



Department of Public Works
Infrastructure Services Division

Ghassan Korban
Commissioner of Public Works

Preston D. Cole
Director of Operations

Jeffrey S. Polenske
City Engineer

June 25, 2012

To the Honorable, the Common Council

Subject: Review of the Financial Condition of
the Sewerage System

Dear Council Members:

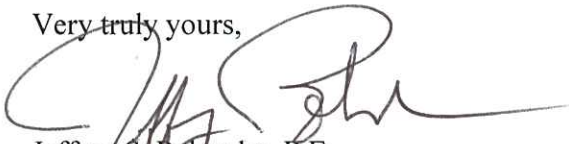
The Department of Public Works is submitting a "Statement of Mid-Year Review for Financial Condition" of the Sewer Maintenance Fund as required by the Sewerage System Revenue Bonds Master Resolution Article VIII, section 8.02 adopted August 2001, and the second lien resolution, section 11, adopted by the City of Milwaukee on June 20, 2006.

The analysis covers the current year 2012 and the cost to continue budget for 2013. 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 2013 cost to continue budget was used for the projected year 2013.


The estimated debt service coverage of 7.06 for 2012 and 6.89 for 2013 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 3.49 for 2012 and 2.86 for 2013 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

MJ:cn

c: Mr. Martin Matson
Mr. Mark Nicolini
Mr. Tim Thur
Ms. Shirley Kruge

SEWER MAINTENANCE FUND
STATEMENT OF MIDYEAR REVIEW **OF** FINANCIAL CONDITION
CURRENT YEAR 2012
PROJECTED YEAR 2013
AS OF JUNE 30, 2012

	2012 ^(A)	2013 ^(E)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 28,779,957	\$ 28,373,526
Stormwater Fees ^(B)	24,264,496	24,290,829
Sewer Maint-Non City Service ^(C)	109,661	109,050
Interest Income	227,786	245,953
Sewer User Penalties	671,578	687,017
Water Sales Penalties	<u>972,482</u>	<u>986,763</u>
Total Revenues	\$ 55,025,960	\$ 54,693,138
Operating Expenditures:		
Contractual Expenses	\$ 7,407,168	\$ 7,822,000
Salaries and Wages	4,466,432 ^(D)	4,885,370
Employee Benefits	2,518,741	2,344,978
Equipment	<u>50,400</u>	<u>40,100</u>
Total Expenses	\$ 14,442,741	\$ 15,092,448
Net Revenues Available for Senior Debt Service	\$ 40,583,219	\$ 39,600,690
Senior Bonds Maximum Annual Debt Service ^(F)	\$ 5,751,719	\$ 5,751,719
Senior Bonds Debt Service Coverage ^(G)	7.06	6.89
Senior Bonds Minimum Required Coverage ^(H)	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues ^(I)	40,583,219	39,600,690
Second Lien and Senior Lien Debt Service ^(J)	11,614,767	13,859,917
Second Lien Debt Service Coverage ^(K)	3.49	2.86
Second Lien Revenue Requirement ^(L)	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 2012

Revenue data includes five months of actual revenue (January – May 2012) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January – May 2011) 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 2012 Sewer Fee is calculated at the current rate of \$1.2300 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2012 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 \$14.94 in 2012. The 2013 Sewer Maintenance Fee revenue reflects the current rate of \$1.2300 per CCF of sanitary sewer consumption. The 2013 Storm Water Fee reflects the current rate of \$14.94 per quarter per ERU.

(C) 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.

(D) Salaries and Wages 2012

Salaries and Fringes are actual cost through pay period 12. The 2012 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.

(E) Budget Year 2013

The expense data for 2013 is based on the fund's 2013 cost to continue budget. The 2013 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2012. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2013 budget request. The number of authorized positions will remain the same as 2012.

(F) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2001, 2003, and 2011.

(G) Debt Service Coverage

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

(H) Senior Bonds Minimum Required Coverage

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

(I) Second Lien Revenues

Same as Net Revenues Available for Senior Debt Service.

(J) Second Lien and Senior Lien Debt Service

Debt Service payable in the Fiscal Year includes debt issued through June 1, 2011. For 2012, assumes \$35 million of Second Lien Debt issued on July 1, 2011 and on July 1, 2012.

(K) Second Lien Debt Service Coverage

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

(L) Second Lien Revenue Requirement

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