



CITY OF MILWAUKEE

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Department of Public Works
Infrastructure Services Division

Jeffrey J. Mantes
Commissioner of Public Works

Preston D. Cole
Director of Operations

Jeffrey S. Polenske
City Engineer

June 28, 2010

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 2010 and the cost to continue budget for 2011. 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 2011 cost to continue budget was used for the projected year 2011.

The estimated debt service coverage of 6.96 for 2010 and 6.90 for 2011 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 3.21 for 2010 and 2.70 for 2011 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

Jeffrey J. Mantes
Commissioner of Public Works

MJ:amh

c: Mr. W. Martin Morics
Mr. Mark Nicolini
Mr. Martin Aquino
Ms. Shirley Kruge

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SEWER MAINTENANCE FUND
STATEMENT OF MIDYEAR REVIEW OF FINANCIAL CONDITION
CURRENT YEAR 2010
PROJECTED YEAR 2011
AS OF JUNE 30, 2010

	2010 ^(A)	2011 ^(E)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 27,174,618	\$ 26,489,820
Stormwater Fees ^(B)	22,390,378	22,338,884
Sewer Maint-Non City Service ^(C)	184,162	182,395
Interest Income	160,577	159,037
Sewer User Penalties 10%	554,546	549,226
Water Sales Penalties	<u>855,602</u>	<u>847,394</u>
Total Revenues	\$ 51,319,883	\$ 50,566,756
Operating Expenditures:		
Contractual Expenses	\$ 7,653,501	\$ 7,796,000
Salaries and Wages	5,182,955 ^(D)	4,905,082
Employee Benefits	2,846,330	2,729,439
Equipment	<u>25,000</u>	<u>30,400</u>
Total Expenses	\$ 15,707,786	\$ 15,460,921
Net Revenues Available for Senior Debt Service	\$ 35,612,097	\$ 35,105,835
Senior Bonds Maximum Annual Debt Service ^(F)	\$ 5,114,165	\$ 5,090,840
Senior Bonds Debt Service Coverage ^(G)	6.96	6.90
Senior Bonds Minimum Required Coverage ^(H)	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues ^(I)	35,612,097	35,105,835
Second Lien Debt Service ^(J)	11,090,561	13,000,000
Second Lien Debt Service Coverage ^(K)	3.21	2.70
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 2010

Revenue data includes five months of actual revenue (January – May 2010) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January – May 2010) 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 2010 Sewer Fee is calculated at the current rate of \$1.1600 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2010 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 \$14.00. The 2011 Sewer Maintenance Fee revenue reflects the current rate of \$1.1600 per CCF of sanitary sewer consumption. The 2011 Storm Water Fee reflects the current rate of \$14.00 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 2010

Salaries and Fringes are actual cost through pay period 11. The 2010 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 2011

The expense data for 2011 is based on the fund's 2011 cost to continue budget. The 2011 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2010. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2011 budget request. The number of authorized positions will remain the same as 2010.

(F) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2001 and 2003. Assumes future bonds are issued on a subordinated basis.

(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

Net Revenues Available for Senior Debt Service less Debt Service on Senior Bonds. Senior Bonds Maximum Annual Debt Service is used as a proxy for Debt Service on Senior Bonds.

(J) Second Lien Debt Service

Debt Service payable in the Fiscal Year includes debt issued through June 1, 2009. For 2010, assumes \$35 million of Second Lien Debt issued in 2009.

(K) Second Lien Debt Service Coverage

Second Lien Revenues divided by Second Lien Debt Service.

(L) Second Lien Revenue Requirement

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