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MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

The Milwaukee Metropolitan Sewerage District is responsible for providing sewage treatment services to most communities in Milwaukee County and to several in surrounding counties. In 1977, to meet federal and state pollution standards, the District initiated the Water Pollution Abatement Program--the largest public works program in the State's history--to reduce the amount of untreated sewage discharged into Lake Michigan. Project construction was completed in 1996, and capital costs associated with the program totaled \$2.3 billion through December. The District also had 1996 operating costs of \$118.8 million.

Large Capital Fund Balances Did Not Increase Taxpayer Costs

In 1982, the District established the goal of maintaining stable rates for the property tax it uses to finance capital costs. To do so, it maintained a cash balance necessary to meet its short-term financial obligations. However, beginning in 1992, the District's cash balance has consistently exceeded its cash reserve needs by an average of \$114 million. Two factors account for the excess balance: to take advantage of low interest rates, the District issued bonds worth \$64.5 million more than the amount needed to fund short-term costs, and it received grants worth \$79.4 million more than originally anticipated.

Overall, taxpayer costs are lower as a result of the financing plan the District implemented; alternative plans that could have lowered the tax rate on equalized property value in the first several years would also have increased total program costs. Nevertheless, the District could have lowered its tax rate by \$0.35 per \$1,000 of equalized property value in 1995, one year sooner than it did. In addition, the District's projections of future tax rates may need to be modified after it completes an analysis of new facilities needs through 2010.

Multi-year Capital Budgets Could Facilitate District Planning

Although the District has been required to evaluate the facilities and improvements needed through 2010 for all the municipalities it serves, it continues to budget for capital projects on an annual basis. A variety of benefits, including an enhanced ability to estimate future tax rates, would likely be derived if the District implemented a multi-year capital budgeting process, as it has proposed to do beginning in 1998.

The District Should Maximize Its Production of Milorganite

The production of Milorganite, a fertilizer made from heat-dried sludge, is currently the least-costly waste disposal option available to the District. Landfilling sludge, which in 1995 was 40.3 percent more expensive than producing Milorganite, is currently the only other available sludge disposal option with the capacity to dispose of most, or all, of the District's sludge.

In 1996, the sale of Milorganite generated \$5.6 million in revenue to offset the cost of its production and marketing. However, increased competition from at least 15 other municipalities that have begun to produce similar products may erode the District's market. If the District is to continue to realize substantial benefits from the production and sale of Milorganite, more aggressive marketing strategies may be required.

Some Training Program Costs Were Excessive

The District is also responsible for administering the Minority Business Development and Training Program, which was

created by the Legislature in 1985. Through 1996, program costs totaled \$21.0 million, and approximately \$15.1 million of this total funded the construction of facilities. However, only \$2.8 million, or 13.3 percent, of program costs funded training to develop the capability of minority businesses and individuals to participate in construction projects funded through state grant and loan programs, while at least \$2.3 million, or 11.0 percent, was spent on program management. In addition, per capita costs related to training have been excessive. For example, through 1996, the District spent \$65,062 for each of 8 persons receiving project manager or superintendent training, and \$49,630 for each of 21 firms receiving financial, management, or technical assistance services.

Staffing Levels Should Continue to Be Reviewed

Since 1990, the number of staff employed by the District has declined by 127.1 positions, or 18.5 percent. Nevertheless, at least three areas may provide opportunities for the District to make additional reductions and further reduce costs: records management, legal services, and vehicle maintenance. With the completion of the Water Pollution Abatement Program, current staffing levels should be reevaluated to determine whether they continue to be appropriate given the District's diminished need for some services.

Contracting for District Operations Will Require Careful Review

The District is examining whether contracting for the performance of some or most of its operations, including operation of its Milorganite plant, could reduce costs. However, contracting extensively for operations may pose some risks unless the District enhances its oversight of contractor performance and determines how its assets will be safeguarded from deterioration; how it will ensure compliance with its wastewater and air pollution permits; how it can ensure the fair treatment of its employees; whether qualified firms are interested in contracting for performance of District functions; and the extent to which contracting is likely to result in cost reductions.

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