

Memorandum of Understanding

Between the Madison Water Utility and City Engineering

This MOU establishes the basis for monthly billings by the Water Utility to the Madison Sewer Utility and the Madison Storm Water Utility, for the respective cost allocation between the utilities for meter expenses and the billing program, in addition to some other miscellaneous cost allocations unrelated to the billing program. The parties agree to the following:

General Provisions:

- 1) All water, sewer, and storm water collections shall be received by the City Treasurer and will then be transferred to and reconciled by the Water Utility.
- 2) Payment of utility receipts shall be made by the Water Utility to the Sewer and Storm Water Utilities in accordance with the following schedule:
 - A. Initial monthly estimated payments shall be made to the Sewer and Storm Water Utilities through the 10th of the month, by one week after.
 - B. A second monthly estimated payment shall be made to each Utility through the 25th of the month, by one week after.
 - C. A reconciling payment through the end of the previous month shall be made to the Sewer and Storm Water Utilities by the 15th of the following month.
 - D. The Water Utility shall make a special payment to the Sewer Utility, upon request, for the Purpose of making quarterly sewerage treatment bill payments.
- 3) The City Engineer or his designee shall notify the Finance Manager or the General Manager of the Water Utility of any problems as they become known, pertaining to fund transfers to the Sewer or Storm Water Utilities.

Items Related to the Meter Expenses and Billing Program:

- 1) This MOU, regardless of implementation date, shall be retroactive to January 1, 2014 for all items. All billings for expenses through December 31, 2013 are billed per past practice.
- 2) The Madison Sewer Utility shall pay prorated share of any PILOT charges imposed on the Water Utility, as related to meters and meter trucks.
- 3) The Madison Sewer Utility shall pay a prorated share of any depreciation on meters and meter trucks.
- 4) The Madison Sewer Utility shall pay ROI (Return on Investment), for all meters and meter trucks. The ROI percentage shall be the Authorized Rate of Return on Rate Base as set by the Public Service Commission (PSC) in the most recent rate order and is set at 6.9% at the time of this agreement execution.
- 5) Billing splits for all three Utilities shall be established annually, based on the preceding 3 year average of total customer bills (less refunds) for each respective Utility. These percentage splits shall be updated annually by Water Utility staff and provided to the City Engineer for approval at least 30 days in advance of billing with the new split percentage. Meter and meter related expenses shall remain at 50 / 50 split between only the Sewer Utility and Water Utility. Effort shall be made to determine if 'sewer

deduct meters' and 'water only meters' would have any meaningful impact on this 50 / 50 split. If significant, this split can be adjusted to actual.

- 6) **A.** For Account Number 92000 (Administration and General Salaries) 10% of employee's total time shall be billed to Sanitary and 5% of total time shall be billed to Storm for the following 4 FTE positions only: Financial Manager; Accountant 2; Account / Computer Specialist; Account Clerk 3.

<u>Personnel Costs Billed Directly (Account 92000)</u>		<u>MOU Item #6A</u>		
The percentage of total time for these employees, billable to the respective utilities.				
	<u>% Water Utility</u>	<u>% Sanitary</u>	<u>% Storm</u>	
Financial Manager	85	10	5	
Accountant 2	85	10	5	
Account / Computer Specialist	85	10	5	
Account Clerk 3	85	10	5	

B. For Account 66010, (Supervision and Engineering), 50% of the Customer Service Manager's time charged to Meter related Supervision and Engineering, shall be billable to Sanitary.

C. The Sewer Utility shall be billed 50% of the direct expenses for the following accounts: 66300, (Removing & Resetting Meters); 66310, (Misc Meter Expenses); 66400, (Customer Installation); 67600, (Maintenance of Meters); 67610, (Misc Remote Meter Repairs); 90200, (Meter Reading Expense); and 90310, (Customer Applications & Orders).

D. Charges to Accounts 90300, (Customer Billing & Accounting) and 90100, (Customer Service Supervision) shall be split to all utilities per #5 above. This shall also include billable portion of costs for postage, bank service charges, and software or software maintenance for billing and related accounting (Account 92100). No other General Administrative Expense shall be billed.

E. The Sewer Utility and / or Storm Water Utility shall be billed its respective prorated share of the direct expenses for the following accounts: 92600, (Pension); 92610, (Health Insurance); 92640, (Wage Insurance); 92700, (FICA); but only for employees billable per above and their time charged to applicable billable activities:

Other Personnel Costs Billed Proportionately (Accounts 66010, 66300, 66310, 66400, 67600, 67610, 90200, 90300, 90310, 90100, 92100)		MOU Items #6B, 6C, 6D, 6E				Other Cost Allocators:		Labor Burden
	% Person's Time	% Water Utility	% Sanitary	% Storm	Transportation @ 11%	Tools @ 3%		
Account 66010 - Supervision and Engineering								
Customer Service Manager	50%	50%	50%	0%	NO	NO	NO	
	(50% of total time)							
Account 66300 - Removing and Resetting Meters								
Field Service Representatives 1, 2, 3	Varies	50%	50%	0%	YES	YES	YES	
	(actual time charged to this account)							
Account 66310 - Misc Meter Expense								
Customer Service Representatives 1, 2	100%	50%	50%	0%	YES	YES	YES	
Account 66400 - Customer Installation								
Field Service Analysts	Varies	50%	50%	0%	YES	YES	YES	
Water Field Services Leadworker	Varies	50%	50%	0%	YES	YES	YES	
	(actual time charged to this account)							
Account 67600 - Maintenance of Meters								
Water Field Services Leadworker	Varies	50%	50%	0%	YES	YES	YES	
Field Service Representatives 1, 2, 3	Varies	50%	50%	0%	YES	YES	YES	
	(actual time charged to this account)							
Account 67610 - Misc Remote Meter Repairs								
Field Service Representatives 1, 2, 3	Varies	50%	50%	0%	YES	YES	YES	
	(actual time charged to this account)							
Account 90100 - Customer Service Supervision								
Customer Service Manager	50%	43%	43%	14%	NO	NO	NO	
	(50% of total time)							
Account 90200 - Meter Reading Expense								
Field Service Representatives 1	100%	50%	50%	0%	YES	NO	NO	
Account 90300 - Customer Billing & Accounting								
Finance Operations Leadworker	100%	43%	43%	14%	NO	NO	NO	
Customer Service Representatives 1, 2	100%	43%	43%	14%	NO	NO	NO	
	(total time)							
Account 90310 - Customer Applications & Orders								
Operations Clerk	100%	50%	50%	0%	NO	NO	YES	
Account 92100 - General Administrative Expense (Postage, Bank Charges, Software only)								
	NA	43%	43%	14%	NO	NO	NO	

7) Direct Charges shall not be billed through the monthly billing for meter and billing expenses. Direct charges may be billed separately between the respective utilities if / when the utilities request assistance and acknowledge there will be direct billing. Doing work with above billable staff and billable accounts shall not be separated for additional, individual billing. It is considered inclusive to the charges already billed.

8) Account #92130 (Administration Building Meter and Billing Office Expense) shall be billed 11% to Sanitary Sewer Utility and 2% to Storm Water Utility, or as otherwise justified and agreed upon by documentation. Account #92120 (Vehicle Storage Building Meter Related Expense) shall be billed 14% to Sewer Utility or as otherwise justified and agreed upon by documentation. The Water Utility shall provide supporting documentation for the percentage or amount billed for review and approval of City Engineering. Any proposed changes to the billable percentage shall be reviewed with City Engineering for approval at least 30 days prior to implementation.

9) For all billings, more detail shall be provided including breakout of costs, assumptions, basis of calculations, etc. The monthly billing format shall include total expenses and applicable billed share for Water, Sewer, and Storm Water respectively. Additional detail shall be included for any items that are not monthly recurring items. If any billings or portions of billings are disputed, they shall be resolved by the respective Managers with consultation of the Finance Department if needed.

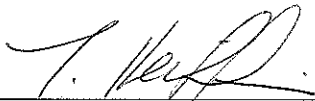
10) City Engineering shall authorize payment to the Water Utility no later than one week after presentment of Water Utility's respective monthly invoices to the Sewer Utility and Storm Water

Utility. In the event of a dispute over a billed amount or a request for additional documentation, Engineering shall pay an estimated amount based on historical data, and pay a final amount once the dispute is resolved.

Other Items, Not Related to the Meter Expenses and Billing Program:

- 1) The Water Utility shall participate monetarily in the City's Aerial Photography and LIDAR Program updates (assumed to be every 2 years). The Water Utility participation shall be set at the same rate as other participating utilities (Sewer Utility and Storm Water Utility). The allocation per utility is set at 20% at the time of this agreement.
- 2) The Water Utility shall pay City Engineering's costs to administer portions of a Public Works contract to make bituminous pavement patching and repairs for the Water Utility.
- 3) The Water Utility shall pay costs attributable to "General Contract Administration" for attributable portion of costs incurred by Engineering staff to administer public works contracts of Water Utility or of which Water Utility shares a portion. These General Administrative costs include things such as processing and administering the Prequalification of Contractors, bidding, partial payments, prevailing wage reviews, payroll review, and change order processing. The Water Utility charge shall be consistent with charges made to other participating utilities such as the Sewer Utility and Storm Water Utility. This charge is presently established at 17% of the charges billable to Account 531310 (Contract Administration).
- 4) The Water Utility, Sewer Utility and Storm Water Utility shall bear the respective cost of repair to their own facilities, for damage caused by an event directly and exclusively resulting from the occurrence of natural causes that could not have been prevented by the exercise of foresight or caution.
- 5) The Water Utility shall provide after hours call center services for the Engineering Division. The 24 hour Water Supply Operator shall answer calls and appropriately dispatch an Engineering Sewer Emergency Crew, Utility Locator, or Facilities Maintenance Mechanic, per established operating procedures. All calls outside of established operating procedures shall be referred to the Engineering On-Call Supervisor. The Engineering Division shall pay 5% of the permanent salaries and benefits of the Waterworks Operator 2 positions. Prior to each Operating Budget cycle, the Water Utility and Engineering shall review this arrangement to determine if it is in the best interest of both parties to continue. If either party determines it is not in their respective interest, the agreement shall terminate on the last day of the year in which this determination is made.

Agreed upon and In Witness thereof;



Tom Heikkinen, Water Utility Manager

3/24/14
Date



Rob Phillips, City Engineer

3/24/14
Date