

2022



Legislative Reference Bureau

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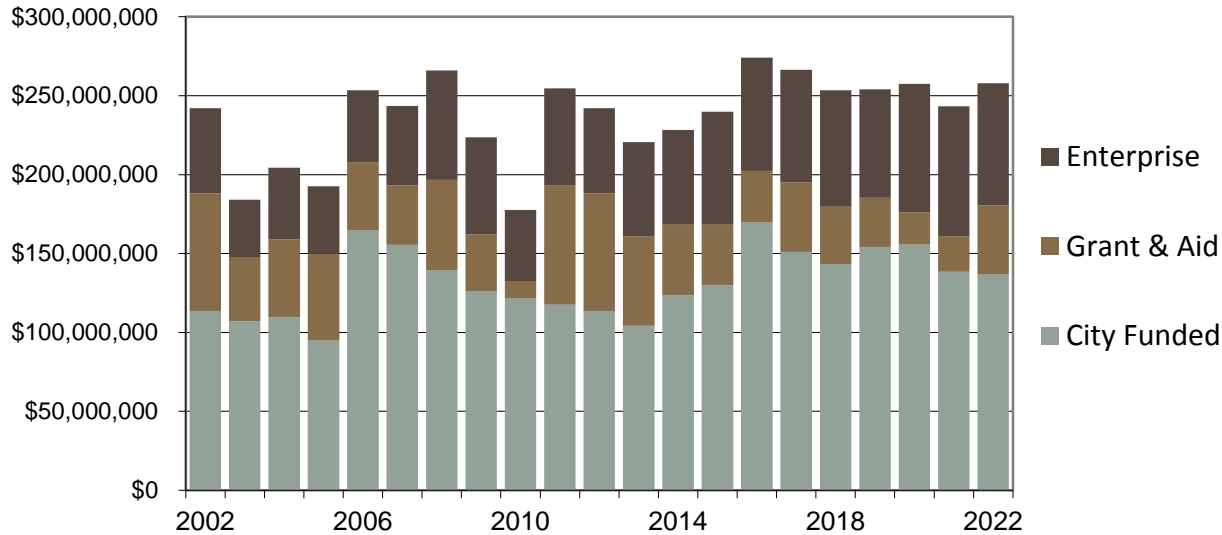
# CAPITAL IMPROVEMENTS OVERVIEW



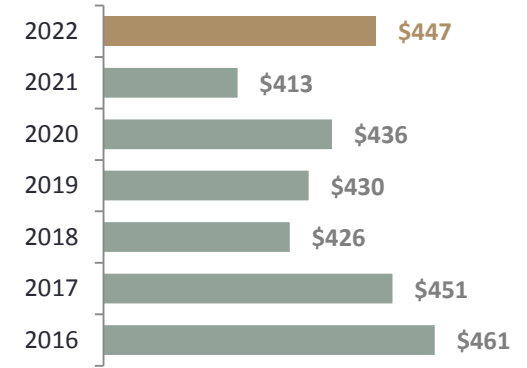
Prepared by: Kathy Brengosz, Fiscal Planning Specialist  
Budget Hearing: 9:00 am on Friday, October 1, 2021  
Last Updated: September 28, 2021

Final

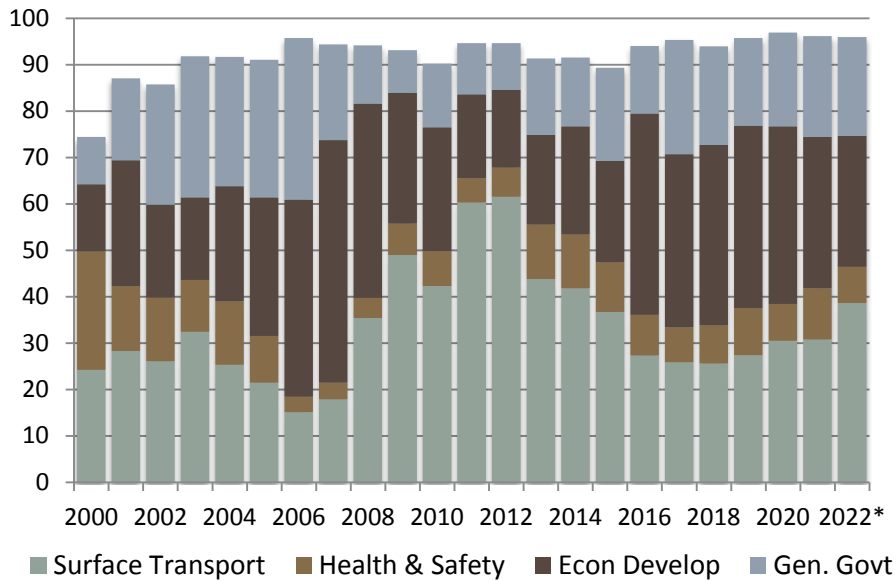
**Total Capital Plan**



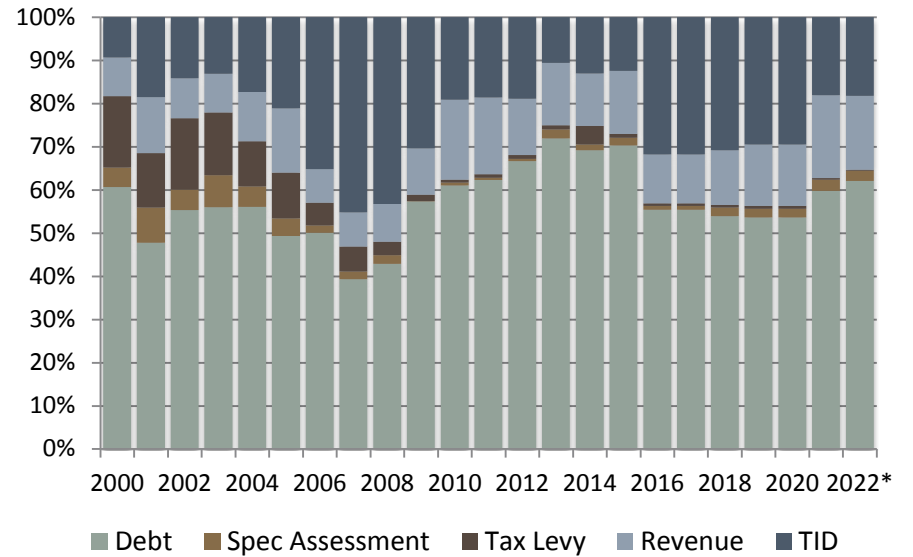
**Budget Per Capita**



**Capital Funding by Purpose**



**Funding Sources**  
*(excluding enterprise funds)*



# \$257,779,000

Proposed 2022 Capital Budget  
(including enterprise funds)

# \$11.7 million

Proposed capital funding  
for Vehicles  
(DPW, Fire, Police, DOA)

# \$354.4 million

Total 2022 Capital Request

# 295,407

Vehicles in Milwaukee subject to  
MVR fees in 2020,  
down from 323,740 in 2017.

# \$612 million

Outstanding general obligation  
debt for streets, buildings, police,  
fire and economic development,  
an increase of \$37 million  
from last year.

## Overview

The capital budget funds major improvements to City facilities and infrastructure. It addresses transportation, health and safety needs, promotes economic development, and allows for the efficient functioning of City government. The total capital plan, including projects and programs in all departments and the City's 3 enterprise funds, is \$257.8 million.

Funds are provided for roadways, bridges, sewers, water mains and other essential public facilities. The capital budget also provides funds for the maintenance of the vacant, abandoned and foreclosed properties that have become the responsibility of the City, information technology systems that need to be replaced or upgraded and aging vehicles in the City's fleet.

## Funding Policy

Generally, the City finances operations with cash and the City's portion of capital improvements with general obligation borrowing or other non-tax levy revenues.

The "10-Year Debt Payout" measures the percentage of total general obligation debt that will be repaid or retired within the next 10 years. The industry benchmark is 50%. From 2007 through 2019, the City's 10-Year Debt Payout ranged between 82% and 90%. It is projected to be just over 90% in 2022.

## Funding Sources

As proposed, the City-funded capital program will be financed with \$85 million of **levy-supported general obligation debt**, an increase of \$2.2 million from the 2021 Budget. This amount does not include debt which will be used to fund tax incremental districts. The \$25 million of TID borrowing is considered self-supporting because the property tax levy is not used for debt service.

**Tax levy** funding of \$315,000 will be used for smaller projects or projects that have shorter useful lives than traditional infrastructure projects.

Approximately \$23.3 million of the capital budget is funded with various **revenues**, including \$10 million from developer-financed TIDs, \$5.1 million of Stormwater revenue and \$400,000 of Street Lighting revenue.

The 2022 Proposed Budget also includes \$3 million of **special assessment** funding.

Additional borrowing in 2022 will support the capital programs of the Sewer Maintenance Fund (\$29 million), the Water Works (\$43.1 million) and the Transportation Fund (\$1.3 million).

The most variable funding component of the capital budget is **grant and aid funding**. Grant availability is determined by transportation and project decisions made at the state and federal level

Capital Budget by Department								
	2016	2017	2018	2019	2020	2021	2022	Change
	Adopted	Adopted	Adopted	Adopted	Adopted	Adopted	Proposed	from 2021
<b>City-Funded</b>								
Special Projects	\$8,512,000	\$8,739,000	\$8,514,000	\$8,514,000	\$9,016,000	\$9,114,000	\$8,115,000	-\$999,999
Administration, Dept. of	4,340,000	3,045,000	1,660,000	2,590,000	1,533,000	2,057,000	1,592,000	-465,000
Assessor	556,000	350,000						
City Attorney								
City Development, Dept. of	61,830,000	53,517,000	53,420,000	56,015,000	55,400,000	40,825,000	36,450,000	-4,375,000
Common Council - City Clerk	225,000	438,000		150,000	25,000	56,115		-56,115
Election Commission								
Fire & Police Commission				150,000	5,000,000		685,000	685,000
Fire Dept.	3,179,000	2,948,000	1,555,000	3,324,000	1,950,000	1,800,000	1,830,000	30,000
Health Dept.	745,000	731,000	660,000	760,000	690,000	1,550,000	160,000	-1,390,000
Library	5,800,000	2,844,000	4,695,000	2,150,000	1,290,000	1,680,000	664,000	-1,016,000
Municipal Court		384,000					259,000	259,000
Neighborhood Services, Dept. of	2,925,000	2,900,000	2,000,000	3,550,000	3,000,000	3,000,000		-3,000,000
Police Dept.	9,070,000	7,589,000	7,001,000	6,416,000	3,995,000	6,337,500	7,220,000	882,500
Port of Milwaukee	4,400,000	640,000	700,000	1,450,000	475,000	675,000	2,812,000	2,137,000
Public Works, Dept. of	68,022,000	66,904,000	63,123,000	69,009,000	73,250,000	71,386,800	76,888,000	5,501,200
<b>Total City-Funded</b>	<b>\$169,604,000</b>	<b>\$151,029,000</b>	<b>\$143,328,000</b>	<b>\$154,078,000</b>	<b>\$155,624,000</b>	<b>\$138,481,415</b>	<b>\$136,675,000</b>	<b>-\$1,806,415</b>
<b>Grant &amp; Aid</b>								
Port of Milwaukee	800,000	400,000	800,000	3,800,000	800,000	800,000	800,000	
Public Works, Dept. of	31,838,000	43,643,000	35,570,000	27,399,000	19,517,000	21,634,815	42,944,000	21,309,185
<b>Total Grant &amp; Aid</b>	<b>\$32,638,000</b>	<b>44,043,000</b>	<b>36,370,000</b>	<b>\$31,199,000</b>	<b>\$20,317,000</b>	<b>\$22,434,815</b>	<b>\$43,744,000</b>	<b>\$21,309,185</b>
<b>City-Funded and Grant &amp; Aid</b>	<b>\$202,242,000</b>	<b>\$195,072,000</b>	<b>\$179,698,000</b>	<b>\$185,277,000</b>	<b>\$175,941,000</b>	<b>\$161,291,230</b>	<b>\$180,419,000</b>	<b>\$19,127,770</b>
<b>Enterprise Funds</b>								
Transportation	1,780,000	3,340,000	3,424,500	3,385,000	2,725,000	1,800,000	1,300,000	-500,000
Sewer Maintenance	44,404,000	38,714,000	37,514,000	33,950,000	34,150,000	40,350,000	33,000,000	-7,350,000
Water	25,660,000	29,210,000	32,780,000	31,385,000	44,570,000	40,300,000	43,060,000	2,760,000
<b>Total Enterprise Funds</b>	<b>\$71,844,000</b>	<b>\$71,264,000</b>	<b>\$73,718,500</b>	<b>\$68,720,000</b>	<b>\$81,445,000</b>	<b>\$82,450,000</b>	<b>\$77,360,000</b>	<b>-\$5,090,000</b>
<b>TOTAL CAPITAL PLAN</b>	<b>\$274,086,000</b>	<b>\$266,336,000</b>	<b>\$253,416,500</b>	<b>\$253,997,000</b>	<b>\$257,386,000</b>	<b>\$243,366,230</b>	<b>\$257,779,000</b>	<b>\$14,412,770</b>

**Debt Limit**

Debt service on general obligation bonds has been increasing steadily. The Comptroller estimates that in 2022, tax-levy-supported debt service will be approximately \$101 million. The total outstanding general obligation debt for all purposes at the end of 2020 was \$1.2 billion.

The amount of general obligation debt the City may issue is limited by the State Constitution to no more than 5% of the City’s equalized value. Revenue bonds are not included when calculating the City’s use of its debt limit. At the end of 2009, the City had used just over 50% of its debt limit. Use of the debt limit reached 74% by 2016. It is expected to be just under 70% at the end of 2022.

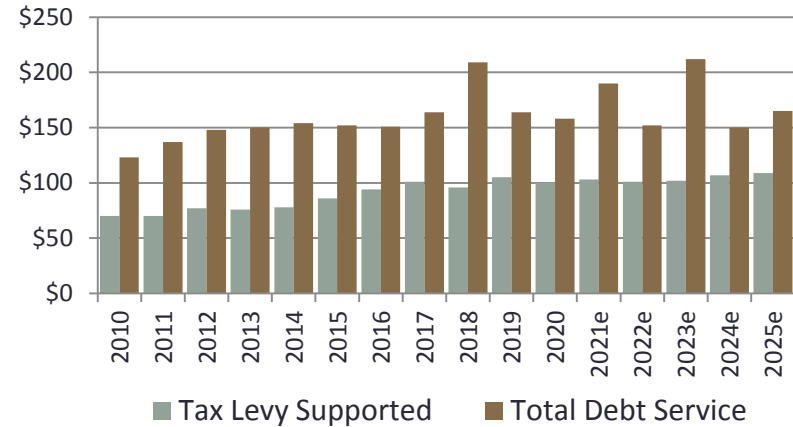
The City has been issuing slightly more debt than it is retiring. Until 2008, increases in the City’s equalized value helped to keep debt limit utilization at an acceptable level. Between 2008 and 2015, the City lost over 19% of its equalized value. Property values had nearly recovered by 2020. The City’s 2021 equalized property value of \$35.3 billion is \$3 billion more than in 2008.

If the City’s use of its debt limit remains high, the City will face the risk of additional bond-rating downgrades which could have a significant, adverse effect on the City’s borrowing costs.

City of Milwaukee Bond Ratings			
Year	S&P	Moody’s	Fitch
2017	AA	Aa3	AA
2018	AA	A1	AA
2019	AA-	A1	AA-
2020	A	A2	AA-
2021	A	A2	AA-

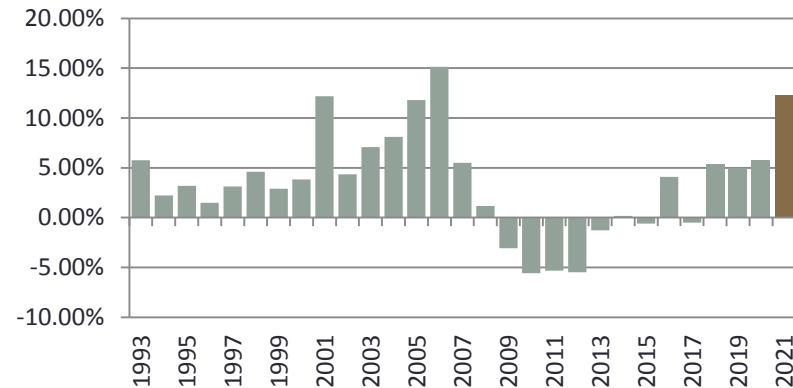
**Annual General Obligation Debt Service**

(in millions)



Source: Report of Debt and Debt Service, City of Milwaukee Comptroller

**Change in Equalized Property Value**



**Core Infrastructure**

The 2022 Proposed Budget includes \$93.3 million in funding for capital programs relating to bridges, streets, alleys, street lighting, traffic control, underground conduit and electrical manholes, an increase of \$23.3 million (33%) from the 2021 Budget. The increase is caused primarily by an increase in total grant and aid funding and an increase of \$1.6 million in the Street Lighting program. The 10-year average annual funding for these programs is \$85.6 million.

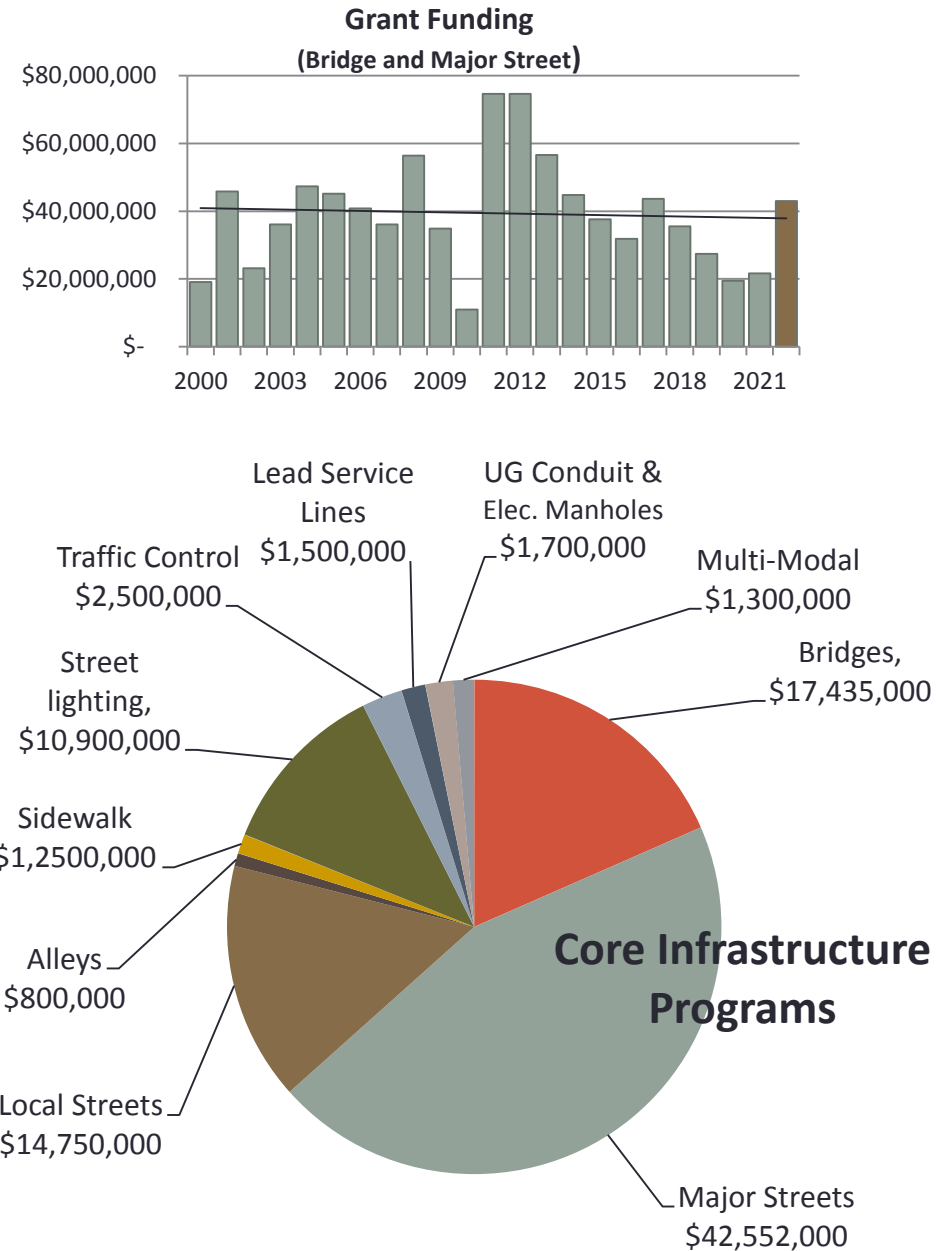
Total funding for bridge projects has increased by \$4 million from 2021. The City is partnering with Milwaukee Metropolitan Sewerage District on a flood-reduction project along the Kinnickinnic River. Funds from the stormwater fee will support bridge replacements associated with this project.

Grant funding for major streets increases for 2022 by \$16.5 million. Because grant funding has increased, the City’s cost share for the major street program also increases by \$1.1 million.

A \$2 million decrease in the High Impact paving program is offset by a \$2 million increase in Local Street paving. Local Road Improvement Funds (LRIP) which are available from the State only in even-numbered years will increase the total funding available for local street paving projects by an additional \$2 million.

Proposed funding includes multi-modal transportation improvements throughout the City. Projects will support various goals and initiatives, including Complete Streets, the City’s Pedestrian Plan, Safe Routes to School, and other mobility initiatives.

Funding for lead service replacements is \$1.5 million, a reduction of \$4 million from 2021.



**Sewer Maintenance Fund**

The Sewer Maintenance Fund (SMF) uses a combination of general obligation debt, Clean Water funds from the State, and revenue bonds for infrastructure projects. In 2022, the SMF anticipates using \$29 million in debt financing; \$20.5 million for sewer relays, \$2 million for the Inflow & Infiltration program, and \$1 million for water quality projects. The SMF also anticipates receiving \$3.65 million in grants for projects that will improve water quality.

The 2022 Proposed Budget supports a diversified approach to improving the performance of the sewer system. Strategies include reducing inflow and infiltrations, constructing bio-swales to help manage storm water runoff, restoring capacity to channels and drainage ditches, disconnecting downspouts, and including pervious pavement in select street and alley projects.

Because of their mitigating effects on storm water, the Tree Planting and Production program, the Emerald Ash Borer Readiness and Response program, Concealed Irrigation, and Stump Removal, are financed with transfers from the Sewer Maintenance Fund. A portion of DPW's Environmental Remediation Program is also funded by the SMF.

The total transfer from the Sewer Maintenance Fund for capital projects is \$3.17 million, a decrease of \$90,000 from 2021. Annual transfers from the Sewer Maintenance Fund for capital projects have been somewhat variable. The average transfer since 2015 is around \$3 million.

**Milwaukee Water Works**

The Milwaukee Water Works (MWW) has developed a capital plan that will address Public Service Commission concerns about water main replacement. MWW will replace 20 miles of water mains in 2022.

Water usage continues to decline. Through July 2021, water consumption decreased by 0.6% compared to the same period in 2020. This is the smallest decline in recent years. Since 2004, water consumption is down 29%. MWW is currently using less than 25% of its treatment capacity.

Milwaukee Water Works, which had been traditionally funded with cash, now finances most of its capital maintenance with debt to meet the water main replacement target required by the Public Service Commission. Anticipated borrowing for 2022 is \$43.1 million, an increase of \$2.8 million from 2021.

**Transportation Fund**

Capital improvements for the Parking Fund are relatively modest (\$1.3 million) compared to the Sewer Maintenance Fund and the Milwaukee Water Works, and are typically debt-financed.

The 2022 Proposed Budget includes funding for improvements at 3 parking structures. The structures at 2<sup>nd</sup> & Plankinton, Milwaukee & Michigan, and 1000 N. Water will receive \$250,000, \$250,000 and \$75,000, respectively.

Additional funding will be used at other parking structures for minor repairs, to ensure that City parking facilities are ADA-compliant, and to make improvements at surface parking lots including \$600,000 for enhanced storm water management.

**Buildings**

Departments submitted more than 20 requests for building-related capital projects or programs with a total of \$25.4 million. The 2022 Proposed Budget funds 13 requests.

The Department of Public Works receives \$10 million for City Hall foundation work. 2022 is expected to be the last year of funding for the foundation project. An additional \$3.78 million is provided for other building maintenance programs. The department also requested \$800,000 for a new salt dome at 1600 N. 14<sup>th</sup> Street. The project is not funded.

The Library receives \$413,000 for improvements at the Central Library and \$251,000 for branch library improvements. No additional funding is provided for the construction of new branch libraries.

The Police Department receives \$600,000 to make repairs at District stations and \$500,000 for the Police Administration Building project.

The Fire Department requested \$1.53 million for maintenance and renovation at fire houses and receives \$450,000 for that purpose. The department also requested \$13 million for a new repair garage. The project is not funded.

Office renovation projects were requested by the City Attorney, the City Clerk, DER, and DNS, none of which are funded.

**Technology**

The City’s business operations increasingly rely on IT systems. The cost and complexity of computer systems has made the maintenance and replacement of such systems challenging. For 2022, there were 16 requests for IT projects totaling \$5.5 million. Funding is provided for 11 projects totaling \$2.1 million.

**Large Scale IT Projects 2016-2022**

(>= \$400,000)

Project	Dept.	Amount
Tax Collection Software	ITMD	\$1,150,000
FMIS Upgrade	ITMD	\$1,300,000
HRMS Upgrade	ITMD	\$1,000,000
PeopleSoft Upgrade Manager	ITMD	\$600,000
Corp. Database Server Upgrades	ITMD	\$1,120,000
CSWAN-COMON Upgrade	ITMD	\$750,000
Fleet Scheduler	ITMD	\$400,000
Business License Conversion	ITMD	\$500,000
Assessment Software	Assessor	\$906,000
Unified CAD System	FPC	\$5,835,000
Record Management System	Police	\$3,315,000
911 and Phone System Upgrade	Police	\$2,000,000
Upgrade CAD System	Police	\$1,800,000
Radio Dispatch Console Upgrades	Police	\$1,900,000
Automated Fingerprint Analysis	Police	\$1,700,000
Mobile Data Computer Upgrades	Police	\$758,000
Hardware/Software Refresh	Police	\$2,000,000
Fire Digital Radio System	Fire	\$400,000
Fire Record Management System	Fire	\$550,000
<b>Total</b>		<b>\$27,984,000</b>



Unfunded Capital Requests			
	Housing Trust Fund	\$1,000,000	
DOA	Electronic Health Records and Billing	\$200,000	IT
	Home Gr/Own	\$100,000	
	MKE Shines	\$250,000	
Attorney	City Hall Restoration - 8th Floor	\$5,236,730	Bldg
City Clerk	Record Center Moveable Shelving	\$630,000	
	CH Rm 205 Renovation	\$4,713,303	Bldg
DCD	Housing Infrastructure Preservation Fund	\$100,000	
	In Rem Property	\$400,000	
	STRONG Home Loans	\$1,000,000	
	10K Homes Initiative	\$500,000	
DER	Office Remodel	\$242,000	Bldg
Fire	Fire Repair Shop	\$13,000,000	Bldg
	Ballistic Vests	\$370,000	Equip
Health	Lead Paint Prevention and Abatement	\$340,000	
	Lab Equipment	\$515,000	Equip
Library	Branch Library - New Construction	\$4,200,000	Bldg
DNS	Concentrated Blight Elimination	\$2,200,000	
	Code Compliance Loans	\$1,000,000	Bldg
	Digitization of Microfilm Records	\$98,000	
	Remodel Development Center Offices	\$2,650,000	Bldg
Police	Mobile Data Computers for Motorcycles	\$400,000	IT
	Central Salt Dome	\$800,000	Bldg
DPW	On-Board Garbage Truck Computer System	\$482,000	IT
	Central City Drop-off Center	\$21,209,000	Bldg
	Hazardous Tree Removal	\$75,000	
	Narrow Street Plow Equipment	\$840,000	Equip
	Repave Surface Parking Lots	\$75,000	
	ADA Compliance	\$100,000	
	MacArthur Square	\$1,300,000	

**Vehicles**

Historically, only vehicles which cost more than \$50,000 were included in the City’s capital budget. Passenger vehicles were generally funded through the operating budget. As passenger vehicles become more expensive, it has become increasingly difficult to fund the necessary replacements within the operating budget and many vehicles are past their expected useful lives.

The Police Department is disproportionately affected because of the size of its fleet and the high cost of the specialized equipment required for police vehicles. The Police Department has approximately 800 mainstream vehicles, including uniform squad cars, detective vehicles, vans, sergeant vehicles, and undercover vehicles.

Police vehicles were first funded in the 2018 Budget with an expenditure of \$2.6 million. The 2022 Proposed Budget includes \$3.6 million for Police Department vehicles. The average age of the fleet is over 8 years. An analysis by DPW indicated that maintaining the average age of the Police Department fleet would require the purchase of at least 45 vehicles each year. To bring the fleet in line with national replacement standards would require the purchase of approximately 200 vehicles each year.

