

LRB - FISCAL SECTION ANALYSIS

JULY 14, 2004

PUBLIC IMPROVEMENTS COMMITTEE

ITEM 19, FILE 040317

EMMA J. STAMPS

File #040317 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 2004 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-2004 comparisons:

Category	2003-2004 Analysis Projecting 2004 As of 6/30/2003	2004-2005 Analysis Current 2004 As of 6/30/2004	Change
Total Revenues	\$37,069,716	\$31,006,201	\$-6,063,515 or -16.36%
Total Expenses	\$15,861,474	\$14,871,937	\$-989,537 or -6.24%
Net Revenues Available for Debt Service (A)	\$21,208,242	\$16,134,264	\$-5,073,978 or -23.93%
Maximum Annual Debt Service (B)	\$5,152,190	\$5,152,190	No change
Debt Service Coverage (A divided by B)	4.12	3.13	-0.99

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

In 2003 and 2004, 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 2005 based on the following assumptions:

- No change in number of positions (198) from 2004 to 2005
- Increase Total Salaries and Wages budget by 3% from 2004 to 2005
- No change in Water Administration, Contingencies, PILOT (Payments in lieu of taxes) payments (\$350,000, \$900,000, and \$4.2 million, respectively)
- Maximum Annual Debt Service increases \$1.4 million, or 27.18% from 2004 to 2005, assuming an additional \$26 million bond issuance
- Debt service coverage decreases from 3.13 to 2.19

Fiscal Impact

This communication file has no fiscal impact. The estimates reported are subject to change in November 2004, pending adoption of the 2005 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 estimated to change accordingly:

- New borrowing increases \$2,921,167 from \$13,700,000 in 2004 to \$16,621,167 in 2005
- Cash financing decreases \$2,921,167 from \$7,800,000 in 2004 to \$4,878,833 in 2005

The rate is a factor of revenues and consumption estimates. Revenues must be recognized by the Comptroller prior to setting the 2005 sewer maintenance fee rate.

Rate Analyses Using Budget Office's Plan and Budget Summaries

	2003 Budgeted Projection	2004 Budgeted Projection	2005 Projections*
Sewer Maintenance Fees	\$28,236,959	\$31,661,733	-
Volumetric Consumption (Ccf)	25,452,460	28,539,511	-
Rate (Fees divided by Ccf)	\$1.1094	\$1.1094	-
Single Family Impact	\$85.20	\$106.52	-

**Not available until Mayor presents a 2005 proposed budget*

Rate Analyses Using DPW Mid-Year Review of Financial Condition Statements, As of 6/30/2004

	2003	2004 Budgeted	2004 Projection	2005 Projection
Sewer Maintenance Fees	\$32,715,356	\$36,766,716	\$30,610,327	\$28,989,449
Volumetric Consumption (Ccf)	29,489,234	32,026,756	27,591,786	26,130746
Rate (Fees divided by Ccf)	\$1.1094	\$1.148	\$1.1094	\$1.1094

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

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