



Department of Public Works
Infrastructure Services Division

Jeffrey J. Mantes
Commissioner of Public Works

James P. Purko
Director of Operations

Jeffrey S. Polenske
City Engineer

June 22, 2007

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 2007 and the proposed budget for 2008. 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 2008 proposed budget was used for the projected year 2008.

The estimated debt service coverage of 4.33 for 2007 and 4.60 for 2008 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 171.32 for 2007 and 16.86 for 2008 exceeds the requirement of 1.20 for second lien debt.

If you have any questions regarding this report, please do not hesitate to contact the City Engineer at 286-2400.

Very truly yours,

Jeffrey S. Polenske, P.E.
City Engineer

Jeffrey J. Mantes
Commissioner of Public Works

maj
MJ:amh

c: Mr. W. Martin Morics
Mr. Mark Nicolini
Mr. Martín Aquino
Ms. Dorinda Floyd

SEWER MAINTENANCE FUND
STATEMENT OF MID YEAR REVIEW OF FINANCIAL CONDITION
CURRENT YEAR 2007
PROJECTED YEAR 2008
AS OF JUNE 30, 2007

	2007 ^(A)	2008 ^(G)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 23,634,056	\$ 24,745,000 ^(H)
Stormwater Fees ^(C)	\$ 12,868,385	\$ 13,339,424
Sewer Maint-Non City Service ^(D)	145,867	150,836
Interest Income	438,614	290,000
Sewer User Penalties 10%	312,500	300,000
Water Sales Penalties ^(E)	306,516	300,000
 Total Revenues	 \$ 37,705,938	 \$ 39,125,260
 Operating Expenditures:		
Contractual Expenses	\$ 8,613,370	\$ 7,803,000
Salaries and Wages	4,834,370 ^(F)	5,388,524 ^(I)
Employee Benefits	1,943,683	2,209,295
Equipment	36,800	31,800
Total Expenses	<u>\$ 15,428,223</u>	<u>\$ 15,432,619</u>
 Net Revenues Available for Senior Debt Service	 \$ 22,277,715	 \$ 23,692,641
 Senior Bonds Maximum Annual Debt Service ^(J)	 \$ 5,145,427	 \$ 5,145,427
 Senior Bonds Debt Service Coverage ^(K)	 4.33	 4.60
 Senior Bonds Minimum Required Coverage ^(L)	 1.20	 1.20
 Pass Senior Bonds Debt Service Coverage Test	 yes	 yes
 Second Lien Revenues ^(M)	 17,132,288	 18,547,214
 Second Lien Debt Service ^(N)	 100,000	 1,100,000
 Second Lien Debt Service Coverage ^(O)	 171.32	 16.86
 Second Lien Revenue Requirement ^(P)	 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 2007

Revenue data includes five months of actual revenue (January – May 2007) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January – May 2007) and estimated expenses through year-end. Projections are based on current year trends and historical trends

(B) Operating Revenue – Sewer Maintenance Fees

The Sewer Fee is calculated at the current rate of \$0.93 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water.

(C) Operating Revenue – Storm water Management Fee

The 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 \$8.00 per quarter.

(D) 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.

(E) Operating Revenue – Water Sales Penalties

This revenue is from the actual amount of outstanding accounts receivables recorded each month by the Water Department.

(F) Salaries and Wages 2007

Salaries and Fringes are actual cost through pay period 11. The 2007 projection assumes current spending levels through year-end. No cost of living increase was included in the calculation. The number of authorized positions will remain the same for the year.

(G) Budget year 2008

The expense data for 2008 is based on the fund's 2008 budget request. The 2008 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2007.

(H) Sewer Maintenance Revenue 2008

The 2008 Sewer Maintenance Fee revenue reflects the rate of \$1.01 per CCF of sanitary sewer consumption. The storm Water Fee reflects the rate of \$8.00 per quarter per ERU.

(I) Salaries and Wages 2008

The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2008 budget request. The number of authorized positions will remain the same as 2007.

(J) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2001 and 2003. Assumes future bonds are issued on a subordinated basis..

(K) Debt Service Coverage

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

(L) Senior Bonds Minimum Required Coverage

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

(M) Second Lien Revenues

Net Revenues Available for Senior Debt Service less Debt Service on Senior Bonds. Senior Bonds Maximum Annual Debt Service is used as a proxy for Debt Service on Senior Bonds.

(N) Second Lien Debt Service

Assumes \$15 million of Clean Water Fund loans in 2007, and \$15 million in the first half of 2008.

(O) Second Lien Debt Service Coverage

Second Lien Revenues divided by Second Lien Debt Service.

(P) Second Lien Revenue Requirement

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