



Department of Public Works  
Infrastructure Services Division

Jeffrey S. Polenske, P.E.  
Commissioner of Public Works

Samir Amin, P.E.  
City Engineer

Timothy J. Thur, P.E.  
Infrastructure Administration Manager

June 26, 2020

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, 2020, and the proposed budget for 2021. 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 2021 proposed budget was used for the projected year 2021.

The estimated debt service coverage of 3.65 for 2020 and 3.74 for 2021 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 2.00 for 2020 and 1.95 for 2021 exceeds the requirement of 1.20 for the second lien debt.

If you have any questions regarding this report, please contact Mr. Carl Rappelt at (414) 286-2407.

Sincerely,

Samir Amin, P.E.  
City Engineer

Jeffrey S. Polenske, P.E.  
Commissioner of Public Works

CR:lb  
NMJ CR  
Attachments

c: Ms. Aycha Sawa, Comptroller, City of Milwaukee  
Mr. Mark Nicolini, Budget and Management Division, City of Milwaukee  
Mr. Nader Jaber, Environmental Engineering, Engineer in Charge



SEWER MAINTENANCE FUND  
STATEMENT OF MIDYEAR REVIEW OF FINANCIAL CONDITION  
CURRENT YEAR 2020  
PROJECTED YEAR 2021  
**AS OF JUNE 29, 2020**

	2020 <sup>(A)</sup>	2021 <sup>(D)</sup>
Operating Revenues:		
Sewer Maintenance Fees <sup>(B)</sup>	\$ 31,259,398	\$ 31,979,812
Stormwater Fees <sup>(B)</sup>	35,517,646	37,317,008
Sewer Maint-Non City Service	62,700	47,400
Interest Income	134,300	89,500
Sewer User Penalties	669,000	661,900
Water Sales Penalties	974,900	978,900
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Total Revenues	\$ 68,617,944	\$ 71,074,520
Operating Expenditures:		
Contractual Expenses	\$ 8,404,000	\$ 8,058,000
Salaries and Wages	4,539,762 <sup>(C)</sup>	4,721,155
Employee Benefits	3,404,822	3,540,867
Equipment	31,000	15,000
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Total Expenses	\$ 16,379,584	\$ 16,335,022
Net Revenues Available for Senior Debt Service	\$ 52,238,360	\$ 54,739,498
Senior Bonds Maximum Annual Debt Service <sup>(E)</sup>	\$ 14,320,738	\$ 14,620,738
Senior Bonds Debt Service Coverage <sup>(F)</sup>	<b>3.65</b>	<b>3.74</b>
Senior Bonds Minimum Required Coverage <sup>(G)</sup>	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues <sup>(H)</sup>	52,238,360	54,739,498
Second Lien and Senior Lien Debt Service <sup>(I)</sup>	26,161,619	28,077,797
Second Lien Debt Service Coverage <sup>(J)</sup>	<b>2.00</b>	<b>1.95</b>
Second Lien Revenue Requirement <sup>(K)</sup>	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 2020

Revenue data includes five months of actual revenue (January - May 2020) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January - May 2020) 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 2020 Sewer Fee is calculated at the current rate of \$1.53 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2020 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 \$22.30 in 2020. The rates for the 2021 Sewer Maintenance Fee and the 2021 Storm Water Fee have not been determined at the time of this report. The current rates were used for the 2021 estimates.

(C) Salaries and Wages 2020

Salaries and Fringes are actual cost through pay period 11. The 2020 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 increase by 1 Management Civil Engineer-Senior (11X).

(D) Budget Year 2021

The expenditure data for 2021 is based on the fund's 2021 proposed budget. The 2021 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2020. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2021 budget request. The number of authorized positions will be unchanged in 2021.

(E) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2011, 2013, and 2016.

(F) Debt Service Coverage

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

(G) Senior Bonds Minimum Required Coverage

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

(H) Second Lien Revenues

Same as Net Revenues Available for Senior Debt Service.

(I) Second Lien and Senior Lien Debt Service

Debt issued through June 1, 2020. Assumes \$25 million of second lien debt issued by March 1, 2021 at a rate of 2.50%.

(J) Second Lien Debt Service Coverage

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

(K) Second Lien Revenue Requirement

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