



Department of Public Works  
Infrastructure Services Division

Jerrel Kruschke, P.E.  
Interim Commissioner of Public Works  
Office of the City Engineer  
Timothy J. Thur, P.E.  
Infrastructure Administration Manager

June 29, 2022

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, 2022, and the requested budget for 2023. 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 2023 requested budget was used for the projected year 2023.

The estimated debt service coverage of 3.52 for 2022 and 3.69 for 2023 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 1.82 for 2022 and 1.69 for 2023 exceeds the requirement of 1.20 for the second lien debt.

If you have any questions regarding this report, please contact Mr. Carl Rappelt at (414) 286-2407.

Sincerely,

Jerrel Kruschke, P.E.  
City Engineer

CR:kv  
*CR*

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 2022  
PROJECTED YEAR 2023  
**AS OF JUNE 29, 2022**

	2022 <sup>(A)</sup>	2023 <sup>(D)</sup>
Operating Revenues:		
Sewer Maintenance Fees <sup>(B)</sup>	\$ 32,463,687	\$ 32,279,600
Stormwater Fees <sup>(B)</sup>	38,682,972	38,074,600
Sewer Maint-Non City Service	50,600	42,900
Interest Income	206,000	177,500
Sewer User Penalties	674,000	624,900
Water Sales Penalties	983,900	974,200
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Total Revenues	\$ 73,061,159	\$ 72,173,700
Operating Expenditures:		
Contractual Expenses	\$ 7,974,000	\$ 7,243,700
Salaries and Wages	5,208,037 <sup>(C)</sup>	5,413,299
Employee Benefits	3,906,028	4,059,974
Equipment	36,000	34,000
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Total Expenses	\$ 17,124,065	\$ 16,750,973
Net Revenues Available for Senior Debt Service	\$ 55,937,094	\$ 55,422,727
Senior Bonds Maximum Annual Debt Service <sup>(E)</sup>	\$ 15,874,475	\$ 15,016,675
Senior Bonds Debt Service Coverage <sup>(F)</sup>	<b>3.52</b>	<b>3.69</b>
Senior Bonds Minimum Required Coverage <sup>(G)</sup>	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues <sup>(H)</sup>	55,937,094	55,422,727
Second Lien and Senior Lien Debt Service <sup>(I)</sup>	30,682,386	32,737,779
Second Lien Debt Service Coverage <sup>(J)</sup>	<b>1.82</b>	<b>1.69</b>
Second Lien Revenue Requirement <sup>(K)</sup>	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 2022

Revenue data includes five months of actual revenue (January - May 2022) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January - May 2022) 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 2022 Sewer Fee is calculated at the current rate of \$1.59 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2022 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 \$23.19 in 2022. The rates for the 2023 Sewer Maintenance Fee and the 2023 Storm Water Fee have not been determined at the time of this report. 2022 rates were used for the 2023 estimates.

(C) Salaries and Wages 2022

Salaries and Fringes are actual cost through pay period 11. The 2022 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 2023

The expenditure data for 2023 is based on the fund's 2023 requested budget. The 2023 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2022. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2023 budget request. Fifteen previously unfunded Sewer Underground Operations positions were moved to Auxiliary Personnel. The total number of positions increased by four due to combining the previously unfunded positions and the previous auxiliary personnel positions into one single auxiliary personnel category. There is no change in the number of funded positions.

(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, 2023 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.