



Department of Public Works
Infrastructure Services Division

Ghassan Korban
Commissioner of Public Works
Preston Cole
Director of Operations
Jeffrey S. Polenske
City Engineer

June 26, 2014

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, 2015, and the cost to continue budget for 2016. 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 2016 cost to continue budget was used for the projected year 2016.

The estimated debt service coverage of 5.54 for 2015 and 5.61 for 2016 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 2.89 for 2015 and 2.42 for 2016 exceeds the requirement of 1.20 for second lien debt.

If you have any questions regarding this report, please do not hesitate to contact Ms. Marjorie Washington-Jones at 286-2407.

Very truly yours,

Jeffrey S. Polenske, P.E.
City Engineer

Ghassan Korban
Commissioner of Public Works

MWA
MJ:cn

Attachments

c: Mr. Martin Matson
Mr. Mark Nicolini
Mr. Tim Thur



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

(A) Current year 2015

Revenue data includes five months of actual revenue (January – May 2015) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January – May 2015) 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 2015 Sewer Fee is calculated at the current rate of \$1.38 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2015 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 \$17.96 in 2015. The 2016 Sewer Maintenance Fee revenue reflects an anticipated increase of the same 3% for an estimated rate of \$1.42. The Storm Water Fee revenue reflects an anticipated increase of the same 6% for an estimated rate of \$19.04.

(C) Salaries and Wages 2015

Salaries and Fringes are actual cost through pay period 12. The 2015 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 remain the same for the year.

(D) Budget Year 2016

The expenditure data for 2016 is based on the fund's 2016 cost to continue budget. The 2016 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2015. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2016 budget request. The number of authorized positions will remain unchanged in 2016.

(E) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2011, and 2013.

(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, 2015. Assumes \$35 million of second lien debt issued by March 1, 2016 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.

SEWER MAINTENANCE FUND
STATEMENT OF MIDYEAR REVIEW OF FINANCIAL CONDITION
CURRENT YEAR 2015
PROJECTED YEAR 2016
AS OF JUNE 30, 2015

	2015 ^(A)	2016 ^(D)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 29,781,055	\$ 29,572,736
Stormwater Fees ^(B)	28,984,633	30,547,157
Sewer Maint-Non City Service	63,889	63,646
Interest Income	64,516	71,564
Sewer User Penalties	669,185	670,756
Water Sales Penalties	978,578	979,684
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Total Revenues	\$ 60,541,856	\$ 61,905,543
Operating Expenditures:		
Contractual Expenses	\$ 8,903,562	\$ 8,974,455
Salaries and Wages	4,209,711 ^(C)	4,982,137
Employee Benefits	2,589,024	2,513,488
Equipment	95,000	75,000
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Total Expenses	\$ 15,797,297	\$ 16,545,080
Net Revenues Available for Senior Debt Service	\$ 44,744,559	\$ 45,360,463
Senior Bonds Maximum Annual Debt Service ^(E)	\$ 8,082,313	\$ 8,082,313
Senior Bonds Debt Service Coverage ^(F)	5.54	5.61
Senior Bonds Minimum Required Coverage ^(G)	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues ^(H)	44,744,559	45,360,463
Second Lien and Senior Lien Debt Service ^(I)	15,473,411	18,736,875
Second Lien Debt Service Coverage ^(J)	2.89	2.42
Second Lien Revenue Requirement ^(K)	1.20	1.20
Pass Second Lien Rate Covenant	yes	yes