Internal Monitoring Report

Date: August 26, 2014

Policy #:

EL-2C Financial Planning/Budgeting

Frequency: Twice a year (May and August)

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.

Major Service	2013 Actual	2014 Adopted	2014 Projected	2015 Request	2015 Executive	2015 _Adopted_
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.

S	erv	ice Summa	ıry			1010-1010-1010-1010-1010-1010-1010-101
		2013 Actual		2014 Adopted	201 Execu	-
Total Expenditures Less Inter-Agency Billings	\$	32,066,641 32,066,641	\$	35,111,485 35,111,485	\$	-0 , 0
Net Total	\$	0	\$	(0)	\$	0

Water Utility Summary by Major Object of Expenditure

	Name of Street, or other Designation of Street, or other Desig	2013 Actual	 2014 Adopted	 2014 Projected		2015 Request	E	2015 xecutive	_	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 <u>,</u> 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		290,002	 696,600	 696,600		785,000		0	_	0
Total Expenditures	\$	32,066,641	\$ 35,111,485	\$ 35,111,485	\$	38,550,606	\$	0	\$	0
Inter-Agency Billings	_	32,066,641	 35,111,485	 35,111,485	_	38,550,606		0	_	0
Net Budget	\$	0	\$ (0)	\$ (0)	\$	0	\$	0	\$	0

2014 **PROJECTED**

<u>Total</u>

Summary by Major Object:

	<u>2000</u>	<u>3000</u>	4000	<u>5000</u>	<u>6000</u>	<u>7000</u>	<u>8000</u>	<u>9000</u>	<u>Total</u>
Permanent Salaries	\$ 7,493,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$0	\$ 7,493,484
Hourly Employee Pay	204,200	. 0	. 0	0	0	. 0	0	0	. 204,200
Overtime Pay	306,300	0	0.	0	0	0	0	0	306,300
Fringe Benefits	2,840,894	0	0	0	0	0	0	0	2,840,894
Purchased Services	4,448,258	0	0	0	0	0	0	0	4,448,258
Supplies	1,781,000	0	0	0	0	0	0	0	1,781,000
Inter-Departmental Charges	936,079	0	0	0	0	0	. 0	0	936,079
Debt/Other Financing Uses	16,404,670	0	0	0	0	0	. 0	0	16,404,670
Capital Assets	696,600	0	0	0	0	0	0	0	696,600
Total Expenditures	\$ 35,111,485	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,111,485
Total Inter-Agency Billings	35,111,485	0	0	0	0	0	0	0	35,111,485
Net Budget	\$ (0)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (0)

2015 **REQUESTED**

Summary by Major Object:

	2000	3000		<u>4000</u>		5000			6000		7000		8000	•	9000		<u>Total</u>
Permanent Salaries	\$ 7,564,692	\$	0	\$	0	\$	0	\$		0	\$	0	\$	0	\$	0	\$ 7,564,692
Hourly Employee Pay	178,000		0		0		0			0		0		0		0	178,000
Overtime Pay	300,000		0		0		0			0		0		0		0	300,000
Fringe Benefits	2,863,328		0		0		0			0		0		0	-	0	2,863,328
Purchased Services	4,451,000		0		0		0			0		0		0		0	4,451,000
Supplies	1,921,000		0		0		0			0		0		0		0	1,921,000
Inter-Departmental Charges	1,072,326		0		0		0			0		0		0		0	1,072,326
Debt/Other Financing Uses	19,415,260		0		0		0			0		0		0		0	19,415,260
Capital Assets	 785,000	 	0		0	 -	0			0	 	0		0	 	0	 785,000
Total Expenditures	\$ 38,550,606	\$	0	\$	0	\$	0	\$		0	\$	0	\$	0	\$	0	\$ 38,550,606
Total Inter-Agency Billings	 38,550,606	 	0		0	 	0	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		0	 	<u>0</u>		0		0	 38,550,606
Net Budget	\$ 0	\$. 0	\$	0	\$	0	\$		0	\$ 	0	\$	0	\$	0	\$ (0)

City of Madison Operating Budget **Detail Summary** Water Utility

2015

2013 **ACTUAL**

Summary by Major Object:

	<u>2000</u>	<u>3000</u>	<u>4000</u>	<u>5000</u>	<u>6000</u>	7000	<u>8000</u>	9000	<u>Total</u>
Permanent Salaries	\$ 7,013,797	\$ 0	\$ 0	\$ 0	\$ 0	\$ · 0	\$ 0 \$	0	\$ 7,013,797
Hourly Employee Pay	157,583	0	0	0	0	0	0	0	157,583
Overtime Pay	440,173	0	0	0	0	0	0	0	440,173
Fringe Benefits	2,793,998	0	0	0	0	0	0	0	2,793,998
Purchased Services	3,913,727	0	0	0	0	0	0	0	3,913,727
Supplies	1,796,906	0	0	0	0	0	0	0	1,796,906
Inter-Departmental Charges	823,723	0	0	0	. 0	0	0	0	823,723
Debt/Other Financing Uses	14,836,733	0	0	0	0	0	0	0	14,836,733
Capital Assets	290,002	0	0	0	0	0	0	0	290,002
Total Expenditures	\$ 32,066,641	\$ 0	\$ 0	\$ 0	\$ 0	.\$ 0	\$ 0.5	0	\$ 32,066,641
Total Inter-Agency Billings	32,066,641	0	0	0	0	0	0	0	32,066,641
Net Budget	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0.5	5 0	\$ 0

2014 **ADOPTED**

0

Summary by Major Object:

	2000	3000			<u>4000</u>			<u>5000</u>		6000		7000		8000		9000			<u>Total</u>	
Permanent Salaries	\$ 7,493,484	\$	0	\$		0	\$		0	\$	0	\$	0	\$	0	\$	0	\$	7,493,4	484
Hourly Employee Pay	204,200		0			0			0		0		0		0		Ö		204,2	200
Overtime Pay	306,300		0			0			0		0		0		0		0		306,3	300
Fringe Benefits	2,840,894		0		-	0			. 0		0		0		0		0		2,840,8	894
Purchased Services	4,448,258		0			0			0		0		0		0		0		4,448,2	258
Supplies	1,781,000		0			0			0		0		0		0		0		1,781,0	000
Inter-Departmental Charges	936,079		0			0		•	0		0		0		0		0		936,0	ე79
Debt/Other Financing Uses	16,404,670		0			0			0		0		0		0		0	1	16,404,6	670
Capital Assets	 696,600	 	0			0			0		0		0		0	 	0		696,	<u> 300</u>
Total Expenditures	\$ 35,111,485	\$	0	\$		0	\$		0	\$	0	\$	0	\$	0	\$	0	\$ 3	35,111,4	485
Total Inter-Agency Billings	 35,111,485	 	0			0			0		0	 	0	 	0	 ····	0	_3	35,111,4	485
Net Budget	\$ (0)	\$	0	\$_		0	\$_		0	\$,	0	\$ 	0	\$ 	0	\$ 	0	\$		(0)

		2013	2014	2014	2015	2015	2015
		Actual	Adopted	Projected	Request	Executive	Adopted
Water	Utility					10.0	
AAGICI	Othity						
_	al:4						
-	ditures				••		•
	sed Services					_	_
	Natural Gas	59,151	54,000	54,000	78,000	0	0.
54103	•	2,581,597	2,430,158	2,430,158	2,600,000	0	0
54201 54202	Telephone Cellular	11,484	15,000	15,000	15,000	. 0	. 0
54301	, ,	17,073	20,000	20,000	20,000	0	0
54314	General B&G Repairs & Maint	320,056	360,000	360,000	350,000		. 0
54401	The state of the s	16,229	15,400	15,400	20,000	0	0
	' ' '	121,284	251,700	251,700	175,000	0	. 0
54472		86,885	75,000	75,000	100,000	0	0
54473		124,809	75,000	75,000	100,000	0	0
54620	5	1,748	2,000	2,000	2,000	0	0
54630	<u> </u>	41,647	134,000	134,000	74,000	0	0
54704		53,134	50,000	50,000	60,000	0	0
54901	Other Services General	147,774	475,000	475,000	295,000	0	0
54910		17,295	45,000	45,000	40,000	0	0
54913		33,294	45,000	45,000	140,000	0	0
54941		218,990	300,000	300,000	300,000	0	0
54951	Lab Services	17,480	55,000	55,000	35,000	. 0	0
54967	Memberships	42,271	45,000	45,000	45,000	. 0	0
54974	Permits/Licenses	1,479	1,000	1,000	2,000	0	0
54610	Recruitment	49	. 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	\$ 3,913,727	\$ 4,448,258	\$ 4,448,258	\$ 4,451,000	\$ 0	\$ 0
	,	<u> </u>	Ψ 1,110,200	Ψ 1, 110,230	Ψ 1, 101,000	<u> </u>	<u> </u>
Cumulia.	_						
Supplies		40.045	05.000	05.000	20.000		
	General Office Supplies	13,015	25,000	25,000	20,000	0	0
	Postage	70,509	360,000	360,000	390,000	0	0
	Computer Supplies	63,824	50,000	50,000	65,000	0	0
55210		137,228	135,000	135,000	140,000		0
55270	• • •	24,555	45,000	45,000	30,000	0	0
55280	Training Materials/Supplies	1,138,334	900,000	900,000	1,000,000	0	0
55460		156,416	166,000	166,000	166,000	. 0	0
55470		86,028	85,000	85,000	90,000	0	0
	Lab Supplies	103,312	10,000	10,000	15,000	0	0
55710	Uniforms	3,685	5,000	5,000	5,000	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
•		-	-	•	•	•	-

		2013 Actual	2014 Adopted	2014 Projected	2015 Request	2015 Executive	2015 Adopted
Water	Utility					-	
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	\$ 1,796,906	\$ 1,781,000	\$ 1,781,000	\$ 1,921,000	\$ 0	\$ 0
	12.				.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
Inter-De	partmental 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
	Finance Dept-Inter-D (Pmts To)	37,904	37,904	37,904	39,041	0	0
56340		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
	Health-Inter-D (Pmts To)	0	79,525	79,525	0	0	0
56460	· · · · · · · · · · · · · · · · · · ·	73,147	127,786	127,786	158,040	0	0
56530	, ,	87,545	58,250	58,250	148,570	, 0	0
56540		10,265	20,000	20,000	20,000	0	. 0
56550	• • •	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
56630		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
	Workers Comp-Inter-D (Pmts To)	288,678	321,803	321,803	354,480	0	0
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	19,555	0	0
	Parks-Inter-D (Pmts To)	4,659	0	0	0	0	. 0
	Fire-Inter-D (Pmts To)		0	0	. 0	0	0
56770	· ·	2,478	¢.	-	-	_	0 0
0	Health-Inter-D (Pmts To) #N/A	67,341 0	0	0	64,325	0	0
0	#N/A #N/A	-	0	0	0	0	0
0	#N/A #N/A	0	. 0	0	0	0	0
0		0	0	0	-	0	0
0	#N/A #N/A	. 0	0	0	_0	0	0
U	Total	-	\$ 936,079		_		
	i Otai	\$ 823,723	<u>φ 930,079</u>	\$ 936,079	\$ 1,072,326	\$ 0	\$ 0
Deht / C	other Financing Uses						
	Principal - Debt Service	4,802,357	5,768,158	5,768,158	6,774,249	0	0
	Interest - Debt Service	4,452,941	4,717,256	4,717,256	5,874,914	0	0
57200	Payment In Lieu Of Taxes	5,581,435	5,919,256	5,919,256	6,536,475	0	0
	•)	
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	#N/A	0	0	0	0	0	0
	Total	\$ 14,836,733	<u>\$ 16,404,670</u>	\$ 16,404,670	\$ 19,415,260	\$ 0	\$ 0

Inter-Agency BillingsBillings to Departments

		2013 Actual	2014 Adopted	2014 Projected	2015 Request	2015 Executive	2015 Adopted
Water	Utility						
59540	ID Pmt From Sewer Utility	1,918,304	2,036,287	2,036,287	2,128,103	. 0	
59560	ID Pmt From Storm Utility	128,595	122,500	122,500	201,100	0	
59630	ID Pmt From Streets Division	4,040	5,000	5,000	5,000	0	
59530	ID Pmt From City Engineering	0	0	0	38,300	0	
	ID Pmt From Economic Dev Div	41	0	0	0	0	
59340	ID Pmt From Info Technology	408	0	. 0	0	0	
	ID Pmt From Police Department	2,019	0	. 0	0		
0	#N/A	0	0	0	0	0	
0	#N/A	0	0	0	0	0	
0	#N/A	0	0	0	. 0	0	
0	#N/A	0	0	0	0	0	
. 0	#N/A	0	, 0	0	. 0	. 0	
0	#N/A	0	0	0	0	0	
	Total	\$ 2,053,406	\$ 2,163,787	\$ 2,163,787	\$ 2,372,503	\$ 0	\$
	Ources Late Sewer Bill Fees	260, 282	202 442	. 202 412	222 202	0	
		260,382	282,412	282,412	322,202	0	
76920 78110		29,181,521	32,407,126	32,407,126	35,261,901	. 0	
78220		42,199	191,500	191,500	234,000	. 0	
	Operating Lease Payments Reserves Applied	358,740 170,393	2,200 64,460	· 2,200 64,460	360,000 0	0	
0	#N/A	0	. 0	0	. 0	0	
0	#N/A	0	0				
0	.H. 1 / A	0		0	0	0	
0	#N/A	0	0	0	0	0	
0	#N/A	. 0	0	0	0	0	
0	#N/A #N/A	0	0 0	0 0	0 0	0 0	
0	#N/A #N/A #N/A	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	
0 0 0	#N/A #N/A #N/A #N/A	0 0 0	0 0 0 0 0	0 0 0 0	0 0 0 0	0 0 0 0	
0 0 0 0	#N/A #N/A #N/A #N/A #N/A	0 0 0 0	0 0 0 0	0 0 0 0	0 0 0 0 0	0 0 0 0 0	
0 0 0 0 0	#N/A #N/A #N/A #N/A #N/A	0 0 0 0	0 0 0 0 0 0 0	0 0 0 0 0 0	0 0 0 0 0	0 0 0 0 0	
0 0 0 0	#N/A #N/A #N/A #N/A #N/A #N/A	0 0 0 0 0	0 0 0 0 0	0 0 0 0 0 0 0 0 0	0 0 0 0 0 0	0 0 0 0 0 0	¢
0 0 0 0 0	#N/A #N/A #N/A #N/A #N/A	0 0 0 0 0	0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0	0 0 0 0 0 0	0 0 0 0 0 0	\$

City of Madison Operating Budget Capital Assets

2015 Departmental Request

Water Utility

						Dollar	Allocation I	By Service					
5	R	equested											
Item Description	Units	Amount	<u>2000</u>	3000	4000	5000	6000	7000	<u>8</u>	000	9000		Total
Digital Hand Held/Truck Radios	1	\$ 144,000	\$ 144,000			1			Ţ			\$	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
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