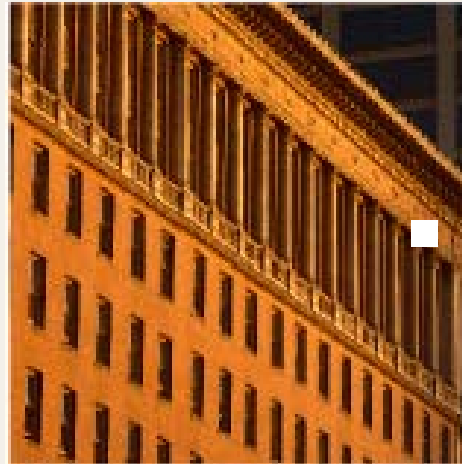


# Public Sector Advisors



SEWER MAINTENANCE FUND ANALYSIS  
PRESENTATION TO:

City of Milwaukee,  
Wisconsin

May 25, 2011



Presenters: Joe Murray, Vice President  
Patty Kettles, Vice President  
Nick Dragisich, Executive Vice President

# Purpose

- Review and analyze Sewer Maintenance Fund
  - Determine appropriate rate structure and other revenue needed
    - Anticipated operating and maintenance expenses
    - Debt service for existing and projected infrastructure & equipment
    - Adequate cash reserves
  - Review current budgeting & borrowing practices and make recommendations for improvements

# Discussion of Enterprise Fund

- Choices available when establishing utilities
  - Supported or subsidized by tax revenue
  - Wholly supported by fees
  - Hybrid
- SMF is a hybrid system
  - Covers all utility costs from system fees
  - Supports certain related services
  - Capital improvements paid from G.O. Bonds
  - Relies on tax revenues for reserves

# Discussion of Reserves

- Reserves
  - Debt Service: revenue bonds and G.O. bonds
  - Operating reserves

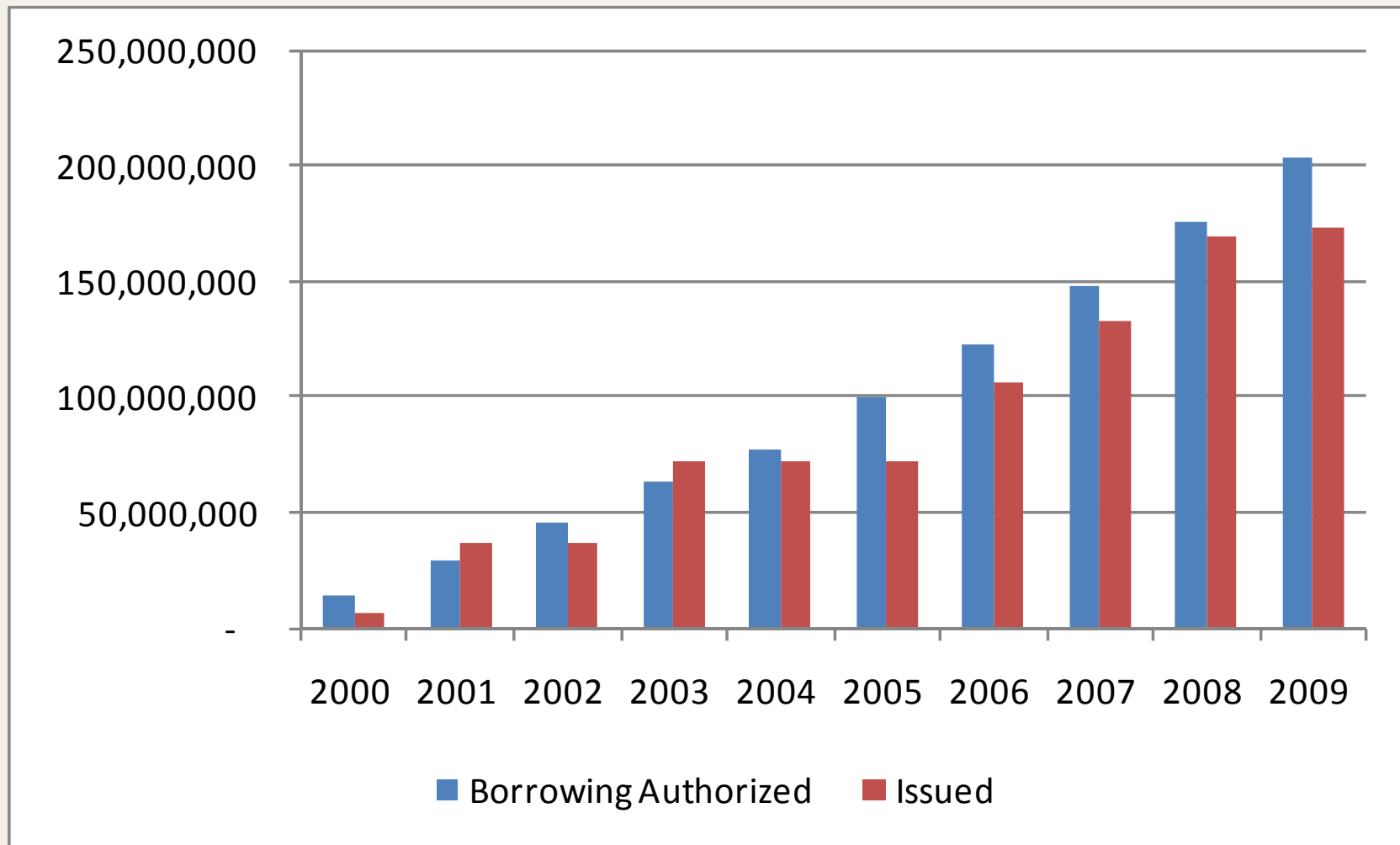
# Findings Regarding Sewer Rate Increase

- Taxpayer / Ratepayer – City preference?
- Preserving G.O. borrowing capacity
- Meeting growing capital needs
- 4.70% Annual Increase would be needed
- Level of SMF transfer for General Fund programs

# Policy Options

- Adjustments to Debt Service Reserve
- Reducing SMF-related/funded services
  - Brush pickup, street sweeping, leaf collection, tree planting, pruning, and related pension costs
- Adjustments to Capital Improvement Program

# Borrowing Authorized vs. Actually Issued



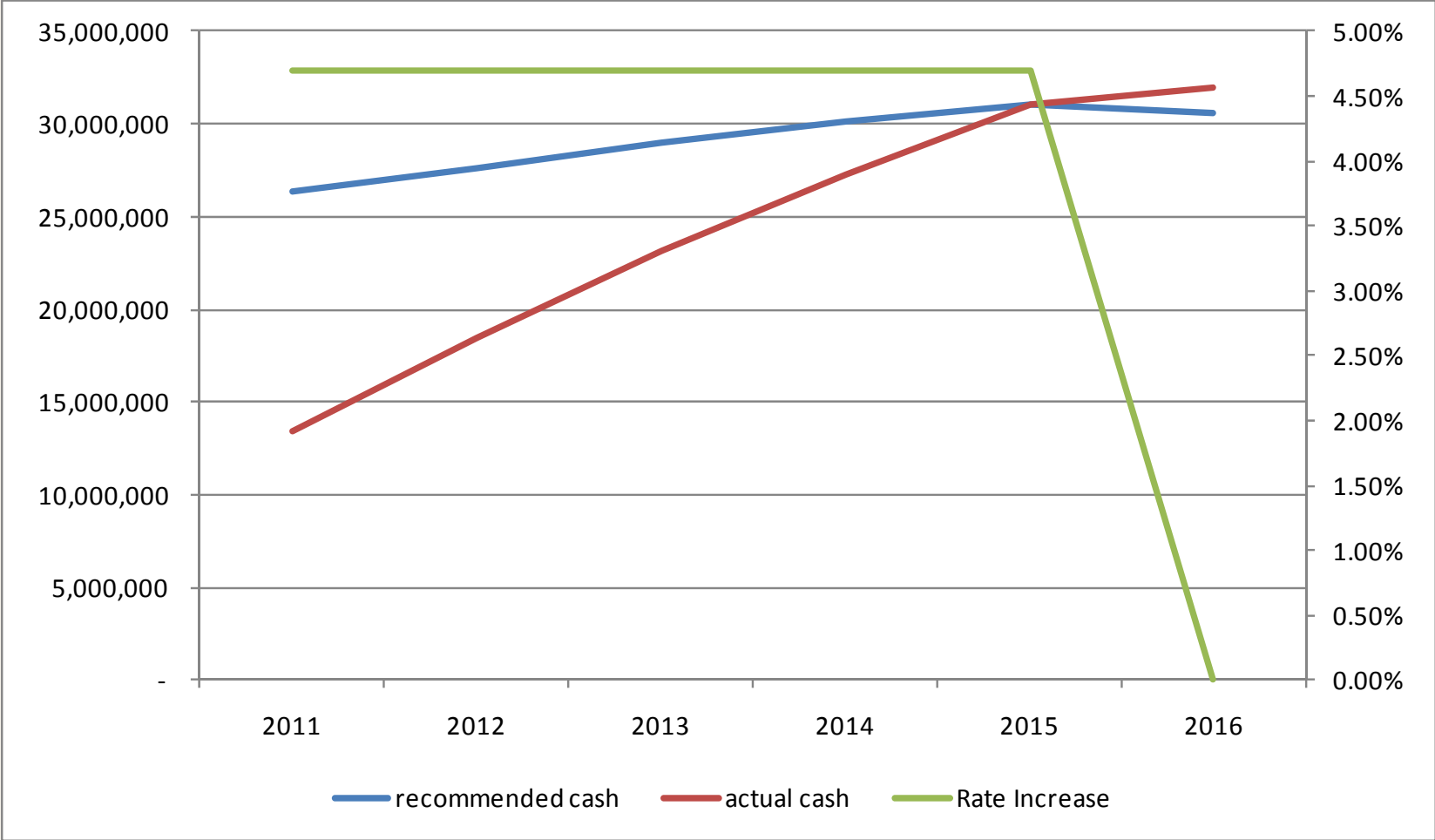


# G.O. vs. Revenue Bonds

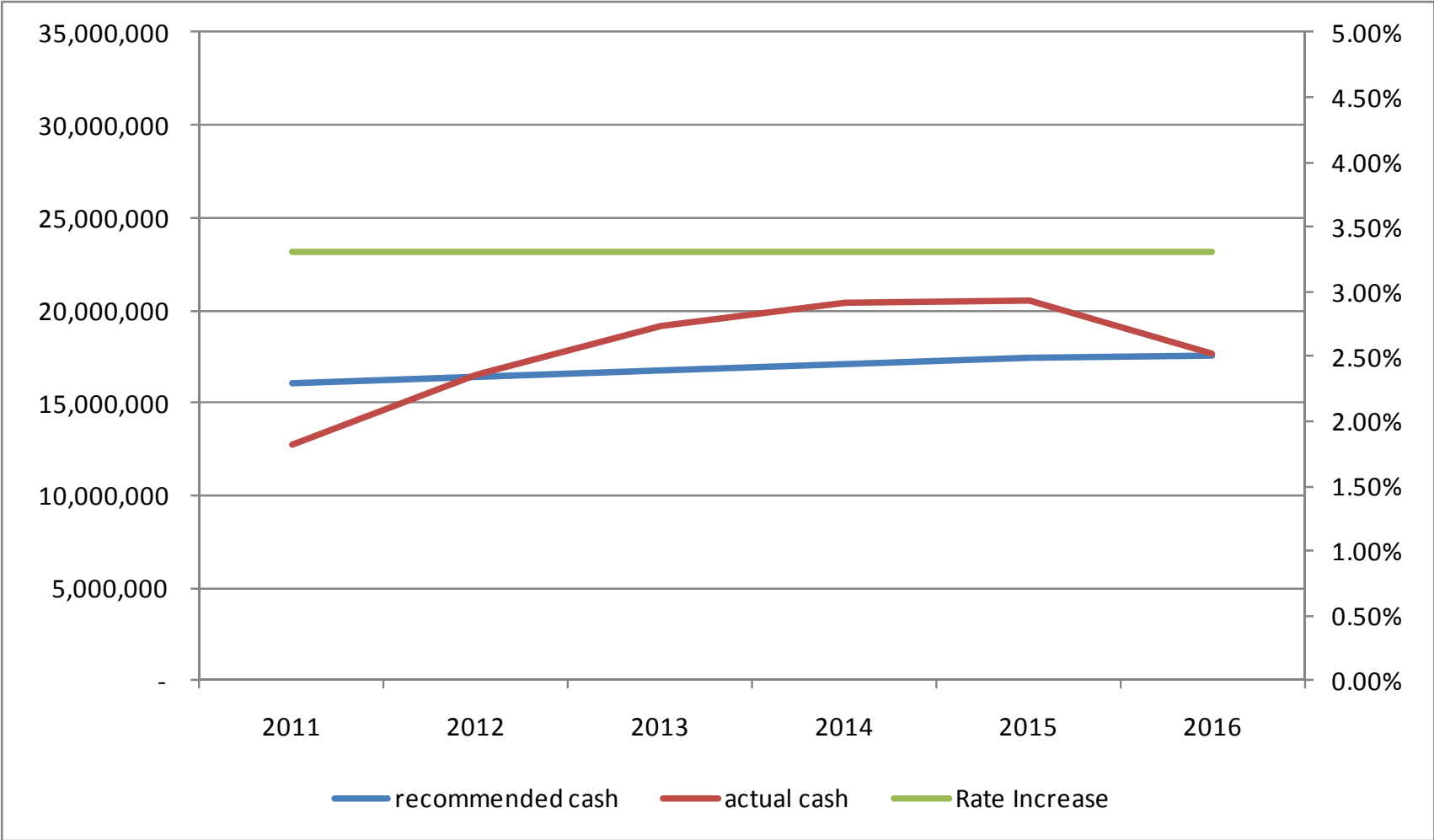
- Revenue Bonds:
  - Overall borrowing costs would increase for Revenue bonds
  - Debt Service Reserve requirements would increase
  - Net revenues would need to be 1.25x debt service

**All of these items would have potential impacts on rates!**

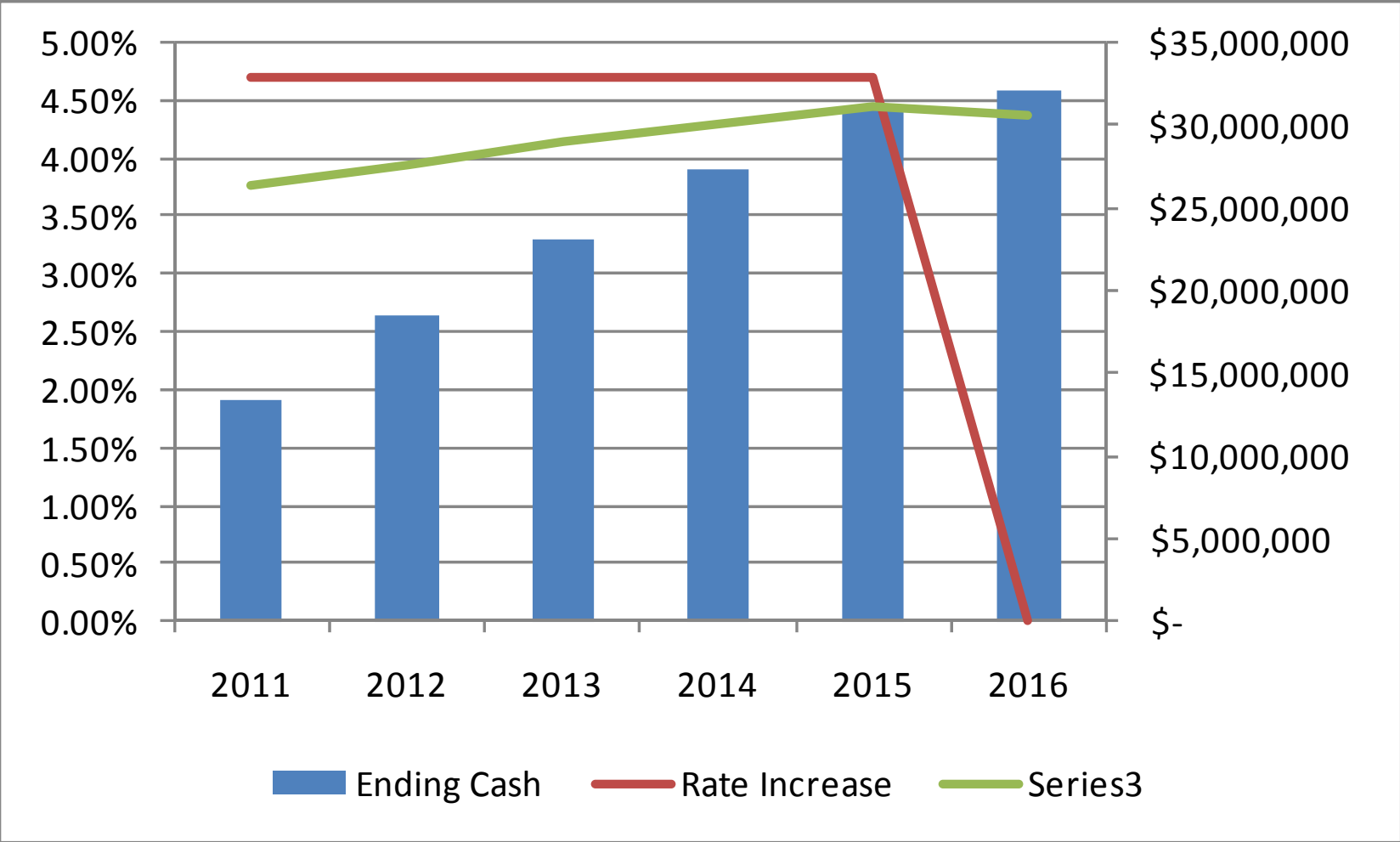
# Scenario A: Reserve = 50% of Next Year's Debt Service



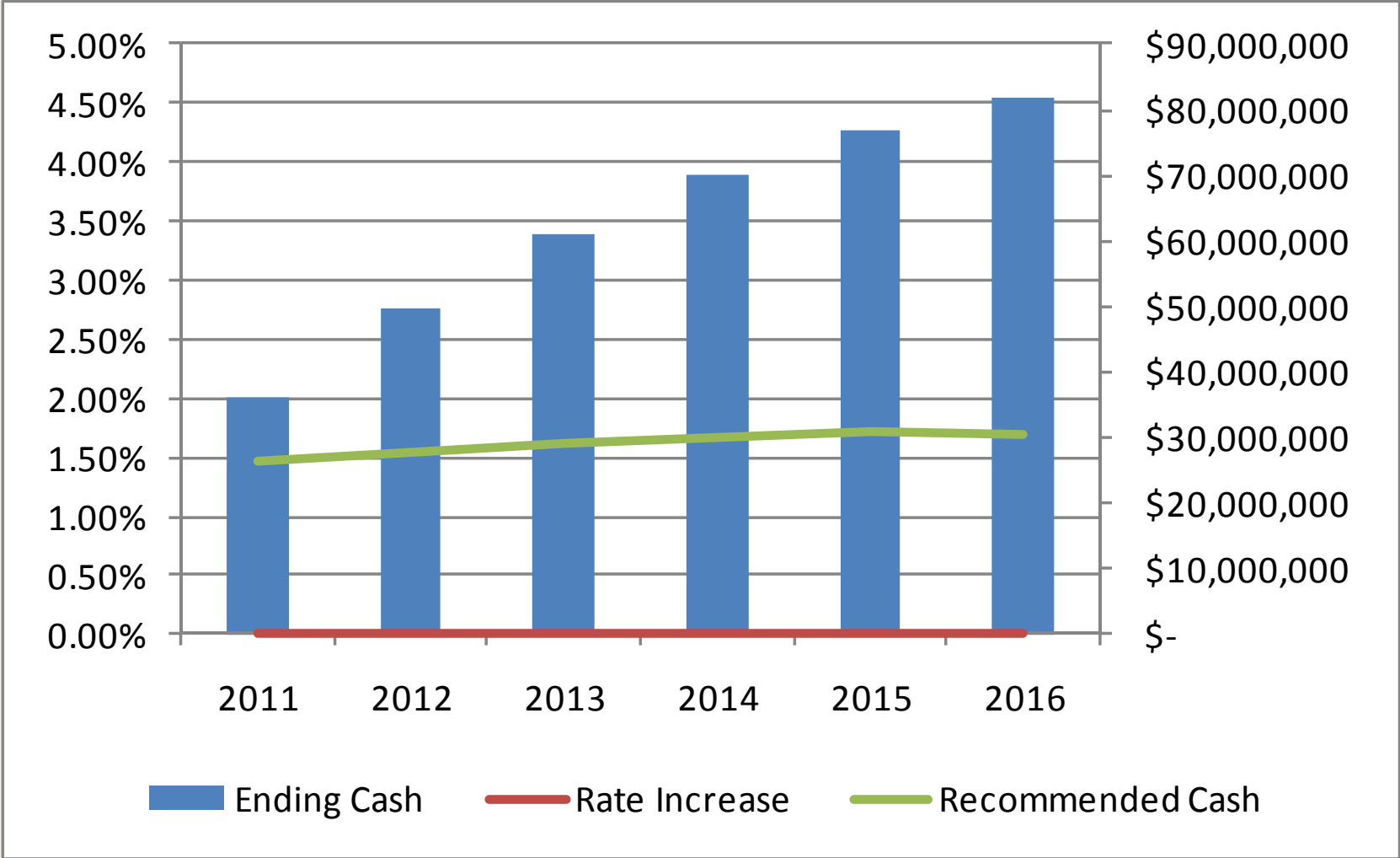
# Scenario B: No Reserve for Debt



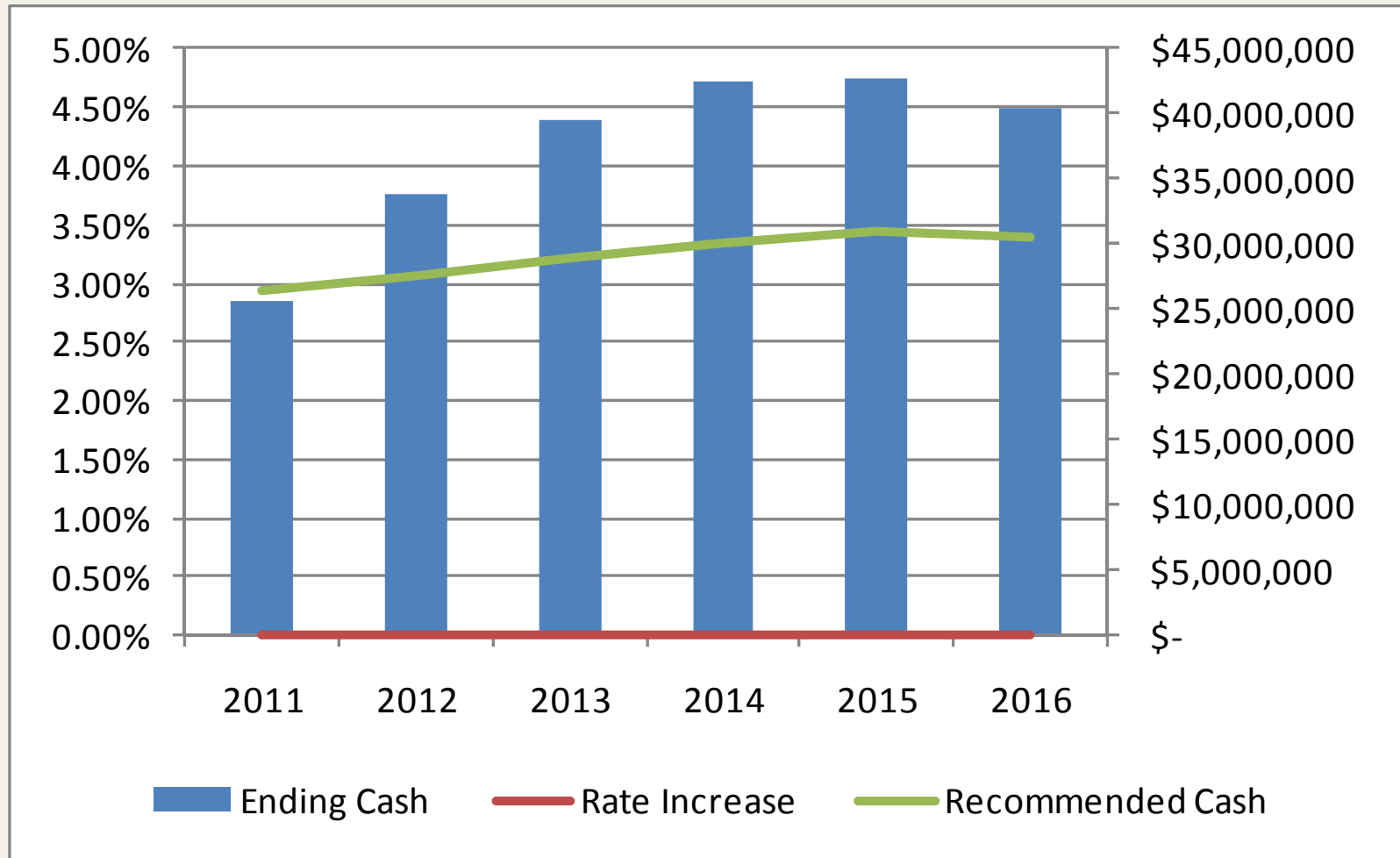
# Scenario A: Transfer to General Fund



# Scenario B: No Transfer to General Fund



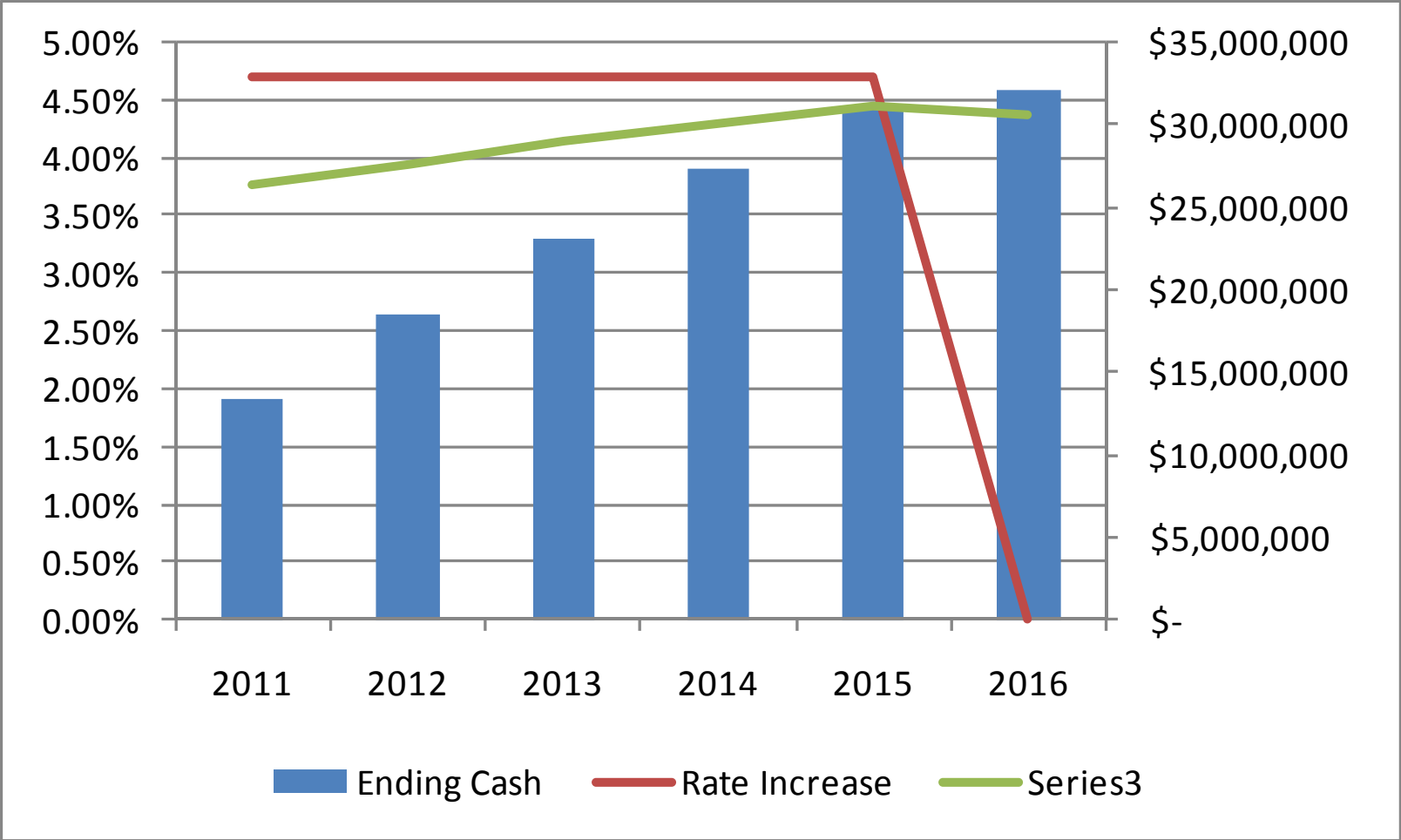
# Scenario C: \$5.0MM Transfer to General Fund



# Capital Outlay

| <b>Year</b>  | <b>CIP Capital Expenditures</b> |
|--------------|---------------------------------|
| 2010         | \$ 23,937,000                   |
| 2011         | \$ 38,370,000                   |
| 2012         | \$ 37,890,000                   |
| 2013         | \$ 38,900,000                   |
| 2014         | \$ 34,500,000                   |
| 2015         | \$ 35,500,000                   |
| <b>Total</b> | <b>\$ 209,097,000</b>           |

# Scenario A: Current Capital Outlay

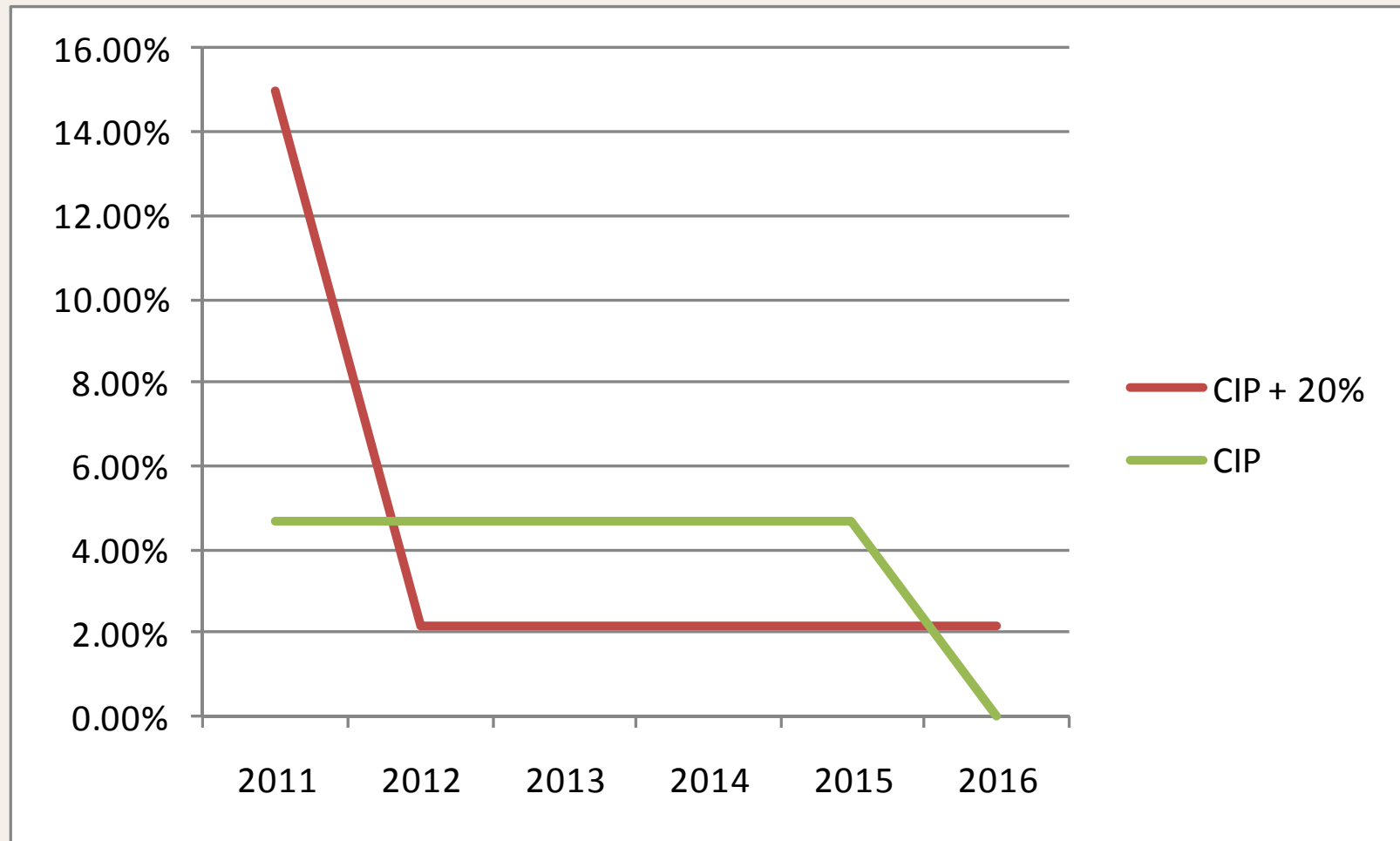




## Scenario B: Capital Outlay + 20%

| <b>Year</b>  | <b>CIP Capital Expenditures</b> | <b>CIP Capital Expenditures Plus 20%</b> |
|--------------|---------------------------------|--|
| 2010         | \$ 23,937,000                   | \$ 28,724,400                            |
| 2011         | \$ 38,370,000                   | \$ 46,044,000                            |
| 2012         | \$ 37,890,000                   | \$ 45,468,000                            |
| 2013         | \$ 38,900,000                   | \$ 46,680,000                            |
| 2014         | \$ 34,500,000                   | \$ 41,400,000                            |
| 2015         | \$ 35,500,000                   | \$ 42,600,000                            |
| <b>Total</b> | <b>\$ 209,097,000</b>           | <b>\$ 250,916,400</b>                    |

# Scenario B: Capital Outlay + 20%



# Curb & Gutter

| <b>Year</b> | <b>Projected Curb<br/>&amp; Gutter<br/>Replacement<br/>Cost</b> |
|-------------|---|
| 2011        | \$ 739,200  |
| 2012        | \$ 761,376  |
| 2013        | \$ 784,217  |
| 2014        | \$ 807,744  |
| 2015        | \$ 831,976  |
| 2016        | \$ 856,935  |

# Scenario C: Capital Outlay + Curb & Gutter

