



Department of Public Works
Infrastructure Services Division

Ghassan Korban
Commissioner of Public Works

Preston Cole
Director of Operations

Jeffrey S. Polenske
City Engineer

June 26, 2014

To the Honorable, the Common Council

Subject: Review of the Financial Condition of
the Sewerage System

Dear Council Members:

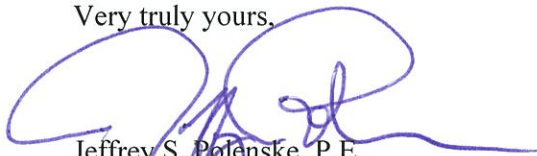
The Department of Public Works is submitting a "Statement of Mid-Year Review for Financial Condition" of the Sewer Maintenance Fund as required by the Sewerage System Revenue Bonds Master Resolution, Article VIII, section 8.02, adopted August, 2001, and the second lien resolution, section 11, adopted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

The analysis covers the current year, 2014, and the cost to continue budget for 2015. 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 2015 cost to continue budget was used for the projected year 2015.

The estimated debt service coverage of 5.31 for 2014 and 5.48 for 2015 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 2.73 for 2014 and 2.47 for 2015 exceeds the requirement of 1.20 for second lien debt.

If you have any questions regarding this report, please do not hesitate to contact Ms. Marjorie Washington-Jones at 286-2407.

Very truly yours,



Jeffrey S. Polenske, P.E.
City Engineer



Ghassan Korban
Commissioner of Public Works



MJ:lk

Attachments

c: Mr. Martin Matson
Mr. Mark Nicolini
Mr. Tim Thur



SEWER MAINTENANCE FUND
STATEMENT OF MIDYEAR REVIEW OF FINANCIAL CONDITION
CURRENT YEAR 2014
PROJECTED YEAR 2015
AS OF JUNE 30, 2014

	2014 ^(A)	2015 ^(E)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 30,622,349	\$ 30,973,000
Stormwater Fees ^(B)	26,447,423	27,480,000
Sewer Maint-Non City Service ^(C)	70,401	71,264
Interest Income	73,738	75,197
Sewer User Penalties	666,683	661,100
Water Sales Penalties	958,945	955,400
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Total Revenues	\$ 58,839,539	\$ 60,215,961
Operating Expenditures:		
Contractual Expenses	\$ 9,000,738	\$ 8,712,955
Salaries and Wages	4,144,645 ^(D)	4,843,753
Employee Benefits	2,730,651	2,276,564
Equipment	60,000	75,000
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Total Expenses	\$ 15,936,034	\$ 15,908,272
Net Revenues Available for Senior Debt Service	\$ 42,903,505	\$ 44,307,689
Senior Bonds Maximum Annual Debt Service ^(F)	\$ 8,082,313	\$ 8,082,313
Senior Bonds Debt Service Coverage ^(G)	5.31	5.48
Senior Bonds Minimum Required Coverage ^(H)	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues ^(I)	42,903,505	44,307,689
Second Lien and Senior Lien Debt Service ^(J)	15,724,281	17,969,431
Second Lien Debt Service Coverage ^(K)	2.73	2.47
Second Lien Revenue Requirement ^(L)	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 2014

Revenue data includes five months of actual revenue (January – May 2014) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January – May 2014) 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 2014 Sewer Fee is calculated at the current rate of \$1.34 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2014 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 \$16.94 in 2014. The 2015 Sewer Maintenance Fee revenue reflects the current rate of \$1.34 per CCF of sanitary sewer consumption. The 2015 Storm Water Fee reflects the current rate of \$16.94 per quarter per ERU.

(C) 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.

(D) Salaries and Wages 2014

Salaries and Fringes are actual cost through pay period 12. The 2014 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. The number of authorized positions will remain the same for the year.

(E) Budget Year 2015

The expenditure data for 2015 is based on the fund's 2015 cost to continue budget. The 2015 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2014. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2015 budget request. The number of authorized positions will remain the same as 2014.

(F) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2011, and 2013.

(G) Debt Service Coverage

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

(H) Senior Bonds Minimum Required Coverage

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

(I) Second Lien Revenues

Same as Net Revenues Available for Senior Debt Service.

(J) Second Lien and Senior Lien Debt Service

Debt issued through June 1, 2014. Assumes \$35 million of second lien debt issued on July 1, 2014, and July 1, 2015 at a rate of 2.50%.

(K) Second Lien Debt Service Coverage

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

(L) Second Lien Revenue Requirement

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