

2017



Legislative Reference Bureau

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# SEWER MAINTENANCE FUND



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## 2017 Proposed Plan and Executive Budget Review

Prepared by: Aaron Cadle, Legislative Fiscal Analyst  
Budget Hearing: 9:30 am on Thursday, October 13, 2016  
Last Updated: October 7, 2016

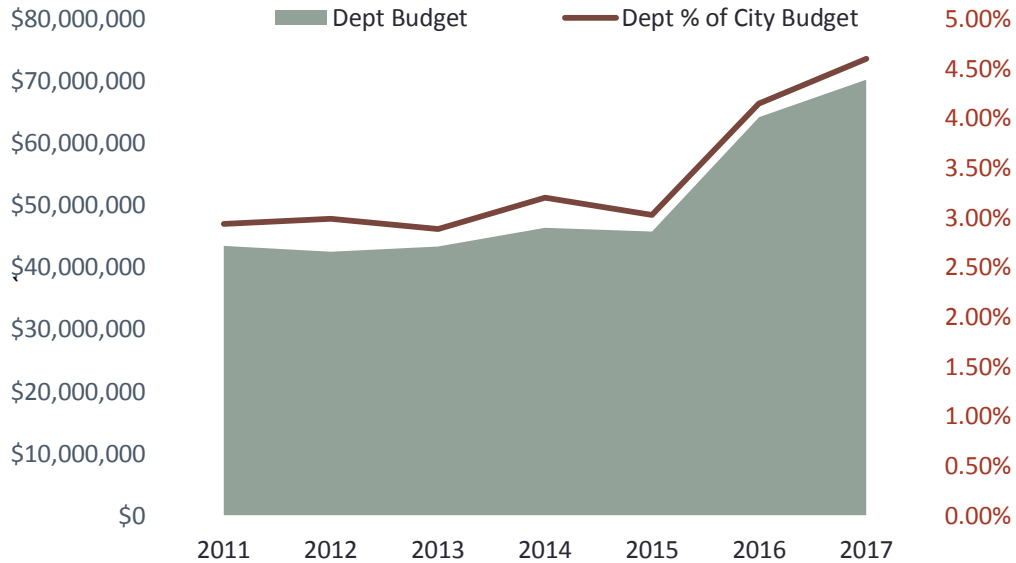
**Final Version**



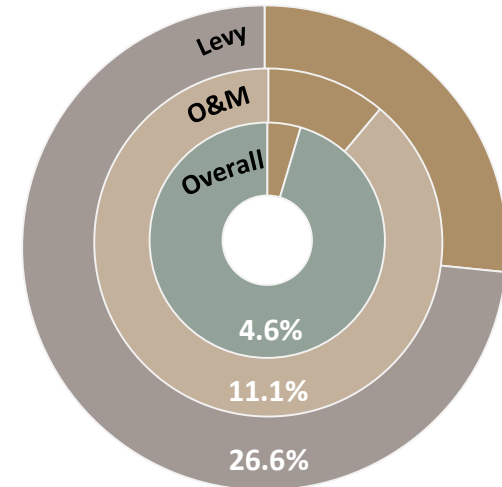
**\$70,175,344**  
Proposed 2017 Budget

**\$6,034,961**  
Change in Proposed Budget

**9.4%**  
% Change in Proposed Budget



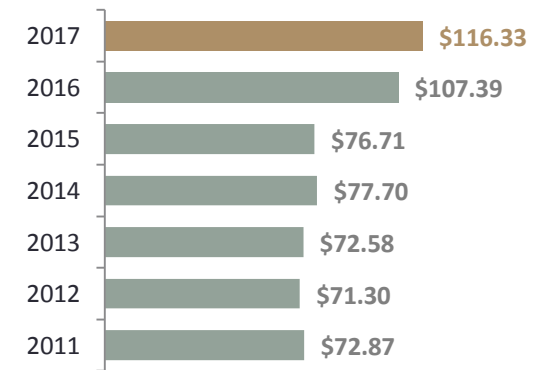
Departmental Budget Impact



Departmental Budget Appropriation Category



Budget per Capita



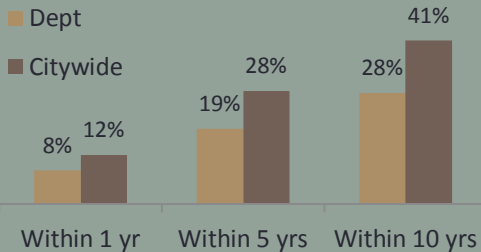
**\$-305,104**

12.3% reduction in projected 2017 fringe benefit costs from the 2016 Adopted Budget.

**\$-85,784**

Reduction in projected 2017 base salary costs, before adjustments, from the 2016 Adopted Budget.

**Retirement Eligible**



**-1**

Change in Positions

**16**

Current Vacancies

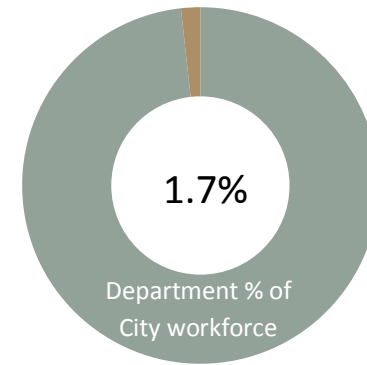
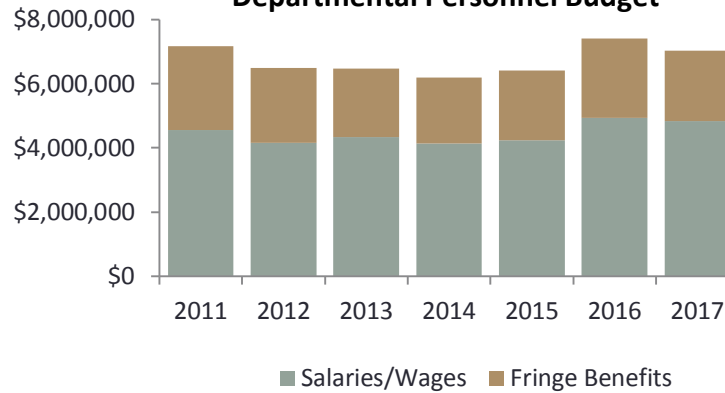
**-0.7%**

% Change in Positions

**12**

Voluntary Separations

**Departmental Personnel Budget**



**\$90,537 Net 2017 Projected Savings - Position Changes**

Added Positions:

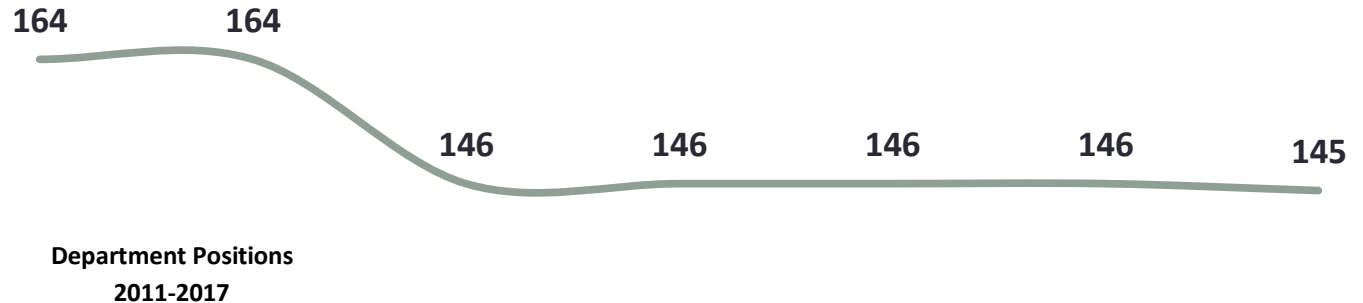
- Civil Engineer II
- Engineering Intern

Eliminated Positions:

- Civil Engineer III
- Electrical Mechanic
- Office Assistant II

**Personnel Cost Adjustment**

\$50,262 of department's projected 2017 personnel costs reduction from the 2016 Adopted Budget comes from an increase in its Personnel Cost Adjustment.



**\$6,230,000**

Funding allocated for flood mitigation projects in Dineen and Copernicus Parks.

**\$225,000**

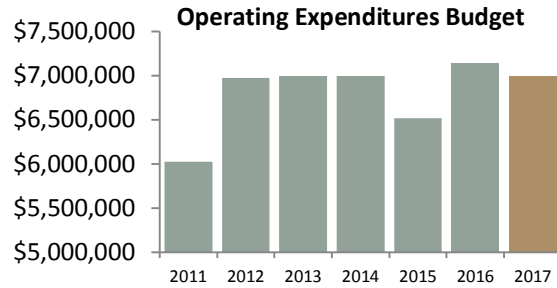
77.6% reduction in 2017 projected information technology costs from the 2016 Adopted Budget as the department transitions to new Esri – GIS mapping software system.

**\$-1.9 million**

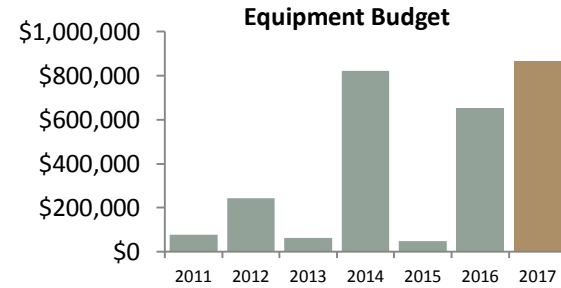
27.6% reduction in projected 2017 capital expenditures for infiltration and inflow (I&I) sewer main relining projects from actual 2015 expenditures.

**\$190 million**

Actual 2015 bond debt – up \$1.8 million (2.6%) from actual 2014 bond debt.



14% | 16% | 16% | 15% | 14% | 11% | 11%  
Operating expenditures percent of department budget



0% | 1% | 0% | 2% | 0% | 1% | 1%  
Equipment percent of department budget

**Flood Mitigation Projects**

\$1.5 million in the 2017 Proposed Budget completes the \$6,230,000 capital funding allocated for flood mitigation projects in Dineen and Copernicus Parks. The department is working on a memo of understanding (MOU) with Milwaukee County to set the parameters of these projects. Funding is expected to come only from the City.

**Esri – GIS Mapping Software System**

The department expects to transition from its legacy system to an “off-the-shelf” Esri – GIS mapping software system during 2017 to better manage sewer assets and maintenance, and GIS mapping of sewer data.

**Infiltration and Inflow (I&I) Relining Projects**

The department plans to reline 13 miles of sewer mains during 2017 to remediate inflow of clear water into the sewer system, at a projected cost of \$5 million. During 2015, the department spent \$6.9 million on such projects. The average spending from 2011 to 2015 was \$7 million.

**Debt Coverage Ratio**

LRB projects the utility’s debt coverage ratio, a measure of the utility’s ability to meet debt service obligations, at year-end 2017 (based on the 2015 CAFR) will be 2.3, meaning for each \$1 of debt service owed, the Sewer Fund will generate \$2.30 in “earnings” to pay the debt. The year-end 2015 ratio was 3.

# \$-2,179,272

6.8% reduction in 2017 projected local sewerage charge revenues from 2015 actual revenues, despite 2.9% increase in fee over 2015's rate.

# \$-1,323,593

4% reduction in 2017 projected stormwater management fee revenues from actual 2015 revenues, despite 12.4% increase in fee over 2015's rate.

# 35%

Increase in stormwater management fee since 2012.

# 15.4%

Increase in local sewerage charge since 2012.

### Fee Changes

- Stormwater management fee – up 5% from 2016
- Local sewerage charge – up 3% from 2016

### Street Sweeping, Leaf & Brush Collection and Tree Pruning

Transfers by the Sewer Maintenance Fund to the General Fund pay for the City's street sweeping, leaf and brush collection and tree pruning. The \$19.6 million transfer proposed for 2017 is \$1.5 million (8.3%) more than the 2016 Adopted Budget and \$3.2 million (20%) more than the actual 2015 transfer of \$16,060,000.

### Private Laterals

The utility received a \$1.65 million MMSD grant, and expects to receive a second \$1.65 million grant for MMSD in 2017, to replace or reline private sewer laterals to correct "infiltration and inflow" that can direct significant amounts of rainwater into sanitary sewers, overwhelming that system at times.

### Capital Improvements Borrowing

The utility plans to borrow \$33.5 million to finance \$38.7 million in 2017 projected capital improvements, or 86.5%. For the period 2011-2015, the Sewer Fund borrowed an average of 96.5% of average capital improvement spending.

### Days in Receivables

The utility's "days-in-receivables," the number of days a receivable remains unpaid after invoicing, was 85 days in 2015, down 15 days from 2014. Days-in-receivables have steadily declined each year since 2010, when the measure was 115 days.

### 2015 Net Fund Change

The 2015 net fund change for the Sewer Maintenance Fund (the surplus revenues over cash expenditures including the amount transferred to the City's General Fund) was \$21.7 million. The average from 2011-2015 was \$15.4 million.

Income Statement Summary	Actual 2012	Actual 2013	Actual 2014	Actual 2015	'16 Adopted	2017 Proposed
Total Revenues	\$ 54,896,875	\$ 58,789,908	\$ 59,136,679	\$ 67,212,074	\$ 62,204,227	\$ 63,678,458
Total Dept. Expenses	\$ 14,980,526	\$ 14,548,561	\$ 15,333,234	\$ 14,455,705	\$ 16,512,899	\$ 16,214,737
Debt Service	\$ 15,335,239	\$ 14,282,819	\$ 14,990,634	\$ 14,539,964	\$ 29,005,529	\$ 33,838,652
Operating Fund Increase	\$ 24,581,110	\$ 29,958,528	\$ 28,812,811	\$ 38,216,405	\$ 16,685,799	\$ 13,625,069
Capital Improvements						
Total Budgeted	\$ 28,667,909	\$ 35,597,805	\$ 34,258,728	\$ 36,772,529	\$ 44,394,000	\$ 38,714,000
Borrowing	\$ 28,667,909	\$ 35,597,805	\$ 34,258,728	\$ 36,772,529	\$ 35,800,000	\$ 33,500,000
Grant & Aid	\$ 3,533,447	\$ -	\$ 263,057	\$ -	\$ 2,314,000	\$ 2,314,000
Assessable & Dev. Financed	\$ -	\$ 3,012	\$ 4,675	\$ -	\$ -	\$ -
Cash Financed	\$ (3,533,447)	\$ (3,012)	\$ (267,732)	\$ -	\$ 6,280,000	\$ 2,900,000
Net after Capital Improvements	\$ 28,114,557	\$ 29,961,540	\$ 29,080,543	\$ 38,216,405	\$ 10,405,799	\$ 10,725,069
Transfer to General Fund	\$ 12,140,000	\$ 14,437,000	\$ 15,059,000	\$ 16,060,000	\$ 18,126,000	\$ 19,626,000
Payment to Pension Fund	\$ -	\$ -	\$ 924,605	\$ 495,955	\$ 495,955	\$ 495,955
Net Fund Change	\$ 15,974,557	\$ 15,524,540	\$ 13,096,938	\$ 21,660,450	\$ (8,216,156)	\$ (9,396,886)