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OFFICE OF DIRECTOR OF FINANCE

Date: November 1, 2016

To: Hon. Dan Abendroth, Mayor
Members of the Common Council
Sewer Utility District Commission

From: Tom Watson, Director of Finance

Re: Consideration of an Ordinance (2016-1483), Appropriating the Necessary Funds from the City of Mequon's Sewer Utility District for the Year 2017 for Capital Charge Payments to the Milwaukee Metropolitan Sewerage District (MMSD), City of Mequon Capital Debt Service Requirements and City of Mequon Sewer Utility Capital Projects

Ordinance 2016-1483 is required in order to appropriate the necessary funds for the City of Mequon Sewer Utility District to cover the 2017 capital charge payment to MMSD and the 2017 City of Mequon capital debt service requirements. As is the case every year, the MMSD annual capital charge to pay for capital infrastructure and watercourse improvements is an estimate as the actual amount will not be available in time to set the levy and generate the tax roll and tax bills for 2016. The estimated MMSD capital charge is also adjusted for the difference between the estimates and actual from the preceding year. It is then reduced by revenue received during the year from several tax exempt organizations that have entered into separate sewer service agreements and payment in lieu of taxes agreements with the City.

The 2017 estimated MMSD capital charge is projected to be \$5,791,513, 3.3% higher than 2016. Most of this can be attributed to higher equalized values, an increase in the district's tax rate, a decrease in the watercourse credit and a decrease due to an adjustment for last year's payment. Projections from MMSD indicate that expected billing rates for 2018 through 2022 will increase an average of five to ten cents per \$1,000 of equalized value per year. A copy of their capital rate chart is attached for your review.

The capital debt service component of the tax rate is associated with the MMSD settlement in 1997. The original amount of the bond issue was \$25,650,000. In June 2005 the 1997 issue was refinanced with a crossover refunding where the callable portion of the issue for years 2008 and beyond were refunded. The City has now worked through the ensuing debt service and, Capital Debt service for 2017 is decreasing by \$91,750. The final payment related to this issue is due in 2017.

Year	Existing Debt Service
2007	1,907,175
2008	2,566,400
2009	2,482,700
2010	2,395,200
2011	2,279,000
2012	2,164,600
2013	2,037,000
2014	1,935,500
2015	1,885,000
2016	1,798,000
2017	1,706,250
2018	0

In previous years, after appropriating for the MMSD capital charge and debt service, the remaining levy capacity of approximately \$275,000 was allocated towards the Sewer Utility Capital Project Fund in order to reduce future borrowing for major projects. For 2017, \$250,000 is included for Sewer Utility capital projects.

To summarize, the breakdown of the recommended 2016 appropriation for the Sewer Utility District is as follows:

2016 Sewer Levy (Payable 2017)	
Estimated 2017 MMSD Capital Charge (Net)	\$5,308,187
City of Mequon Capital Debt Service Requirements	<u>1,706,250</u>
Capital Improvement Projects	<u>250,000</u>
Total	<u>\$7,264,437</u>

2015 Sewer Levy (Payable 2016)	
Estimated 2016 MMSD Capital Charge (Net)	\$5,349,372
City of Mequon Capital Debt Service Requirements	<u>1,798,000</u>
Capital Improvement Projects	<u>0</u>
Total	<u>\$7,147,372</u>

Presented below is a history of tax rates in the Sewer Utility District:

Tax Year	Mill Rate per \$1,000 Assessed Value
2016	Proposed (est.) \$1.90
2015	\$1.89
2014	\$1.88
2013	\$1.76
2012	\$1.79
2011	\$1.87
2010	\$1.86
2009	(reval year) \$1.86
2008	\$2.23
2007	\$2.24

Under this proposal, a Mequon home located in the Sewer Utility District, assessed at \$350,000, would pay approximately \$663.00 in Utility taxes, an increase of \$3.00.