

# Internal Monitoring Report

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

**Date:** August 27, 2013

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 the full amount established by the board according to the Agenda Planning to Achieve Board Outputs policy (BP-2C).

## 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 education and training as described in policy BP-2C.

## Data directly addressing the General Manager's interpretation:

The Utility's 2014 Capital Improvement Program was approved by the board on May 28, 2013. 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 2019.

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 2014 Operating budget was submitted to the City's Finance Dept. on August 6, 2013, and is attached herewith. It is a balanced budget and includes the full amount established by the board for governance capacity as described in Board Process policies BP-2C and BP-2J.

I report compliance.

**Attachment:**

2014 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>2012 Actual</u>	<u>2013 Adopted</u>	<u>2013 Projected</u>	<u>2014 Request</u>	<u>2014 Executive</u>	<u>2014 Adopted</u>
Water Supply	0	0	0	(0)	0	0
<b>Agency Total</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ 0</b>	<b>\$ 0</b>

### Requested Budget Highlights

The Budget includes:

1. The Utility expects to issue approximately \$23 million in revenue bonds in December 2013. The bond proceeds will fund the balance of the Utility's 2013 capital budget and part of the 2014 capital budget. The costs of servicing the debt are included in the 2014 operating budget request. The last bond issue was in December 2012.
2. The Utility plans to file a formal 22% rate increase application with the Public Service Commission of Wisconsin by the end of 2013. In 2012, the Utility planned to file for a 12% rate increase, which was not needed. The revenue in the 2014 operating budget request includes the 22% rate increase beginning with the August 2014 customer billing. The last rate increase of 9% was granted more than three years ago, in May 2011.
3. The Utility expects to complete its implementation of an Advanced Metering Infrastructure called *Project H<sub>2</sub>O* by the end of 2013. In addition, starting in April 2014, the Utility will be converting its semiannual metered accounts to monthly, which will help customers in budgeting for a lower monthly billing.

## 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.

<b>Service Summary</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<u>Actual</u>	<u>Adopted</u>	<u>Executive</u>
Total Expenditures	\$ 32,335,304	\$ 33,546,291	\$ 0
Less Inter-Agency Billings	<u>32,335,304</u>	<u>33,546,291</u>	<u>0</u>
Net Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

### Water Utility Summary by Major Object of Expenditure

	<b>2012</b>	<b>2013</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<u>Actual</u>	<u>Adopted</u>	<u>Projected</u>	<u>Request</u>	<u>Executive</u>	<u>Adopted</u>
Permanent Salaries	\$ 6,967,185	\$ 7,332,911	\$ 7,332,911	\$ 7,355,505	\$ 0	\$ 0
Hourly Employee Pay	137,749	200,310	200,310	252,000	0	0
Overtime Pay	294,418	204,398	204,398	300,000	0	0
Fringe Benefits	2,689,142	2,706,578	2,706,578	2,734,321	0	0
Purchased Services	3,913,528	5,086,450	5,086,450	4,618,100	0	0
Supplies	1,378,311	2,118,282	2,118,282	1,771,000	0	0
Inter-Departmental Charges	756,234	862,475	862,475	914,829	0	0
Debt/Other Financing Uses	15,698,471	14,469,687	14,469,687	16,404,670	0	0
Capital Assets	<u>500,267</u>	<u>565,200</u>	<u>565,200</u>	<u>696,600</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$ 32,335,304	\$ 33,546,291	\$ 33,546,291	\$ 35,047,025	\$ 0	\$ 0
Inter-Agency Billings	<u>32,335,304</u>	<u>33,546,291</u>	<u>33,546,291</u>	<u>35,047,025</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>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2014</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
0	#N/A	0	0	0	0	0	0
Total		\$ 1,378,311	\$ 2,118,282	\$ 2,118,282	\$ 1,771,000	\$ 0	\$ 0

**Inter-Departmental Charges**

56020	Attorney-Inter-D (Pmts To)	11,968	11,500	11,500	11,500	0	0
56330	Finance Dept-Inter-D (Pmts To)	37,904	37,904	37,904	37,904	0	0
56340	Info Technology-Inter-D (Pmts To)	73,663	70,000	70,000	108,871	0	0
56380	Human Res-Inter-D (Pmts To)	51,088	52,110	52,110	53,152	0	0
56440	Health-Inter-D (Pmts To)	65,805	68,415	68,415	79,525	0	0
56460	Treasurer-Inter-D (Pmts To)	70,313	126,436	126,436	127,786	0	0
56530	Engineering-Inter-D (Pmts To)	92,769	73,970	73,970	58,250	0	0
56540	Sewer Utility-Inter-D (Pmts To)	19,798	15,000	15,000	20,000	0	0
56550	Fleet Service-Inter-D (Pmts To)	8,430	5,000	5,000	7,500	0	0
56571	TE Signs-Inter-D (Pmts To)	14,548	15,377	15,377	15,383	0	0
56630	Streets-Inter-D (Pmts To)	3,972	15,000	15,000	10,000	0	0
56950	Insurance Fund-Inter-D (Pmts To)	68,354	83,085	83,085	63,155	0	0
56960	Workers Comp-Inter-D (Pmts To)	237,366	288,678	288,678	321,803	0	0
56290	Economic Dev-Inter-D (Pmts To)	256	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
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		\$ 756,234	\$ 862,475	\$ 862,475	\$ 914,829	\$ 0	\$ 0

**Debt / Other Financing Uses**

57110	Principal - Debt Service	4,017,717	4,802,357	4,802,357	5,768,158	0	0
57120	Interest - Debt Service	3,835,307	4,299,088	4,299,088	4,717,256	0	0
57200	Payment In Lieu Of Taxes	5,017,460	5,368,242	5,368,242	5,919,256	0	0
57999	Reserves Generated	2,827,987	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
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		\$ 15,698,471	\$ 14,469,687	\$ 14,469,687	\$ 16,404,670	\$ 0	\$ 0

**Inter-Agency Billings**

Billings to Departments



		<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>
		<u>Actual</u>	<u>Adopted</u>	<u>Projected</u>	<u>Request</u>	<u>Executive</u>	<u>Adopted</u>
<b>Water Utility</b>							
59530	ID Pmt From City Engineering	123	15,000	15,000	15,000	0	0
59540	ID Pmt From Sewer Utility	1,609,804	2,046,177	2,046,177	2,021,287	0	0
59560	ID Pmt From Storm Utility	132,600	148,300	148,300	122,500	0	0
59630	ID Pmt From Streets Division	3,857	5,000	5,000	5,000	0	0
59290	ID Pmt From Economic Dev Div	2,326	0	0	0	0	0
59550	ID Pmt From Fleet Service	1,300	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>\$ 1,750,011</u>	<u>\$ 2,214,477</u>	<u>\$ 2,214,477</u>	<u>\$ 2,163,787</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Sources</b>							
75214	Late Sewer Bill Fees	262,111	304,340	304,340	282,412	0	0
76231	Dane County Space Rent	0	1,900	0	0	0	0
76920	Water	30,122,378	30,671,651	30,671,651	32,407,126	0	0
78110	Interest On Investments	198,779	125,100	125,100	191,500	0	0
79410	Transfer In From General Fund	0	21,999	21,999	0	0	0
79999	Reserves Applied	0	206,824	206,824	0	0	0
78220	Operating Lease Payments	2,025	0	1,900	2,200	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>\$ 30,585,293</u>	<u>\$ 31,331,814</u>	<u>\$ 31,331,814</u>	<u>\$ 32,883,238</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Total Inter-Agency Billings</b>		<u>\$ 32,335,304</u>	<u>\$ 33,546,291</u>	<u>\$ 33,546,291</u>	<u>\$ 35,047,025</u>	<u>\$ 0</u>	<u>\$ 0</u>

