



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 29, 2023

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, 2023, and the requested budget for 2024. 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 2024 requested budget was used for the projected year 2024.

The estimated debt service coverage of 3.72 for 2023 and 3.80 for 2024 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 1.82 for 2023 and 1.79 for 2024 exceeds the requirement of 1.20 for the second lien debt.

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

Sincerely,

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

DA:sm

Attachments

c: Ms. Aycha Sawa, Comptroller, City of Milwaukee
Mr. Nik Kovac, Budget and Management Division, City of Milwaukee
Mr. Kurt Sprangers, Environmental Engineering, Management Civil Engineer - Senior



SEWER MAINTENANCE FUND
STATEMENT OF MIDYEAR REVIEW OF FINANCIAL CONDITION
CURRENT YEAR 2023
PROJECTED YEAR 2024
AS OF JUNE 29, 2023

	2023 ^(A)	2024 ^(D)
Operating Revenues:		
Sewer Maintenance Fees (B)	\$ 33,762,234	\$ 33,034,360
Stormwater Fees (B)	40,230,290	39,691,000
Sewer Maint-Non City Service	50,600	31,600
Interest Income	206,000	217,400
Sewer User Penalties	674,000	621,400
Water Sales Penalties	983,900	1,047,000
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Total Revenues	\$ 75,907,024	\$ 74,642,760
Operating Expenditures:		
Contractual Expenses	\$ 7,343,700	\$ 7,807,700
Salaries and Wages	5,413,299 ^(C)	5,578,332
Employee Benefits	4,059,974	4,183,749
Equipment	26,000	26,000
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Total Expenses	\$ 16,842,973	\$ 17,595,781
Net Revenues Available for Senior Debt Service	\$ 59,064,051	\$ 57,046,979
Senior Bonds Maximum Annual Debt Service (E)	\$ 15,874,475	\$ 15,016,675
Senior Bonds Debt Service Coverage (F)	3.72	3.80
Senior Bonds Minimum Required Coverage (G)	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues (H)	59,064,051	57,046,979
Second Lien and Senior Lien Debt Service (I)	31,497,787	31,939,369
Second Lien Debt Service Coverage (J)	1.88	1.79
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 2023

Revenue data includes five months of actual revenue (January - May 2023) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January - May 2023) 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 2023 Sewer Fee is calculated at the current rate of \$1.65 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2023 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 \$24.12 in 2023. The rates for the 2024 Sewer Maintenance Fee and the 2024 Storm Water Fee have not been determined at the time of this report. 2023 rates were used for the 2024 estimates.

(C) Salaries and Wages 2023

Salaries and Fringes are actual cost through pay period 11. The 2023 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 2024

The expenditure data for 2024 is based on the fund's 2024 requested budget. The 2024 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2023. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2024 budget request. One Engineering Technician was added to the Sewer Design Unit to assist engineers and reduce deferred record keeping.

(E) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2013, 2016, and 2021.

(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, 2023. Assumes \$25 million of second lien debt issued by March 1, 2024 at a rate of 3.00%.

(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.