

RESEARCH & ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU

Executive Summary: 2007 Proposed Budget – Sewer Maintenance Fund

1. The 2007 Proposed Sewer Maintenance Fund budget provides \$63,887,171, a \$4,966,441 or 8.5% increase from \$58,920,730 in 2006. **(Page 4)**
2. The 2007 Proposed Budget provides \$5,402,763 for salaries and wages, a \$36,196 or 0.7% increase from the \$5,366,567 provided in 2006. **(Page 4)**
3. In 2007, Net Authorized Positions decrease by 10 units, from 199 to 189, total O&M FTE's decrease by 3.06 units from 113.71 to 110.65 and total Non-O&M FTEs decrease by 1.66 units. **(Page 4)**
4. Excluding salaries and wages, fringes, equipment, and special funds, the 2007 Proposed Budget Total Operating Expenditures provides \$8,083,448 compared to \$7,301,340 provided in 2006, a \$782,108, or 10.8% increase **(Pages 5-6)**
5. The 2007 Proposed Budget Equipment Purchases Total provides \$206,800 compared to \$448,500 in 2006. **(Pages 6-7)**
6. The 2007 Proposed Budget Special Funds increases to \$23,425,000, compared to \$20,050,365 provided in 2006. **(Pages 7-8)**

The Sewer Maintenance Fund pays \$9,400,000 in Debt Service-Sewer Maintenance Fund, a 17.2% increase over last year, and also \$9 million, an ongoing payment, on Debt Service for Prior Years G.O. debt, a 28.6% increase over last year. While the latter converts tax levy support debt to self-supporting debt, reducing the 2007 property tax levy by approximately \$9 million, the measure may increase user fees in future years. **(Pages 7-8)**
7. The 2007 Proposed Budget provides \$4,600,000 for a Payment to General Fund for street sweeping and leaf removal services. **(Page 8)**
8. The 2007 Proposed Budget provides \$24,500,000 in borrowing authority for the Relay Program. **(Page 9)**
9. In 2007, Sewer Maintenance Fund Total Sources of Funds is estimated at \$63,887,171, a \$4,966,441 or 8.5% increase compared to \$58,920,730 forecast for 2006. Total Revenues of \$37,59,638 in 2007 and \$34,669,298 in 2006 are included. **(Page 9)**
10. In 2007, the local sewerage charge (Sewer Maintenance Fee) continues to be based on water use, but is reduced to reflect the additional revenue generated by the Storm Water Management Fee, which, effective January 1, 2006, is based on every developed property and vacant, improved property's impervious surface area. **(Pages 10-11)**

11. The 2007 Proposed Sewer User Fee would generate \$23,605,260, compared to \$27,600,000 in 2006.

(Pages 9-11)

12. The 2007 Proposed Storm Water Management Charge would generate \$13,451,392 based on 12-month billable period, compared a \$6,575,552 in 2006 which was based on 6 months.

(Pages 9-11)

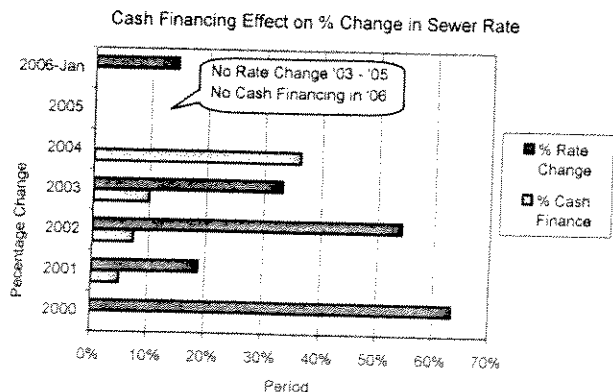
**RESEARCH & ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU
2007 Proposed Budget Summary: Sewer Maintenance Fund**

Expense Category	2005 Actual	2006 Budget	% Chg	2007 Proposed	% Chg
Operating	\$31,798,526	\$35,420,730	+ 11.4%	\$39,387,171	+ 11.2%
Capital	\$19,840,982	\$23,500,000	+ 18.5%	\$24,500,000	+ 4.3%
Total	\$51,639,508	\$58,920,730	+ 14.1%	\$63,887,171	+ 8.5%
Positions	198	199	+ 0.5%	189	- 5.1%

The Sewer Maintenance Fund is an enterprise fund for sewer maintenance expenses. It funds the administration, operation and maintenance of the City's sewer system. This Fund recovers sewer maintenance costs through a user fee rather than through the property tax. Residents pay for the costs of sewer maintenance as part of their quarterly city services bills. DPW-Infrastructure Services Division administers the Sewer Maintenance Fund, including oversight of personnel and activities. All revenues from this fee go to the Sewer Maintenance Fund. Interest earned on the revenues are credited 2/3 to the General Fund, and 1/3 to the Public Debt Amortization Fund.

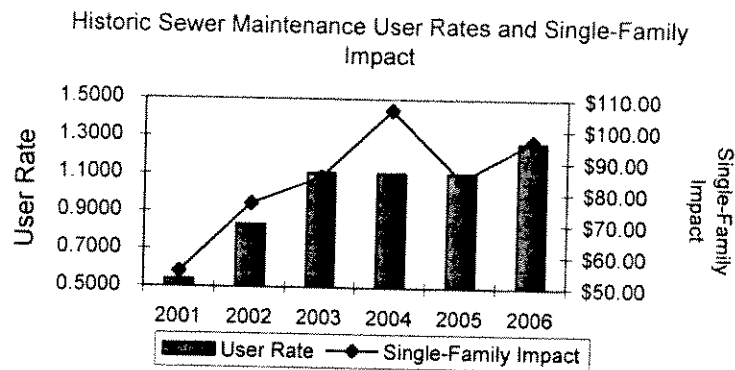
Pertinent Historical Information

1. The 1998 Budget created the Sewer Maintenance Fund by transferring two decision units from DPW-Infrastructure Services: (1) Environmental and (2) Underground Operations. Included was the transfer of 188 positions.
2. The 2000 Adopted Budget transferred the Relief and Relay Sewer capital program from the City's capital program to the Sewer Maintenance Fund. The Relief and Relay Sewers are to be financed through issuance of revenue or general obligation bonds and paid for through the Sewer Maintenance Fee. Before 2000, the Relief and Relay Sewers were largely cash financed.
3. The 2000 budget authorized a \$14,560,000 Sewerage System Revenue Bond issuance and the 2001 budget authorized an addition \$14,535,000 bond issuance for financing costs of improvement to the City's sewerage system. The most recent bond issue was June 20, 2003 for up to \$33,885,000.
4. In 2001, a cash conversion policy was developed for the Sewer Maintenance Relay Program for realizing substantial long-term savings through debt service avoidance. The intent is to balance current costs and future savings thereby making annual fee increases manageable and acceptable. Cash financing, and not borrowing, for capital improvement projects was eliminated in the 2005 budget to avoid raising the sewer rate in 2005, and, to avoid using debt to pay for debt included in



the proposed \$7 million transfer of pre-2000 tax levy debt service to the Fund. If the ongoing transfer of debt service is approved, future sewer rates must be adjusted upward to cover the required payments.

5. In 2001, the department began purchasing its own equipment fleet. Prior to 2001, the enterprise fund rented equipment from DPW – Buildings & Fleet.
6. Since 2001, the average residential sewer user rate has increased by \$0.5693 from \$0.5401 per 100 Ccf to \$1.1094 per 100 Ccf, and, annual average single-family property owner billings ranged from \$30.31 to \$106.52 per year.



7. In 2002, Special Funds began providing for the first time a \$4,372,001 Payment to the General Fund for the Street Sweeping and Leaf Collection services. The Department of Public Works (Buildings & Fleet and Sanitation) delivers those services to City of Milwaukee property tax payers and non-profits.
8. The MMSD grant that offsets costs related to monitoring and studying the sanitary sewer system expired on December 31, 2002. No comparable grant sources have been identified to replace this revenue stream.
9. In 2002, the DNR charged that the city failed to adequately enforce erosion control ordinances. Future resources must be dedicated to correcting those areas of noncompliance.
10. In 2003, 2 major organizational changes enhanced the number of positions and management assignment to the Environmental Section. Those changes involved reassigning personnel and responsibilities from the following:
 - Field Operations Section – Underground Unit to the Environmental Section and,
 - Streets and Bridges Unit - Underground Maintenance area to the Environmental Section Underground Operations Unit

In 2006 a reorganization related to relocating Sewer Maintenance Fund operations to the Tower Automotive site at N. 35th Street and W. Capitol Drive resulted in eliminating 1 of 3 field districts and select vacant positions and entering into long term lease agreement with the Redevelopment Authority for the property. Annual lease payments are in excess of \$800,000.

11. The 2003 budget provided \$200,000 for a dewatering facility capital project based on a dewatering facility study.
12. The Sewer Maintenance Fund has its own contingent fund, to finance future wage settlements, fluctuations in revenue sources, and unknowns. No contingency financing has been budgeted since 2004 when contingencies funding totaled \$900,000, a \$275,000 decrease from the \$1,175,000 provided in 2003.
13. Beginning in 2003, the DPW-Sewer Maintenance Fund no longer lists Depreciation on budget documents based on a Budget Office decision.
14. 32 clogged sewers were logged in 2004. This performance measure relates only to sewers that clog due to grease, dirt, and debris, or collapses and results in a backwater into a home. In 2005, the Fund logged 4,143 street flooding complaints and 45 clogged sewer complaints.
15. Retained Earnings had a \$17,611,125 balance at the end of 2004 and \$15,905,063 in 2005.

Flow Reduction Projects (Pilot)

The 2005 Budget provided \$1,206,000 in capital improvement allocations for a multi-phase Flow Reduction Project, which provides for 4 separate pilot projects whose goals are to reduce the amount of clear water flowing directly into sanitary and combined sewers.

- \$300,000 – Downspout Disconnections – This pilot project targets 1,200 single and two-family residential buildings in the Washington Park neighborhood for voluntary downspout disconnections. In previous years, MMSD funded a similar Sewer Maintenance Fund administered pilot program where property owners in targeted areas received \$50 per downspout disconnected, with a maximum of \$100 per house.
- \$275,000 – Inlet Restrictors and Downspout Disconnection – The project calls for the installation of inlet restrictors in catch basins to reduce the rate of rainwater runoff entering into the combined sewers. The water is temporarily stored on the street (puddle) and gradually released into the sewers. This pilot project is expected to result in increased street flooding and complaints by citizens during the first year.
- \$505,000 – Footing Drain Disconnections – This pilot project targets homes built before 1954 in one area of the Lincoln Creek watershed. Homeowners must voluntarily consent to have foundation footing drains disconnected from sanitary sewers.
- \$126,000 – Retrofit Control Flow Flat Roof Drainage – This pilot targets 125 city-owned buildings including libraries, police stations, fire stations, City Hall, DPW facilities, Health Department clinics, MPS schools, and Housing Authority properties.

Water Quality Projects –

To qualify a proposed biofiltration facility in the Menomonee Valley, the Sewer Maintenance Fund created a separate \$1,000,000 capital budget in 2006. The project will resemble a small ecosystem including tree plantings and other landscaping in areas of the valley that are currently marketed for private development.

2007 Budget Highlights and Issues

The 2007 Proposed Sewer Maintenance Fund budget provides \$63,887,171, a \$4,966,441 or 8.5% increase from \$58,920,730 in 2006. Included are proposals for the following:

- No position layoffs
- Increase Operating Expenditures Total by \$782,108 (10.8%)
- Decrease total authorized positions by 10 units
- Less funds required for equipment than in 2006
- Maintain Payment to the General Fund at \$4,600,000
- Increase amount transferred to pay off tax levy debt service from \$7 million to \$9 million
- Full year storm water management fee estimate

PERSONNEL

The 2007 Proposed Budget provides \$5,402,763 for salaries and wages, a \$36,196 or 0.7% increase from the \$5,366,567 provided in 2006. On August 26, 2006, staff reported the following positions vacant:

- Civil Engineer III, vacated 5/31/2006, plan to fill
- Sewer Maintenance Program Manager, vacated 6/19/2006, plan to fill
- Sewer Repair Crew Leader (2 positions), plan to fill one
- Sewer Mason (2 positions), plan to fill as work load requires
- Sewer Crew Leader I (9 positions), plan to fill as work load requires
- Sewer Laborer II (7 positions), plan to fill as work load requires
- Sewer Laborer I (13 positions), plan to fill as work load requires

In addition, from 2006 to 2007, Net Authorized Positions decrease by 10 units, from 199 to 189, total O&M FTE's decrease by 3.06 units from 113.71 to 110.65 and total Non-O&M FTEs decrease by 1.66 units due to operational efficiencies recognized from the move to the Tower Automotive Site (see discussion on Underground Decision Unit) and supporting 2 Stormwater Management Fee related auxiliary positions for a full year versus 6 months as provided in 2006.

Environmental Decision Unit

A Capital Service Deduction is taken for staff time spent working on capital sewer projects. In 2007, Capital Services Deduction for the Environmental Decision Units increases to \$1,005,227 from \$979,798 budgeted in 2006. Positions involved in this work include Management Civil Engineer – Senior, Civil Engineer III, Civil Engineer II, Engineering Drafting Technician V, Engineering Drafting Technician IV, and Engineering Drafting Technician II.

Position Changes

The 2007 Proposed Budget contains a proposal to eliminate a vacant Engineering Drafting Technician IV (PR 604) within the "Drafting" section, resulting in a net cost decrease of \$25,841 from 2006 levels, excluding fringe benefits. Eliminating the position results in a 1.0 unit decrease in O&M FTEs. In 2006, a Auxiliary Engineering Drafting Technician II and Auxiliary Civil Engineer II were created to support the Stormwater Management Fee beginning in July 2006. In 2007, a full year authority and funding is proposed, increasing O&M FTEs by 0.47 units.

Underground Operations Unit

The Capital Services Deduction increases to \$386,548 in 2007 from \$335,266 budgeted in 2006 for staff time spent working on drainage structures and manholes prior to paving of a street. Positions that perform this work include Sewer Repair Crew Leader, Sewer Laborer II, Sewer Laborer I, and Sewer Mason. Reimbursable Services Deductions increase to \$149,312 in 2007 from \$97,502 in 2006.

Position Changes

The 2007 Proposed Budget provides for eliminating several vacant positions in the Underground decision unit, at a net cost savings totaling \$12,566, excluding fringe benefits.

- Eliminate 1-Sewer Maintenance Schedule (PR 265) and assign responsibilities to the Sewer Maintenance Program Manager (SG 5); DER may study the position in 2007
- Eliminate position authority for 1-Auxiliary Sewer Crew Leader I (PR 245), 1-Auxiliary Sewer Mason (PR 989), 3-Auxiliary Sewer Laborer I (PR 230), and 1-Auxiliary Sewer Examiner II (PR 260), unfunded positions

By eliminating the auxiliary position and funding in 2007, the department plans to fill the second, previously unfunded 'above the line' Sewer Services District Manager (SG 9) position in 2007.

The 2006 adopted budget created 1-Auxiliary Sewer Services District Manager (SG 9) position to maintain 3 sewer districts in case the move to the Tower site was delayed or did not occur. The 2007 Proposed Budget continues to carry the position authority.

OPERATING EXPENDITURES

The 2007 Proposed Budget Total Operating Expenditures provides \$8,083,448 compared to \$7,301,340 provided in 2006, a \$782,108, or 10.8% increase. Only the following Operating Expenditure budget categories changed funding during this period.

Operating Expenditure	2006 Adopted	2007 Proposed	Monetary Change	Percentage Change
<i>Environmental Decision Unit</i>				
General Office Expense	\$ 26,000	\$ 28,000	+ \$2,000	+ 7.7%
Other Operating Supplies	3,000	-0-	- 3,000	- 100.0%
Professional Services	113,250	140,000	+ 26,750	+ 23.7%
Information Technology Services	25,000	23,000	- 2,000	- 8.0%
Reimburse Other Depts.	487,635	520,402	+ 32,767	+ 6.8%
Infrastructure Services	1,550,000	2,200,000	+ 650,000	+ 42.0%
Other Operating Services	28,000	15,000	- 13,000	- 46.4%
<i>Underground Decision Unit</i>				
General Office Expense	10,000	8,000	- 2,000	- 20.0%
Tool & Machinery Parts	40,000	45,000	+ 5,000	+ 12.5%
Construction Supplies	600,000	550,000	- 50,000	- 8.4%
Professional Services	70,000	20,000	- 50,000	- 71.5%
Information Technology Services	5,000	-0-	- 5,000	- 100.0%
Property Services	702,955	843,546	+ 140,591	+ 20.0%
Other Operating Services	450,000	500,000	+ 50,000	+ 11.2%

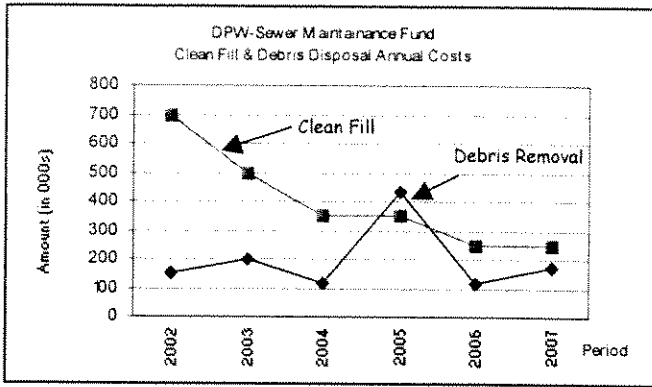
- Generally, the Sewer Maintenance Fund has shared resource across decision unit budget lines (e.g. Other Operating Supplies and Information Technology Services allocations)
- Under the Environmental Decision Unit, Professional Services increases to support (1) the inspection of detention ponds and storm water treatment units and (2) tuition reimbursement costs reimbursed by the Fund.
- Reimburse Other Departments increases based on higher DPW Administration costs. Both the 2005 and 2007 proposed budgets disallowed increases for boulevard maintenance.
- Infrastructure Services increases due to (1) higher sanitary manhole inspections and rehabilitations mandated by the Department of Justice and (2) water quality improvements required by the Department of Natural Resources.
- All remaining Environmental Decision Unit Operating Expenditure budget lines adjust to reflect 2005 actual experiences.
- Under the Underground Decision Unit, Property services increases to reflect the cost of a full year of rent for the new DPW facilities located at the Tower Automotive site. The amount budgeted for 2006 was only for 10 months.
- All remaining Underground Decision Unit Operating Expenditure budget lines adjust to reflect 2005 actual experiences.
- The Sewer Maintenance Fund pays equipment rental fees to DPW. The rental payments are funded in the Vehicle Rental account. The yearly payments (rounded) are as follows:
 - 2003 actual - \$1,544,805
 - 2004 actual - \$1,358,693
 - 2005 actual - \$1,739,688
 - 2006 budgeted is \$1.6 million - \$355,048 actual 1st-Quarter payment
 \$464,198 actual 2nd Quarter payment
 \$400,000 estimated 3rd & 4th Quarters each
 - 2007 proposed - \$1,600,000

EQUIPMENT EXPENDITURES

The 2007 Proposed Budget Equipment Purchases Total provides \$206,800 compared to \$448,500 in 2006. The funds will be used to purchase the following:

- SCADA computer equipment (modems, servers, etc.), \$85,000
- Quad gas detectors, 6 units, \$15,000
- Confined Space Safety Harness, 10 units, \$1,500
- Hand held radios, 3 units, \$5,300
- Jet nozzles, 10 units, \$15,000
- Sewer Jet, 1 unit \$85,000

The facilities at 84th and Florist, which houses the current SCADA system, relocated to the Tower Automotive site. Since the Department of City Development is actively marketing the property for sale, the SCADA system must also relocate. An in-house study is underway to evaluate moving the system to either the Milwaukee Police Department Communication Center at N. 50th and W. Lisbon Avenue or Tower at N. 35th and W. Capitol Drive.

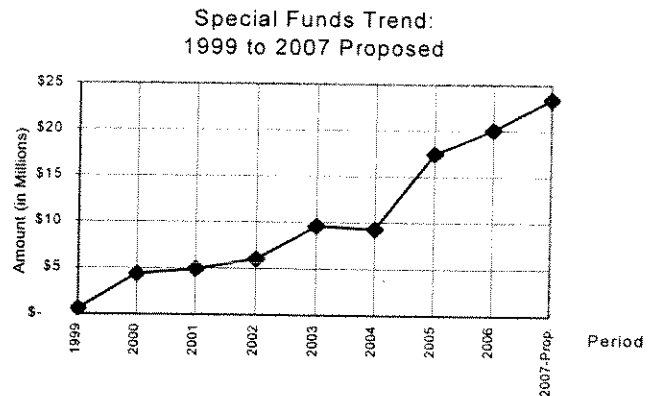


Clean Fill & Debris Removal Trend

The 2007 Proposed Budget provides \$250,000 for debris removal and \$175,000 for clean fill disposal, compared to \$250,000 and \$120,000 in 2006, respectively.

SPECIAL FUNDS

The 2007 Proposed Budget Special Funds provides \$23,425,000 compared to \$20,050,365 provided in 2006, an increase of \$3,374,635 or 16.9% based on changes discussed on pages 7-8. Historically, the Special Funds budget category provided for debt service, payment to the general fund, PILOT payments, contingencies and depreciation. Sewer user fees provide funding for the following special fund line items.



Special Funds Reserved for Debt Payments: Revenue vs. General Obligation

Sewer capital is categorized as (1) Relief and Relay (replacement or rehabilitation of existing sewer systems) and (2) Expansion of Sewer Capacity (installation of new sewer systems). Revenue bonds provide for replacement and rehabilitation projects and general obligation borrowing provides for expanding the existing sewer system. Pre-2000 borrowing, and its debt service, was supported by the property tax levy. Post-2000 relay projects have been funded by user fees collected by the Sewer Maintenance Fund. The Budget Office proposes an ongoing transference of annual debt service for all sewer related projects, regardless of age, from the tax levy to sewer users as sewer fees billable on the municipal service bill.

As mentioned, the 2007 Special Funds budget provides for the following uses:

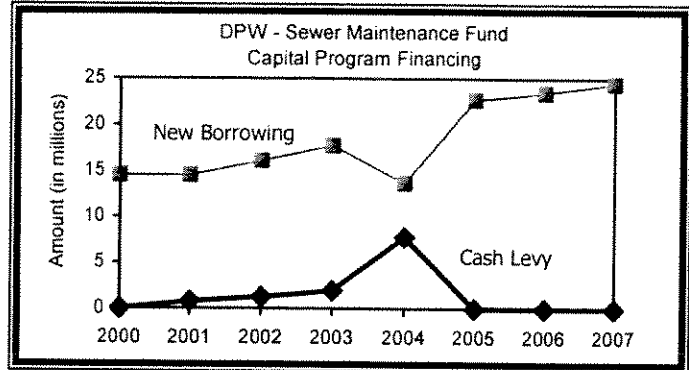
Title and Cost	Description
<i>Debt Service-SMF</i> \$9,400,000:	<p>The 2000 Budget transferred the Relief and Relay Sewer capital program from the City's capital improvement budget to the Sewer Maintenance Fund. The Relief and Relay Sewers are financed through issuance of revenue bonds and paid for through the Sewer Maintenance Fee. The City of Milwaukee issued a series of Sewerage System Revenue Bonds, Series 2001, in the principal amount not to exceed \$29,095,000 to finance Sewer Maintenance Fund capital projects and Series 2003 S4, in the principal amount not to exceed \$33,888,500 (included \$16,138,500 in year 2002 borrowing authority). This budget line provides for repayment of that debt.</p> <p>Early Comptroller's Office estimates calculated Sewer Maintenance Fund expenditures for debt service at \$1.4 million in 2003 and \$2.6 million per year in years 2003-2023.</p> <p>In 2007, the proposed Debt Service-SMF is listed as \$9,400,000, a \$1,374,635 or 17.2% increase compared to the \$8,025,365 provided in 2006.</p>
<i>Debt Service-Prior G.O. Debt</i> \$9,000,000:	<p>All pre-2000 sewer projects were financed using general obligation borrowing as tax levy supported debt. If adopted in 2007, ongoing annual transfers from the Sewer Maintenance Fund to the city for annual debt service related to pre-2000 sewer expansion and rehabilitation projects will be paid by quarterly user fee collections. The 2005 Budget provided for the initial annual payment, converting \$7 million in pre-2000 sewer related tax levy supported debt to the Fund, with the expectation of reducing the 2005 property tax levy approximately \$1 million (2005 Budget Summary). Another \$7 million debt was transferred from the tax levy to the Sewer Maintenance Fund budgeted in 2006. In 2007, the transfer increases by \$2,000,000 from \$7,000,000 to \$9,000,000. Transfers of tax levy debt could increase sewer user rates in future years.</p>
<i>Payment to the General Fund</i> \$4,600,000:	<p>A proposed \$4,600,000 Payment to the General Fund is at the same level provided in 2006. The payment reduces the tax levy impact related to the costs of providing street sweeping and leaf collection services through the DPW Operations Sanitation and the Buildings & Fleet decision units. The payment amount is sensitive to annual fluctuations in operating expenditures, debt service, and revenue stream changes.</p>
<i>Water Administration</i> \$350,000	<p>The Milwaukee Water Works provides a fee-based service to the Sewer Maintenance Fund for billing, adjusting, collecting and remitting sewer fees through the users' Municipal Services Bills. The annual fee increased from \$100,000 in 1998 to \$355,000 in 2003. In 2004, the service fee decreased to \$350,000 and remains at that level.</p>

CAPITAL BUDGET

In 2007, to avoid “reserve” requirements, the Sewer Maintenance Fund will borrow for the full program using below market interest State of Wisconsin Clean Water Fund and city issued general obligation loans, which will be repaid using future Sewer Maintenance Fund revenues. Several relief and relay projects could qualify as uses for the State’s Clean Water Fund, but they must be listed separately in annual capital budgets. The city’s general capital fund provides an additional \$3,500,000 for the expansion of the capacity sewer program.

Relief and Relay Program

The Sewer Maintenance Relay Program replaces existing combined, sanitary and storm sewers. The 2007 Proposed Budget provides \$24,500,000 for the Relay Program, compared to \$22,500,000 provided in 2006.



Expansion of Capacity Sewer Program

The Expansion of Capacity Sewer Capital Improvement Program funds new sewer construction and construction of sewer where capacity is increased.

In 2007, \$3,500,000 new proposed capital-borrowing authority supports this citywide program (compared to \$3,052,500 in 2006). In previous years, the Fund researched, applied for, and accepted various grants to offset costs to local sewer customers. The 2007 Proposed Grants & Aids allocations for city departments does not list the program and the budget line for Developer Revenues is unfunded (compared to \$300,000 in 2006).

DEPARTMENT REVENUES

In 2007, estimated revenues total \$37,549,638, a \$2,880,340 or 8.3% increase compared to \$34,669,298 estimated for 2006.

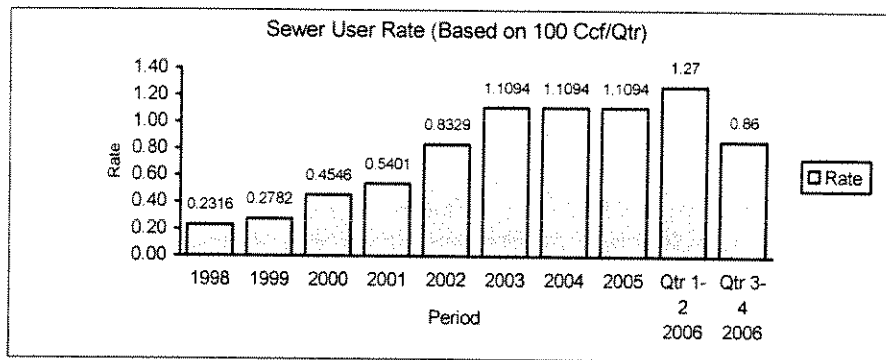
SEWER MAINTENANCE FUND – Revenues & Other Funding Sources				
<u>TYPES OF REVENUE</u>	<u>2006</u>	<u>2007</u>	<u>CHANGE</u>	<u>%CHANGE</u>
Sewer Maintenance Fee	\$ 27,600,000	\$ 23,605,260	- 3,994,740	- 14.5%
Storm Water Mgmt Charge	6,575,552	13,451,392	+ 6,875,840	+ 104.6%
*Charges For Services	198,818	211,122	+ 12,304	+ 6.2%
Interest Income	252,425	255,150	+ 2,725	+ 1.1%
Miscellaneous Revenue	42,503	26,714	- 15,789	- 37.2%
TOTAL REVENUE	\$ 34,669,298	\$ 37,549,638	+ 2,880,340	+ 8.3%
Proceeds From Borrowing	23,500,000	24,500,000	+ 1,000,000	+ 4.3%
Withdrawal From Retained Earnings	751,432	1,837,533	+ 1,086,101	+ 144.6%
TOTAL OTHER FUNDING SOURCES	\$ 24,251,432	\$ 26,337,533	+ 2,086,101	+ 8.6%
TOTAL	\$ 58,920,730	\$ 63,887,171	+ 4,966,441	+ 8.5%

Beginning in 2006, the local sewerage charge (Sewer Maintenance Fee) continues to be based on water use, but is reduced to reflect the additional revenue generated by the Storm Water Management Fee, which, effective January 1, 2006, is based on every developed property and vacant, improved property's impervious surface area.

Sewer User Rate

Various customer classes pay into total Sewer user fee revenues. Assuming a decrease in estimated Sewer Maintenance Fee revenues from \$27,600,00 in 2006, to \$23,605,260 in 2007, the Sewer maintenance (user) rates have increased *from* \$0.2316 per hundred cubic feet of water (Ccf) in 1998 to \$1.27 per Ccf and \$0.85 per Ccf in 2006, for quarters 1-2 and 3-4 respectively (see chart below). The \$0.85 per Ccf rate allowed for holding down average overall residential fees for sewer related services while allowing for the separation of Storm Water Management costs to create a new Storm Water Management Charge, which comparatively lowers the sewer user rates (both are billed and collected quarterly on the Municipal Services Bill). A typical single-family residence pays \$96.88 per year for local sewerage and stormwater management services (2006 Budget Summary, p. 202), compared to \$84.31 in 2005.

Chart Historical Sewer User Rates



Cash financing, and not borrowing, for capital improvement projects was eliminated in the 2005 budget to avoid raising the sewer rate in 2005, and, to avoid using debt to pay for debt included in the proposed \$7 million transfer of pre-2000 tax levy debt service to the Fund. The Sewer Maintenance Fund transferred \$7 million to support general levy debt service in years 2005 and 2006. The transfer amount increases by \$2 million to a proposed \$9,000,000 in 2007. Ongoing transfer of debt service of this magnitude will impact future sewer rates, which would have to increase enough to cover annual expenses and maintain a responsible level of cash reserves for emergencies (contingencies).

Storm Water Management Charge –

Effective July 1, 2006, the Milwaukee Code of Ordinances allows for charging standardized amounts in Storm Water Management charge for each 1-4 unit dwellings (including condominiums) based on the citywide average impervious area per residential developed property. Charges for all other properties vary based on the amount of impervious surface area on each property. The Storm Water Management is calculated based on an “equivalent residential unit” rate set annually by

Common Council resolution. The charge first appeared on Municipal Services Bills in August 2006. A flat rate of \$8 per quarter per ERU is charged all residential properties.

The 2007 Proposed Budget estimates \$13,541,392 (Jan.-Dec.) total revenue from the Storm Water Management charge compared to \$6,575,552 (July-Dec.) estimated revenues in 2006.

Charges for Services and Miscellaneous Revenues

The various services provided under Charges for Services and Miscellaneous Revenue include: (1) deferred sewer assessments, (2) unused sewer life, (3) certified survey plat review, (4) storm water management manual sales, (5) sewer maintenance non-city services, (6) sewer maintenance plat and reviews, (7) sewer user penalty for transfers to property tax roll.

Retained Earnings

As of December 31, 2005, the Retained Earnings balance totaled \$15,905,063.76, a \$1,706,061 decrease compared to \$17,611,125 in 2004. The Fund withdraws from retained earnings when total revenues do not cover total expenditures, generally because of underestimating water consumption. In 2007, anticipated Withdrawal from Retained Earnings increases by \$1,086,101 or 144.6% compared to \$751,432 anticipated in 2006.

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