



Date: July 11, 2018
To: David Schmiedicke, Finance Department
From: Tom Heikkinen, Madison Water Utility
Subject: Madison Water Utility 2019 Operating Budget Request

The Water Utility 2019 operating budget proposal reflects the continued need to maintain an adequate supply of safe water for consumption and fire protection, with quality service at a reasonable price, for present and future generations.

The utility will undertake no new major initiatives in 2019. We will continue to promote water conservation/efficiency for long term cost savings, renew our infrastructure and maintain affordability. We plan to continue to promote the benefits of reducing average water consumption system-wide, and to replace aging infrastructure using the principles of asset management.

Our primary goal for 2019 is to continue operations to maintain existing service levels while generating a positive Net Operating Income and a healthy year-end cash balance.

I look forward to discussing our proposal in the coming weeks.

Sincerely,

Tom Heikkinen
General Manager
Madison Water Division

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Agency: Water

Proposed Budget

	Cost to Continue	Proposed	Change
Revenue	-\$42,564,129	-\$45,886,000	-\$3,321,871
<u>Expenditures</u>	<u>\$42,564,129</u>	<u>\$45,886,000</u>	<u>\$3,321,871</u>
Net	\$0	\$0	\$0
	2018	Proposed	Change
FTEs	130	130	0

Request Analysis

2017 Budget

Overbudget	Yes
2017 Analysis	Actual revenue receipts in 2017 did not meet the budgeted revenues anticipated. Spending exceeded revenue in 2017 by \$6 million.

2018 Projection

Deficit	Yes
Projection Analysis	Actual revenue receipts in 2018 are not meeting the budgeted revenues anticipated. Spending is anticipated to exceed revenue in 2017 by \$8 million.

2019 Request

Budget Request Changes	The Water Utility increased revenues in their 2019 request to reflect an anticipated PSC rate case approval in the Fall of 2018 for a 30% increase to user water rates in 2019. Associated principal and interest expense with the Water Utility's plan to issue revenue bonds at the end of 2018 are also reflected in the request. Staff reclassifications and double-fills are reflected in the 2019 budget request pending personnel line item totaling \$95k. The Water Utility's supplies and purchased services majors are slightly lower than C2C with adjustments consisting of technical line item movements aligning with past spending trends; discretionary items for consulting services and conferences/trainings have been reduced in the 2019 request.
Change in Service	No
Service Impact	
Staffing Levels & Payroll Allocations	Staff reclassifications and double-fills are reflected in the 2019 budget request pending personnel line item totaling \$95k.

Water Utility

Function: Public Works & Transportation

Position Summary

	CG	2018 Budget		Request		2019 Executive		Adopted	
		FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
ACCOUNTANT	18	3.00	229,907	3.00	232,818	-	-	-	-
ADMIN CLERK	20	7.00	370,151	7.00	376,448	-	-	-	-
ASSET MGR	18	1.00	80,753	1.00	83,495	-	-	-	-
AUTO MECH	16	2.00	108,448	2.00	116,365	-	-	-	-
CIVIL TECH	16	6.00	385,560	6.00	405,193	-	-	-	-
COMP MAP/GIS COORD	18	1.00	94,610	1.00	95,905	-	-	-	-
CROSS CONNECT CTRL INSPEC	16	3.00	217,870	3.00	218,708	-	-	-	-
CTRL SYS PROG	18	1.00	88,678	1.00	89,019	-	-	-	-
DISPATCHER	16	1.00	59,080	1.00	59,215	-	-	-	-
ELECTRICIAN FOREPERS	71	1.00	82,343	1.00	82,660	-	-	-	-
ELECTRONIC MTN TECH	16	1.00	71,572	1.00	71,847	-	-	-	-
ENGINEER	18	4.00	325,402	4.00	337,341	-	-	-	-
ENGR AIDE	16	1.00	59,085	1.00	59,226	-	-	-	-
ENGR PROG SPEC	16	1.00	67,788	1.00	69,814	-	-	-	-
EQPT OPR	16	18.00	1,019,779	18.00	1,021,181	-	-	-	-
FIELD SERV LDWKR	16	2.00	122,975	2.00	135,990	-	-	-	-
FIELD SERV REP	16	5.00	302,803	5.00	271,086	-	-	-	-
FIELD SERVICE ANALYST	16	3.00	190,021	3.00	195,221	-	-	-	-
FIN OPER LDWKR	20	1.00	59,843	1.00	60,073	-	-	-	-
MAINT MECH	16	5.00	320,684	5.00	320,269	-	-	-	-
MAINT WORKER	16	2.00	99,824	2.00	112,683	-	-	-	-
MASTER MECHANIC	16	1.00	70,261	1.00	70,532	-	-	-	-
OPERATIONS CLERK	16	1.00	57,365	1.00	57,585	-	-	-	-
PAINTER	71	1.00	59,173	1.00	59,319	-	-	-	-
PRINICIPAL ENGR WATER	18	1.00	117,915	1.00	118,006	-	-	-	-
PROG ASST	20	2.00	110,814	2.00	113,349	-	-	-	-
PUB WKS GEN FORE	18	3.00	227,774	3.00	235,412	-	-	-	-
PUB WKS GEN SUPV	18	1.00	89,636	1.00	89,980	-	-	-	-
PUB WKS LEADWKR	16	1.00	62,046	1.00	51,509	-	-	-	-
PUB WKS MAINT WKR	16	17.00	922,993	17.00	927,005	-	-	-	-
SURVEYOR	18	1.00	73,454	1.00	75,211	-	-	-	-
WATER COMM OUTREACH SPE	18	1.00	65,402	1.00	65,866	-	-	-	-
WATER CONSTR SUPV	18	1.00	78,393	1.00	79,724	-	-	-	-
WATER HYDRANT INSPEC	16	3.00	187,846	3.00	176,083	-	-	-	-
WATER ONE CALL COORD	16	3.00	183,121	3.00	183,825	-	-	-	-
WATER QUAL SAMPLER	16	2.00	113,334	2.00	109,374	-	-	-	-
WATER QUALITY MGR	18	1.00	103,047	1.00	104,588	-	-	-	-
WATER SUPPLY MGR	18	1.00	108,880	1.00	109,299	-	-	-	-
WATER UTIL ACCT/COMP SPEC	20	1.00	57,785	1.00	59,861	-	-	-	-
WATER UTIL FIN MGR	18	1.00	114,097	1.00	114,535	-	-	-	-

Water Utility

Function: Public Works & Transportation

Position Summary

	CG	2018 Budget		Request		2019 Executive		Adopted	
		FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
WATER UTIL GEN MGR	21	1.00	142,241	1.00	145,644	-	-	-	-
WATER UTIL MAINT SUPV	18	1.00	88,434	1.00	93,363	-	-	-	-
WATER UTIL OPR LDWKR	16	5.00	340,068	5.00	344,418	-	-	-	-
WATER UTIL OPR MGR	18	1.00	114,097	1.00	114,535	-	-	-	-
WATER UTIL PUB INFO	18	1.00	75,657	1.00	83,495	-	-	-	-
WATERWKS OPR	16	9.00	572,870	9.00	575,779	-	-	-	-
TOTAL		130.00	\$ 8,493,879	130.00	\$ 8,572,854	-	\$ -	-	\$ -

Salary amounts recorded on this page are for total budgeted salaries; this amount may differ from budgeted permanent wages as presented in the Line Item Detail due to payroll allocations to other funding sources (capital projects, grants, etc.) or inter-agency services are not reflected in this summary page.

2019 Operating Budget: Service Proposals

SERVICE IDENTIFYING INFORMATION

SELECT YOUR AGENCY:

Water Utility

SELECT YOUR AGENCY'S SERVICE:

Water Supply

SERVICE DESCRIPTION:

This service provides approximately 11 billion gallons of water per year for more than 66,000 customers throughout Madison through the operation of 23 wells and 840 miles of water mains. The goal of the service is to maintain and upgrade the water supply system to provide the best quality water service for all customers in the City.

SERVICE BUDGET - ALL FUNDS

	2017 Budget	2018 Budget	2019 Cost to Continue	2019 Request	Change
Revenue	-42,775,305	-42,375,000	-42,564,129	-45,886,000	-3,321,871
Expense	42,775,305	42,375,000	42,564,129	45,886,000	3,321,871
Net Budget	0	0	0	0	0

2019 PROPOSAL

1. Explain the budgetary changes proposed from 2019 Cost to Continue to the 2019 Request.

The Utility currently has a rate case pending with the PSC of Wisconsin. New rates will be in place in 2019. Per the PSC Revenue Requirements, this is expected to generate \$10,337,086 of additional revenue for the Utility. This accounts for the increase in revenue from the 2019 Cost to Continue.

The Utility will be issuing revenue bonds at the end of 2018 in the amount of \$28,000,000. This is for the 2018 and 2019 CIPs. We estimate that our principal payment in 2019 will be \$840,000 and our total interest expense payment will be \$1,259,000 on these 2018 bonds. The Utility expects to generate approximately \$1,000,000 in reserves in 2019. This accounts for the increase in expenses from the 2019 Cost to Continue.

2. Explain the operational impact of the proposed changes from 2019 Cost to Continue to 2019 Request.

The expected rate increase and the continued effort to reduce costs will enable the Utility to maintain a healthy cash flow position, create a reserve account for normally scheduled high cost maintenance items and to meet all current and future debt obligations.

SERVICE GOALS

1. Who is the recipient of this service?

The Madison Water Utility serves the residents, businesses and other organizations within the Madison area.

2. What activities are you responsible for providing under this service?

The Utility is responsible for providing a clean, safe, reliable supply of water for consumption and fire protection.

3. How do you define success within this service?

The Utility monitors the number and type of complaints it receives per year. Success within this service should lead to a lower number of water quality complaints.

The Utility monitors the number of main and service breaks occurring per year. Success within this service would be defined by fewer service interruptions to our customers per year.

4. What strategies are planned for 2019?

In 2019 the Utility plans to continue the unidirectional flushing program for water quality improvement and continued required maintenance on the main distribution system and all other assets in accordance with our asset management plan.