



Date: September 28, 2018
To: Water Utility Board
From: Tom Heikkinen, General Manager
Subject: MWU Financial Update

Rate Case

All testimony and briefs have been completed, and PSC staff is planning to issue the final decision matrix on October 1st. Our case is on the Commission Meeting calendar for October 11th. The most likely scenario is that the Commission will issue a decision on the 11th and staff will draft the Order by October 26th. This means that the new rates would be effective November 1st.

Financial Status

A bond sale is being planned for December 4th. We will be borrowing approximately \$30M for 2018 and 2019 capital projects. The City Finance Director has indicated his preference for the Water Utility to go to the market for the operating portion of our needs rather than get an advance from the General Fund as had been done in the past. Consequently, the December 4th borrowing will include taxable promissory notes in an amount yet to be finalized, but currently estimated at \$10M to provide a sufficient cushion for operations.

Today Moody's has affirmed all current bond ratings for the City of Madison (Aaa on the General Obligation debt and AA2 on the Water and Sewer debt.)

At this point we are projecting a positive net income and year end unrestricted cash balance for 2018 and all subsequent years. This will require annual rate increases of 3% to 4%.

Water Utility Chief Financial Officer

The CFO recruitment will close on October 2nd after being open for 4 weeks. HR has reported to me that there are over 20 applicants and several appear to be highly qualified. The next step is to screen the applicants and schedule interviews with the finalists.