

## LRB - FISCAL SECTION ANALYSIS

July 20, 2005  
PUBLIC IMPROVEMENTS COMMITTEE

ITEM 17, FILE 050387  
EMMA J. STAMPS

File #050387 is a communication from the Department of Public Works transmitting a "Statement of Mid-Year Review for Financial Condition" of the Sewer Maintenance Fund.

### Background and Discussion

The Sewer Maintenance Fund was established through the transfer of sewer administration, engineering and maintenance functions from the City's Operating Budget to a fee based service.

The analysis covers the year 2005 actual revenue, through May, and actual expenditures, through April, plus an estimate for revenue and expenditures through year end.

Recent Mid-Year Review statements provided for the following year-2005 comparisons:

Category	2004-2005 Analysis Projecting 2005 As of 6/30/2004	2005-2006 Analysis Current 2005 As of 6/30/2005	Change
Total Revenues	\$29,881,940	\$28,969,602	\$-912,338 or -3.05%
Total Expenses	\$13,791,363	\$15,064,968	\$1,273,605 or 9.23%
Net Revenues Available for Debt Service (A)	\$16,090,577	\$13,904,634	\$-2,185,943 or -13.58%
Maximum Annual Debt Service (B)	\$6,062,440	\$8,025,365	\$1,962,925 or 32.37%
Debt Service Coverage (A divided by B)	2.65	1.73	-0.92

Overall, the sewer fund is in compliance with the covenant as found in Article VIII, s. 8.02, of the Master Resolution which requires the fund to maintain a minimum 1.20 debt service coverage.

In Years 2004 and 2005, the Sewer Maintenance Fee was calculated at a rate of \$1.1094 per Ccf (hundred cubic feet) of water. The proposal is to maintain that rate in 2006 based on the following assumptions:

- No change in number of positions (198) from 2005 to 2006
- Total Salaries and Wages projections are based on actual costs thru PP-11 and assume no cost of living increase
- Expenditures based on the Sewer Maintenance Fund 2006 budget request
- Maximum Annual Debt Service increases \$1.962 million, or 32.37% from 2005 to 2006, assuming an additional \$36.4 million bond issuance
- Debt service coverage decreases from 2.65 to 1.73

**Fiscal Impact**

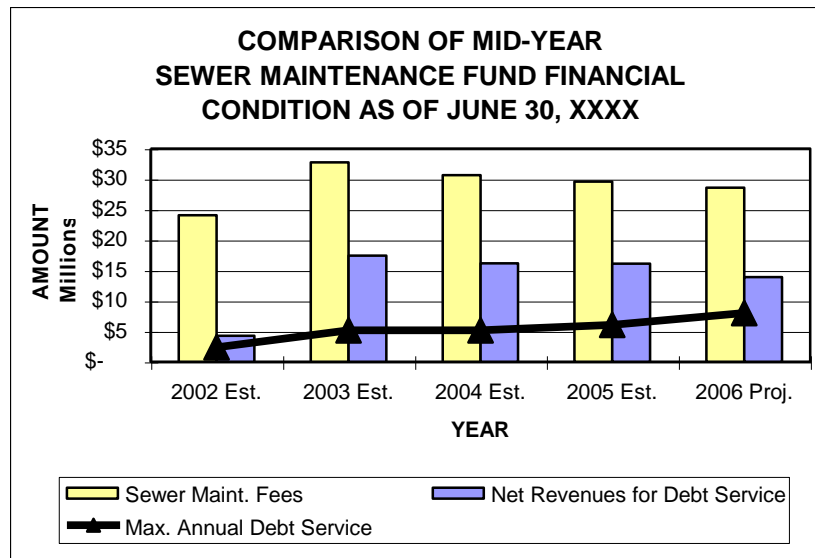
This communication file has no fiscal impact. The estimates reported are subject to change in November 2005, pending adoption of the 2006 Budget.

**Other Information**

The Statement of Mid-Year Review of Financial Condition is not a comprehensive report of annual Sewer Maintenance Fund operations and does not reflect the total annual budgets approved by the Common Council and Mayor. The ratio of cash and borrowing is expected to change accordingly:

- New borrowing was expected to increase \$2,921,167 from \$13,700,000 in 2004 to \$16,621,167 in 2005 but actually increased by \$9,006,000 to \$22,706,000 (2005 Adopted Budget) – Beginning with a \$7 million transfer in 2005, the City will budget annual transfers from the Sewer Maintenance Fund to the Debt Fund for sewer related GO debt service
- Cash financing was expected to decrease \$2,921,167 from \$7,800,000 in 2004 to \$4,878,833 in 2005 but actually decreased by \$7,800,000 to \$-0- (2005 Adopted Budget)

The sewer maintenance rate is a factor of revenues and consumption estimates. Revenues must be recognized by the Comptroller prior to setting the 2006 sewer maintenance fee rate.



Any anticipated revenue shortages, resulting from drops in consumption, may result in future year rate increases.

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