



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 29, 2005

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.

The analysis covers the current year 2005 and the proposed budget for 2006. The data for the current year covers actual revenue through May and actual expenditures through April, plus an estimate for revenue and expenditures through the end of the current year. The 2006 proposed budget was used for the year 2006.

The estimated Debt Service Coverage of 2.65 for 2005 and 1.73 for 2006 exceeds the minimum requirement of 1.20. The sewer fund is, therefore, in compliance with the covenant as found in Article VIII of the Master Resolution.

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

mea

MJ:cjt

c: Mr. W. M. Morics
Mr. Mark Nicolini
Mr. Jeffrey S. Polenske
Mr. Martin Aquino
Ms. Dorinda Floyd

SEWER MAINTENANCE FUND
STATEMENT OF MID YEAR REVIEW OF FINANCIAL CONDITION
CURRENT YEAR 2005
PROJECTED YEAR 2006
AS OF JUNE 30, 2005

	2005 ^(D)	2006 ^(F)
Operating Revenues:		
Sewer Maintenance Fees	\$ 29,573,035	28,572,133 ^(G)
Sewer Maint-Non City Service ^(A)	109,750	131,876
Deferred Sewer Assessment	26,981	44,246
Interest Income ^(B)	81,682	119,618
Sewer User Penalty - 10% ^(C)	28,815	30,000
Sewer Maint - Plat Reviews	8,548	10,500
Miscellaneous	53,129	61,229
Total Revenues	<u>\$ 29,881,940</u>	<u>\$ 28,969,602</u>
 Operating Expenditures:		
Contractual Operating Expenses ^(I)	\$ 7,028,649	\$ 7,448,385
Salaries and Wages	5,009,950 ^(E)	5,302,875 ^(H)
Employee Benefits	1,675,463	2,227,208
Equipment	77,300	86,500
Total Expenses	<u>\$ 13,791,363</u>	<u>\$ 15,064,968</u>
 Net Revenues Available for Debt Service	 \$ 16,090,577	 \$ 13,904,634
 Maximum Annual Debt Service ^(J)	 \$ 6,062,440	 \$ 8,025,365
 Debt Service Coverage ^(K)	 2.65	 1.73
 Minimum Required Coverage ^(L)	 1.20	 1.20
 Pass Debt Service Coverage Test	 yes	 yes

Department Of Public Works
Notes to the Statement of Midyear Review OF Financial Condition

(A) 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.

(B) Operating Revenue - Interest Income

There are five unique accounts set up by the fiscal agents for the sewer fund. These accounts are listed under Restricted Assets on the Trial Balance. These five accounts generate interest income for the sewer fund. The interest is recorded by the Comptroller's office.

(C) Operating Revenue - Sewer User Penalty 10%

This revenue is from sewer related delinquent water accounts that are transferred to the property tax bill for collection. Since this revenue is estimated as part of the sewer fee revenue only the 10% penalty is shown as actual revenue.

(D) Current year 2005

Revenue data includes five months of actual revenue (January – May 2005) and estimated revenue through year-end. The sewer fee is calculated at the current rate of 1.1094 per Ccf (hundred cubic feet) of water. Expense data includes four months of actual expenses (January – April 2005) and estimated expenses through year-end. Projections are based on current year trends and historical trends

(E) Salaries and Wages 2005

Salaries and Fringes are actual through pay period 11. The 2005 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.

(F) Budget year 2006

Revenue data for sewer maintenance fees is based on the Sewer Maintenance Fund's current rate of \$1.1094 per Ccf (hundred cubic feet) of water. The assumption is that the sewer fee will remain at the current rate for 2006 also. This is a conservative estimate of revenue anticipating a possible decrease in consumption. The expense data for 2006 is based on the fund's 2006 budget request. The 2006 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2005

(G) Sewer Maintenance Fee 2006

The 2006 Sewer Maintenance Fee revenue reflects the current 2005 rate (\$1.1094 per CCF of sanitary sewer consumption, which is based on the amount metered tap water). The Common Council is expected to change the fee structure at its July 26, 2005 meeting to incorporate a stormwater fee in addition to the current fee on sanitary sewer consumption. The stormwater fee would be charged to properties based on the estimated amount of impervious surface it has. Impervious surface is highly correlated to the amount of stormwater runoff a property delivers into the sewer system. Examples include parking lots and conventional building roofs. The combination of the sanitary sewer maintenance fee and the stormwater fee is projected to yield at least \$30.9 million in revenue for 2006.

(H) Salaries and Wages 2006

The Salary and Wage Rate Schedule for 2005 was used for determining the amounts to be included in the 2006 budget request. The number of authorized positions will remain the same as 2005.

(I) Contractual Operating Expenses:

This amount includes the special funds appropriation, payment to the Water Works Department, for administration of sewer billing. It also includes amortization of issuance costs.

(J) Maximum Annual Debt Service

Includes Sewerage System Revenue bonds, Series 2003 S4 sold on June 20, 2003. 2006 assumes the issuance of \$36.4 million of additional bonds.

(K) Debt Service Coverage

This calculation is based on Net Revenues Available for Debt Service divided by Maximum Annual Debt Service.

(L) Minimum Required Coverage

Required by the Master Resolution, section 8.02, adopted by The CITY OF MILWAUKEE August 2, 2001.