	16,584	10,000	10,000	15,000	0	0
56950	Insurance Fund-Inter-D (Pmts To)	83,085	63,155	63,155	72,199	0	0
56960	Workers Comp-Inter-D (Pmts To)	<u>288,678</u>	<u>321,803</u>	<u>321,803</u>	<u>354,480</u>	<u>0</u>	<u>0</u>
56572	TE Comm-Inter-D (Pmts To)	14,073	0	0	15,553	0	0
56573	TE Other-Inter-D (Pmts To)	882	0	0	0	0	0
56610	Parks-Inter-D (Pmts To)	4,659	0	0	0	0	0
56720	Fire-Inter-D (Pmts To)	2,478	0	0	0	0	0
56770	Health-Inter-D (Pmts To)	67,341	0	0	64,325	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
Total		<u>\$ 823,723</u>	<u>\$ 936,079</u>	<u>\$ 936,079</u>	<u>\$ 1,072,326</u>	<u>\$ 0</u>	<u>\$ 0</u>

Debt / Other Financing Uses

57110	Principal - Debt Service	4,802,357	5,768,158	5,768,158	6,774,249	0	0
57120	Interest - Debt Service	4,452,941	4,717,256	4,717,256	5,874,914	0	0
57200	Payment In Lieu Of Taxes	<u>5,581,435</u>	<u>5,919,256</u>	<u>5,919,256</u>	<u>6,536,475</u>	<u>0</u>	<u>0</u>
57999	Reserves Generated	0	0	0	229,622	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
Total		<u>\$ 14,836,733</u>	<u>\$ 16,404,670</u>	<u>\$ 16,404,670</u>	<u>\$ 19,415,260</u>	<u>\$ 0</u>	<u>\$ 0</u>

Inter-Agency Billings

Billings to Departments

		<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
		<u>Actual</u>	<u>Adopted</u>	<u>Projected</u>	<u>Request</u>	<u>Executive</u>	<u>Adopted</u>
Water Utility							
59540	ID Pmt From Sewer Utility	1,918,304	2,036,287	2,036,287	2,128,103	0	0
59560	ID Pmt From Storm Utility	128,595	122,500	122,500	201,100	0	0
59630	ID Pmt From Streets Division	4,040	5,000	5,000	5,000	0	0
59530	ID Pmt From City Engineering	0	0	0	38,300	0	0
59290	ID Pmt From Economic Dev Div	41	0	0	0	0	0
59340	ID Pmt From Info Technology	408	0	0	0	0	0
59710	ID Pmt From Police Department	2,019	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
	Total	<u>\$ 2,053,406</u>	<u>\$ 2,163,787</u>	<u>\$ 2,163,787</u>	<u>\$ 2,372,503</u>	<u>\$ 0</u>	<u>\$ 0</u>

Other Sources							
75214	Late Sewer Bill Fees	260,382	282,412	282,412	322,202	0	0
76920	Water	29,181,521	32,407,126	32,407,126	35,261,901	0	0
78110	Interest On Investments	42,199	191,500	191,500	234,000	0	0
78220	Operating Lease Payments	358,740	2,200	2,200	360,000	0	0
79999	Reserves Applied	170,393	64,460	64,460	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
0	#N/A	0	0	0	0	0	0
	Total	<u>\$ 30,013,235</u>	<u>\$ 32,947,698</u>	<u>\$ 32,947,698</u>	<u>\$ 36,178,103</u>	<u>\$ 0</u>	<u>\$ 0</u>

Total Inter-Agency Billings		<u>\$ 32,066,641</u>	<u>\$ 35,111,485</u>	<u>\$ 35,111,485</u>	<u>\$ 38,550,606</u>	<u>\$ 0</u>	<u>\$ 0</u>
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City of Madison Operating Budget
Capital Assets

2015 Departmental Request

Water Utility

Dollar Allocation By Service

Item Description	Requested		2000	3000	4000	5000	6000	7000	8000	9000	Total
	Units	Amount									
Digital Hand Held/Truck Radios	1	\$ 144,000	\$ 144,000								\$ 144,000
John Deere Backhoe w/attach	1	130,000	130,000								130,000
Tri Axle Box Dump Truck	1	130,000	130,000								130,000
Ford E450 Utilimaster Step Van	1	80,000	80,000								80,000
Ford E350 Utilimaster Step Van	1	75,000	75,000								75,000
Ford F150 4x4 Pickup Truck	2	50,000	50,000								50,000
TriCorr Touch Leak Correlator	1	35,000	35,000								35,000
Trimble S6 Ttl Stn Survey Equip	1	35,000	35,000								35,000
Ford F150 Pickup Truck	1	23,000	23,000								23,000
Ford Focus Sedan	1	18,000	18,000								18,000
Engineer Multi-function Printer	1	12,500	12,500								12,500
Shoring Box	1	12,000	12,000								12,000
14' Dual Axle Attachment Trailer	1	10,000	10,000								10,000
4000lb capacity Aluminum Gantr	1	7,500	7,500								7,500
Walk Behind Floor Scrubber	1	7,000	7,000								7,000
Metrotech 850 Line Locators	2	6,000	6,000								6,000
Confined Space Tripod/Retrieval	1	5,000	5,000								5,000
Constr Inspector Survey Equip	1	5,000	5,000								5,000
Item.....											0
Item.....											0
Item.....											0
Item.....											0
Item.....											0
Item.....											0
Item.....											0
Item.....											0
Item.....											0
Item.....											0
Item.....											0
Last item.....											0
		\$ 785,000	\$ 785,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 785,000

CHK