



Department of Public Works
Infrastructure Services Division

Ghassan Korban
Commissioner of Public Works

Jeffrey S. Polenske
City Engineer

June 20, 2016

To the Honorable, the Common Council

Subject: Review of the Financial Condition of
the Sewerage System

Dear Council Members:

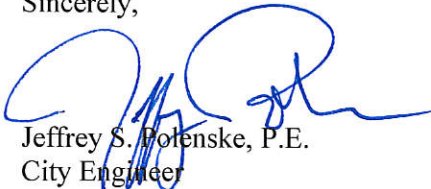
The Department of Public Works is submitting a "Statement of Mid-Year Review for Financial Condition" of the Sewer Maintenance Fund as required by the Sewerage System Revenue Bonds Master Resolution, Article VIII, section 8.02, adopted August, 2001, and the second lien resolution, section 11, adopted by the City of Milwaukee on June 20, 2006.

The analysis covers the current year, 2016, and the proposed budget for 2017. 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 2017 proposed budget was used for the projected year 2017.


The estimated debt service coverage of 5.64 for 2016 and 3.09 for 2017 exceeds the minimum requirement of 1.20 for the senior bonds. The estimated debt service coverage of 2.76 for 2016 and 2.43 for 2017 exceeds the requirement of 1.20 for the second lien debt.

If you have any questions regarding this report, please do not hesitate to contact Ms. Marjorie Washington-Jones at 414-286-2407.

Sincerely,



Jeffrey S. Polenske, P.E.
City Engineer



Ghassan Korban, P.E.
Commissioner of Public Works

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Attachments

c: Mr. Martin Matson
Mr. Mark Nicolini
Mr. Tim Thur



SEWER MAINTENANCE FUND
STATEMENT OF MIDYEAR REVIEW **OF** FINANCIAL CONDITION
CURRENT YEAR 2016
PROJECTED YEAR 2017
AS OF JUNE 30, 2016

	2016 ^(A)	2017 ^(D)
Operating Revenues:		
Sewer Maintenance Fees ^(B)	\$ 29,375,906	\$ 28,751,139
Stormwater Fees ^(B)	31,320,554	31,397,728
Sewer Maint-Non City Service	40,151	44,106
Interest Income	17,573	27,734
Sewer User Penalties	665,389	668,913
Water Sales Penalties	980,660	972,155
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Total Revenues	\$ 62,400,233	\$ 61,861,775
Operating Expenditures:		
Contractual Expenses	\$ 9,488,717	\$ 8,937,955
Salaries and Wages	4,405,661 ^(C)	4,954,368
Employee Benefits	2,815,011	2,229,466
Equipment	75,000	85,000
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Total Expenses	\$ 16,784,389	\$ 16,206,789
Net Revenues Available for Senior Debt Service	\$ 45,615,844	\$ 45,654,986
Senior Bonds Maximum Annual Debt Service ^(E)	\$ 8,082,313	\$ 14,792,309
Senior Bonds Debt Service Coverage ^(F)	5.64	3.09
Senior Bonds Minimum Required Coverage ^(G)	1.20	1.20
Pass Senior Bonds Debt Service Coverage Test	yes	yes
Second Lien Revenues ^(H)	45,615,844	45,654,986
Second Lien and Senior Lien Debt Service ^(I)	16,555,191	18,786,984
Second Lien Debt Service Coverage ^(J)	2.76	2.43
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 2016

Revenue data includes five months of actual revenue (January - May 2016) and estimated revenue through year-end. Operating Expenditures data includes five months of actual expenses (January - May 2016) 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 2016 Sewer Fee is calculated at the current rate of \$1.38 per CcF (hundred cubic feet) of sanitary sewer consumption, which is based on the amount of metered tap water. The 2016 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 \$19.22 in 2016. The rates for the 2017 Sewer Maintenance Fee and the 2017 Storm Water Fee have not been determined at the time of this report. The current rates were used for the 2017 estimates.

(C) Salaries and Wages 2016

Salaries and Fringes are actual cost through pay period 11. The 2016 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.

(D) Budget Year 2017

The expenditure data for 2017 is based on the fund's 2017 proposed budget. The 2017 figures are subject to change in the final adopted budget by the Common Council and Mayor in November 2016. The current Salary and Wage Rate Schedule was used for determining the amounts to be included in the 2017 budget request. The number of authorized positions will remain unchanged in 2017.

(E) Senior Bonds Maximum Annual Debt Service

Includes bonds issued in 2011, and 2013. Assumes \$100 million of Senior Bonds issued in 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, 2016. Assumes \$35 million of second lien debt issued by March 1, 2017 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.