



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 18, 2019

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, 2019, and the proposed budget for 2020. 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 2020 proposed budget was used for the projected year 2020.

The estimated debt service coverage of 3.47 for 2019 and 3.65 for 2020 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 1.92 for 2019 and 1.90 for 2020 exceeds the requirement of 1.20 for the second lien debt.

If you have any questions regarding this report, please contact Mr. Max Riesing at (414) 286-3415.

Sincerely,

Samir Amin, P.E.
City Engineer

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

MR:lb

Attachments

- c: Mr. Martin Matson, 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 2019
PROJECTED YEAR 2020
AS OF JUNE 29, 2019

	2019 ^(A)	2020 ^(D)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 30,811,944	\$ 31,525,300
Stormwater Fees ^(B)	33,888,304	35,637,000
Sewer Maint-Non City Service	48,500	62,700
Interest Income	120,000	134,300
Sewer User Penalties	668,000	669,000
Water Sales Penalties	957,000	974,900
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Total Revenues	\$ 66,493,748	\$ 69,003,200
Operating Expenditures:		
Contractual Expenses	\$ 8,550,000	\$ 8,344,000
Salaries and Wages	4,646,918 ^(C)	4,759,111
Employee Benefits	3,485,189	3,569,333
Equipment	28,000	31,000
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Total Expenses	\$ 16,710,107	\$ 16,703,444
Net Revenues Available for Senior Debt Service	\$ 49,783,641	\$ 52,299,756
Senior Bonds Maximum Annual Debt Service ^(E)	\$ 14,356,238	\$ 14,338,863
Senior Bonds Debt Service Coverage ^(F)	3.47	3.65
Senior Bonds Minimum Required Coverage ^(G)	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues ^(H)	49,783,641	52,299,756
Second Lien and Senior Lien Debt Service ^(I)	25,989,158	27,592,837
Second Lien Debt Service Coverage ^(J)	1.92	1.90
Second Lien Revenue Requirement ^(K)	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 2019

Revenue data includes five months of actual revenue (January - May 2019) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January - May 2019) 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 2019 Sewer Fee is calculated at the current rate of \$1.49 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2019 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 \$21.42 in 2019. The rates for the 2020 Sewer Maintenance Fee and the 2020 Storm Water Fee have not been determined at the time of this report. The current rates were used for the 2020 estimates.

(C) Salaries and Wages 2019

Salaries and Fringes are actual cost through pay period 11. The 2019 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 Civil Engineer II (2GN), 1 Engineering Technician (3FN), and 1 Engineering Intern (9PN) for the year.

(D) Budget Year 2020

The expenditure data for 2020 is based on the fund's 2020 proposed budget. The 2020 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2019. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2020 budget request. The number of authorized positions will be unchanged in 2020.

(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, 2019. Assumes \$25 million of second lien debt issued by March 1, 2020 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.