

MSD has implemented the Effective Utility Management (EUM) framework. EUM is a performance improvement process that is sanctioned by major U.S. water and wastewater associations and is designed to advance effective utility management practices. MSD now tracks over 70 measures covering the areas of Product Quality, Customer Satisfaction, Employee Leadership and Development, Operational Optimization, Financial Viability, Infrastructure Stability, Operational Resilience, Community Sustainability and Stakeholder Understanding. Quarterly reports are made MSD's Executive Leadership Team tracking progress toward achievement of the goals for each measure. This program helps MSD target critical success factors and cultivates a culture of transparency and accountability for performance.

Two EUM measures track availability of funds for rehabilitation and replacement of aging and deteriorating infrastructure.

1. MSD has an EUM measure dedicated to increasing its percentage of revenue available for capital spending. MSD has established a goal of using revenue sources for 6-10% of capital program expenditures. Since implementing this goal MSD has improved its percentage of revenue available for capital spending from 0% in 2012 to 5.86% or \$16.1 million at the end of FY17. All revenues that remain after operating expenses and debt service payments are used to fund MSD's capital program. This reduces the amount of bonds and other debt instruments that MSD has to rely on to fund its capital program. MSD's 5-year capital projections and 5-year working capital projections are attached which show that the capital program is funded annually in part by operating reserves.
2. MSD has an EUM measure that sets a goal of maintaining operating reserves equal to 150-250 days of its Operational budget. This ensures that MSD has sufficient unrestricted cash reserves on hand for emergencies. MSD has met or surpassed this goal every year since tracking began in 2012. For FY18 MSD's capital budget includes a \$2 million contingency reserve and its operating budget includes a \$5 million contingency reserve. These reserves require board consent to utilize and are available to fund emergencies that result from deteriorating infrastructure.