

**LRB – RESEARCH AND ANALYSIS SECTION ANALYSIS**

**JULY 19, 2006 AGENDA  
PUBLIC WORKS COMMITTEE**

**ITEM 30, FILE 060360  
Emma J. Stamps**

File No. 060360 is a communication from the Infrastructure Services Division transmitting a Statement of Mid-Year Review for Financial Condition of the Sewer Maintenance Fund.

**Background and Discussion**

1. The Sewer Maintenance Fund was established through the transfer of sewer administration, engineering and maintenance functions from the City’s Operating Budget to a fee based service.
2. The analysis covers the year 2006 actual revenue, through May, and actual expenditures, through May, plus an estimate for revenue and expenditures through year-end.
3. Recent Mid-Year Review statements, based on the department’s 2007 budget request and rates adopted in the 2006 city budget, provided for the following year-2006 comparisons:

Category	Current 2006 As of 6/30/2006	Projecting 2007 As of 6/30/2006	Change
Total Revenues*	\$38,469,056*	\$36,510,060*	\$1,958,996 or 5.4%
Total Expenses	\$16,075,331	\$15,615,619	\$459,712 or 3.0%
Net Revenues Available for Debt Service (A)	\$22,393,725	\$20,894,441	\$1,499,284 or 7.2%
Maximum Annual Debt Service (B)	\$9,000,000	\$5,145,000	\$3,855,000 or 75.0%
Debt Service Coverage (A / B)	2.49	4.06	-1.57
<i>*\$7,472,199 current revenues and \$14,944,398 projected revenues are applicable to stormwater maintenance. A new Stormwater fee, \$8 per ERU per quarter, takes effect July 1, 2006 pursuant to the 2006 adopted budget</i>			

4. Overall, the sewer fund is in compliance with the covenant as found in Article VIII, s. 8.02, of the Master Resolution which requires the fund to maintain a minimum 1.20 debt service coverage.
5. In Years 2004 and 2005, the Sewer Maintenance Fee was calculated at a rate of \$1.1094 per Ccf (hundred cubic feet) of water and for Year 2006, the fee was calculated at \$1.25 per Ccf from January to June and \$0.85 per Ccf from July 2006 to December 2006. Pursuant to the 2006 City Budget, the newly created storm water fee goes into affect in July 2006 to separate costs and revenues for storm water management apart from general sewer maintenance activities, hence the reason for charging a lesser sewer maintenance fee rate beginning in July 2006.
6. The proposal is to maintain that rate in 2007 based on the following assumptions:
  - Expenditures based on the Sewer Maintenance Fund 2007 budget request
  - Authorized positions total 199 in 2006 and 190 in 2007
  - Total Salaries and Wages projections are based on actual costs thru PP-11 assuming no cost of living increase
  - Maximum Annual Debt Service increases \$3.855 million, or 75.0% from 2006 to 2007, assuming an additional \$60 million bond issuance
  - Debt service coverage decreases from 4.06 to 2.49

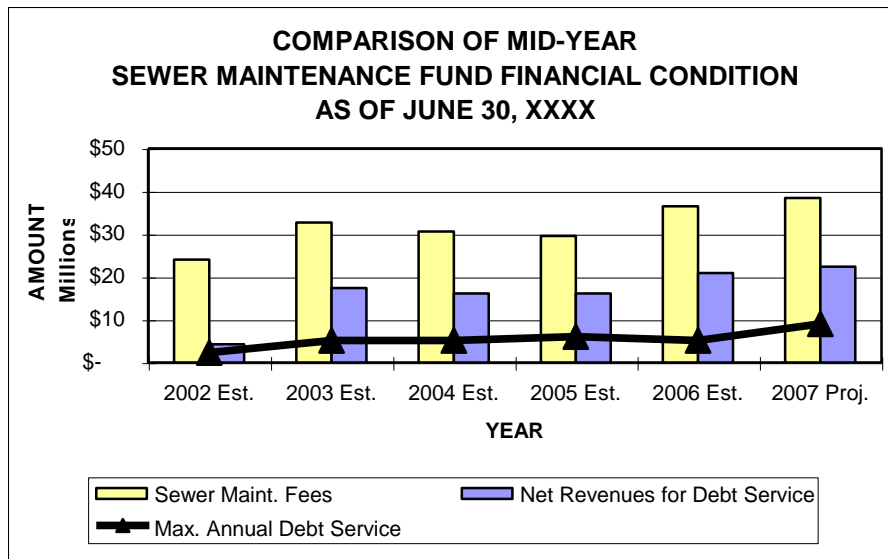
**Fiscal Impact**

This communication file has no fiscal impact. The estimates reported are subject to change in November 2006, pending adoption of the 2007 Budget.

**Other Information**

The Statement of Mid-Year Review of Financial Condition is not a comprehensive report of annual Sewer Maintenance Fund operations and does not reflect the annual budgets approved by the Common Council and Mayor.

The sewer maintenance rate is a factor of revenues and consumption estimates. Revenues must be recognized by the Comptroller prior to setting the 2007 sewer maintenance fee rate.



Any anticipated revenue shortages, resulting from drops in consumption, may result in future year rate increases.

In regards to debt service, these amounts are based on the 2003 bond issuance. Future rates will increase to reflect recent provisions adopted annually, including the 2006 Budget, which provides \$23.5 million for new sewerage system revenue bond borrowing and \$36,409,500 in sewer revenue carryover borrowing authority, for a total \$59,909,500.

Cc: Marianne Walsh  
 Mark Nicolini  
 Erick Shambarger

Jeff Mantes  
 Jeff Polenske  
 Clark Wantoch

W. Martin Morics  
 Martin Aquino

Prepared by: Emma J. Stamps X8666  
 LRB – Research and Analysis Section  
 July 17, 2006