City of Milwaukee

Department of Public Works
Infrastructure Services Division

Jerrel Kruschke, PE
Commissioner of Public Works

Kevin J. Muhs, PE, AICP
City Engineer

Timothy J. Thur, PE
Infrastructure Administration Manager

June 30, 2026

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 Midyear Review of 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, 2026, and the requested budget for 2027. 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 2027 requested budget was used for the projected year 2027.

The estimated debt service coverage of 4.73 for 2026 and 4.69 for 2027 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 2.19 for 2026 and 1.99 for 2027 exceeds the requirement of 1.20 for the second lien debt.

If you have any questions regarding this report, please contact Nick Raso at (414) 286-5913.

Sincerely,

Kevin J. Muhs, P.E., AICP
City Engineer

NR:sl

Attachments

c: Bill Christianson, Comptroller, City of Milwaukee
Nathaniel Haack, Budget and Management Division, City of Milwaukee
Kurt Sprangers, Environmental Engineering, Management Civil Engineer - Senior

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SEWER MAINTENANCE FUND
STATEMENT OF MIDYEAR REVIEW OF FINANCIAL CONDITION
CURRENT YEAR 2026
PROJECTED YEAR 2027
AS OF JUNE 29, 2026

	2026 (A)		2027 (D)
Operating Revenues:			
Sewer Maintenance Fees (B)	$ 35,908,000		$ 35,777,103
Stormwater Fees (B)	44,681,842		44,748,708
Sewer Maint-Non City Service	14,400		15,100
Interest Income	300,000		900,600
Sewer User Penalities	701,000		758,700
Water Sales Penalties	1,085,800		1,137,600
Miscellaneous	-		400
Total Revenues	$ 82,691,042		$ 83,338,211
Operating Expenditures:			
Contractual Expenses	$ 9,229,800		$ 9,535,700
Salaries and Wages	7,148,000	(C)	7,726,597
Employee Benefits	3,216,600		3,476,969
Equipment	34,000		30,000
Total Expenses	$ 19,628,400		$ 20,769,266
Net Revenues Available for Senior Debt Service	$ 63,062,642		$ 62,568,945
Senior Bonds Maximum Annual Debt Service (E)	$ 13,329,550		$ 13,329,550
Senior Bonds Debt Service Coverage (F)	**4.73**		**4.69**
Senior Bonds Minimum Required Coverage (G)	1.20		1.20
Pass Senior Bonds Debt Service Coverage Test	yes		yes
Second Lien Revenues (H)	63,062,642		62,568,945
Second Lien and Senior Lien Debt Service (I)	28,821,295		31,370,105
Second Lien Debt Service Coverage (J)	**2.19**		**1.99**
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 2026
Revenue data includes five months of actual revenue (January - May 2026) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January - May 2026) 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 2026 Sewer Fee is calculated at the current rate of $1.85 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2026 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 $26.90 in 2026. The rates for the 2027 Sewer Maintenance Fee and the 2027 Storm Water Fee have not been determined at the time of this report. 2027 estimates for Sewer Maintenance Fees and Stormwater Fees were pulled from the 2027 Budget Request.

(C) Salaries and Wages 2026
Salaries and Fringes are actual cost through pay period 14. The 2026 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.

(D) Budget Year 2027
The expenditure data for 2027 is based on the fund's 2027 requested budget. The 2027 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2026. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2027 budget request.

E) Senior Bonds Maximum Annual Debt Service
Includes bonds issued in 2016, 2021, and 2026.

(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, 2026. Assumes $20 million of second lien debt issued by March 1, 2027 at a rate of 4.00%.

(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.

(Additional Note) GASB 103
The implementation of GASB 103 will likely require the transfer from the sewer fund to the general fund for street sweeping, forestry charges, etc. to be recorded as an operating expense beginning in 2026. This will significantly impact the coverage projections, but the ultimate determination won't be made until next year's ACFR is completed in July.