



Department of Public Works
Infrastructure Services Division

Jeffrey S. Polenske, P.E.
Commissioner of Public Works

Jerrel Kruschke, P.E.
City Engineer

Timothy J. Thur, P.E.
Infrastructure Administration Manager

June 28, 2021

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, 2021, and the requested budget for 2022. 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 2022 requested budget was used for the projected year 2022.

The estimated debt service coverage of 3.63 for 2021 and 4.20 for 2022 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 1.97 for 2021 and 1.96 for 2022 exceeds the requirement of 1.20 for the second lien debt.

If you have any questions regarding this report, please contact Mr. Carl Rappelt at (414) 286-2407.

Sincerely,

Jerrel Kruschke, P.E.
City Engineer

Jeffrey S. Polenske, P.E.
Commissioner of Public Works

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Attachments

c: Ms. Aycha Sawa, Comptroller, City of Milwaukee
Mr. Mark Nicolini, Budget and Management Division, City of Milwaukee
Mr. Nader Jaber, Environmental Engineering, Engineer in Charge



SEWER MAINTENANCE FUND
STATEMENT OF MIDYEAR REVIEW OF FINANCIAL CONDITION
CURRENT YEAR 2021
PROJECTED YEAR 2022
AS OF JUNE 28, 2021

	2021 ^(A)	2022 ^(D)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 31,911,258	\$ 33,962,777
Stormwater Fees ^(B)	38,065,550	39,389,465
Sewer Maint-Non City Service	47,400	50,600
Interest Income	89,500	138,000
Sewer User Penalties	661,900	674,000
Water Sales Penalties	978,900	983,900
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Total Revenues	\$ 71,754,508	\$ 75,198,742
Operating Expenditures:		
Contractual Expenses	\$ 7,732,748	\$ 8,194,000
Salaries and Wages	5,046,407 ^(C)	4,995,662
Employee Benefits	3,784,806	3,746,747
Equipment	15,000	36,000
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Total Expenses	\$ 16,578,961	\$ 16,972,409
Net Revenues Available for Senior Debt Service	\$ 55,175,547	\$ 58,226,333
Senior Bonds Maximum Annual Debt Service ^(E)	\$ 15,216,494	\$ 13,874,475
Senior Bonds Debt Service Coverage ^(F)	3.63	4.20
Senior Bonds Minimum Required Coverage ^(G)	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues ^(H)	55,175,547	58,226,333
Second Lien and Senior Lien Debt Service ^(I)	28,041,350	29,684,993
Second Lien Debt Service Coverage ^(J)	1.97	1.96
Second Lien Revenue Requirement ^(K)	1.20	1.20
Pass Second Lien Rate Covenant	yes	yes

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

(A) Current year 2021

Revenue data includes five months of actual revenue (January - May 2021) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January - May 2021) and estimated expenses through year-end. Projections are based on current year trends and historical trends.

(B) Operating Revenues – Sewer Maintenance Fee and Storm Water Fee

The 2021 Sewer Fee is calculated at the current rate of \$1.59 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2021 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 \$23.19 in 2021. The rates for the 2022 Sewer Maintenance Fee and the 2022 Storm Water Fee have not been determined at the time of this report. Estimated rates of \$1.64 per Ccf and \$24.01 were used for the 2022 estimates.

(C) Salaries and Wages 2021

Salaries and Fringes are actual cost through pay period 11. The 2021 projection assumes current spending levels through year-end. Employee benefits include an estimate for other post employment benefits. No cost of living increase was included in the calculation.

(D) Budget Year 2022

The expenditure data for 2022 is based on the fund's 2022 proposed budget. The 2022 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2021. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2022 budget request. The number of authorized positions will decrease by 1 Engineering Technician II, 10 Driver/Workers (Auxiliary), and 10 City Laborers (Auxiliary) in 2022.

(E) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2011, 2013, 2016, and 2021.

(F) Debt Service Coverage

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

(G) Senior Bonds Minimum Required Coverage

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

(H) Second Lien Revenues

Same as Net Revenues Available for Senior Debt Service.

(I) Second Lien and Senior Lien Debt Service

Debt issued through June 1, 2021. Assumes \$25 million of second lien debt issued by March 1, 2022 at a rate of 1.50%.

(J) Second Lien Debt Service Coverage

Second Lien Revenues divided by Second Lien and Senior Lien Debt Service.

(K) Second Lien Revenue Requirement

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