



Department of Public Works
Infrastructure Services Division

Jeffrey J. Mantes
Commissioner of Public Works

James P. Purko
Director of Operations

Jeffrey S. Polenske
City Engineer

June 27, 2008

To the Honorable, the Common Council

Subject: Review of the Financial Condition of
the Sewerage System

Dear Council Members:

The Department of Public Works is submitting a "Statement of Mid-Year Review for Financial Condition" of the Sewer Maintenance Fund as required by the Sewerage System Revenue Bonds Master Resolution Article VIII, section 8.02 adopted August 2001, and the second lien resolution, section 11, adopted by the City of Milwaukee on June 20, 2006.

The analysis covers the current year 2008 and the proposed budget for 2009. The data for the current year covers actual revenue and actual expenditures through May, plus an estimate for revenue and expenditures through the end of the current year. The 2009 proposed budget was used for the projected year 2009.

The estimated debt service coverage of 4.86 for 2008 and 5.06 for 2009 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 42.33 for 2008 and 9.28 for 2009 exceeds the requirement of 1.20 for second lien debt.

If you have any questions regarding this report, please do not hesitate to contact the City Engineer at 286-2400.

Very truly yours,



Jeffrey S. Polenske, P.E.
City Engineer



Jeffrey J. Mantes
Commissioner of Public Works

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c: Mr. W. Martin Morics
Mr. Mark Nicolini
Mr. Martín Aquino
Ms. Dorinda Floyd

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Department Of Public Works
Notes to the Statement of Midyear Review OF Financial Condition

(A) Current year 2008

Revenue data includes five months of actual revenue (January – May 2008) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January – May 2008) and estimated expenses through year-end. Projections are based on current year trends and historical trends

(B) Operating Revenue – Sewer Maintenance Fees

The Sewer Fee is calculated at the current rate of \$1.0360 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water.

(C) Operating Revenue – Storm water Management Fee

The Storm Water Fee is based on the amount of impervious surface (areas that do not allow storm water to penetrate into the soil). Each residential property is assumed to be 1 ERU (Equivalent Residential Unit) of 1,610 sq ft. Non-residential properties are assigned ERUs by dividing their actual impervious surface areas by 1,610 sq ft. Each ERU is charged \$8.00 per quarter.

(D) Operating Revenue - Sewer Maintenance-Non City Service

This revenue is for cleaning sewer systems, structures, drainage channels and culverts for city and outside agencies. Maintenance and repair services are included.

(E) Salaries and Wages 2008

Salaries and Fringes are actual cost through pay period 11. The 2008 projection assumes current spending levels through year-end. No cost of living increase was included in the calculation. The number of authorized positions will remain the same for the year.

(F) Employee Benefits 2008

Employee benefits includes an estimate for other postemployment benefits (OPEB). This is a requirement of GASB Statement 45 on OPEB accounting by governments.

(G) Budget year 2009

The expense data for 2009 is based on the fund's 2009 budget request. The 2009 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2008.

(H) Sewer Maintenance Revenue 2009

The 2009 Sewer Maintenance Fee revenue reflects the rate of \$1.0360 per CCF of sanitary sewer consumption. The storm Water Fee reflects the rate of \$8.00 per quarter per ERU.

(I) Salaries and Wages 2009

The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2009 budget request. The number of authorized positions will remain the same as 2008.

(J) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2001 and 2003. Assumes future bonds are issued on a subordinated basis.

(K) Debt Service Coverage

Net Revenues Available for Debt Service divided by Maximum Annual Debt Service.

(L) Senior Bonds Minimum Required Coverage

Required by the Master Resolution, section 8.02, adopted by the CITY on August 2, 2001.

(M) Second Lien Revenues

Net Revenues Available for Senior Debt Service less Debt Service on Senior Bonds. Senior Bonds Maximum Annual Debt Service is used as a proxy for Debt Service on Senior Bonds.

(N) Second Lien Debt Service

Assumes \$35 million of Clean Water Fund loans in 2008, and \$19 million in the first half of 2009.

(O) Second Lien Debt Service Coverage

Second Lien Revenues divided by Second Lien Debt Service.

(P) Second Lien Revenue Requirement

Required by the Second Lien Resolution, Section 11, adopted by the City on June 20, 2006.

SEWER MAINTENANCE FUND
STATEMENT OF MID YEAR REVIEW **OF** FINANCIAL CONDITION
CURRENT YEAR 2008
PROJECTED YEAR 2009
AS OF JUNE 30, 2008

	2008 ^(A)	2009 ^(G)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 25,998,933	\$ 25,539,273 ^(H)
Stormwater Fees ^(C)	12,709,688	12,770,000
Sewer Maint-Non City Service ^(D)	65,000	80,000
Interest Income	270,000	290,000
Sewer User Penalties 10%	343,906	350,000
Water Sales Penalties	616,900	616,900
 Total Revenues	 \$ 40,004,427	 \$ 39,646,173
 Operating Expenditures:		
Contractual Expenses	\$ 7,324,646	\$ 6,623,000
Salaries and Wages	5,009,879 ^(E)	4,831,447 ^(I)
Employee Benefits	2,670,346 ^(F)	2,174,151
Equipment	31,800	64,000
Total Expenses	<u>\$ 15,036,671</u>	<u>\$ 13,692,598</u>
 Net Revenues Available for Senior Debt Service	 \$ 24,967,756	 \$ 25,953,575
 Senior Bonds Maximum Annual Debt Service ^(J)	 \$ 5,136,490	 \$ 5,124,765
 Senior Bonds Debt Service Coverage ^(K)	 4.86	 5.06
 Senior Bonds Minimum Required Coverage ^(L)	 1.20	 1.20
 Pass Senior Bonds Debt Service Coverage Test	 yes	 yes
 Second Lien Revenues ^(M)	 19,831,266	 20,828,810
 Second Lien Debt Service ^(N)	 468,540	 2,244,778
 Second Lien Debt Service Coverage ^(O)	 42.33	 9.28
 Second Lien Revenue Requirement ^(P)	 1.20	 1.20
 Pass Second Lien Rate Covenant	 yes	 yes