City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin
53202

Meeting Minutes

CAPITAL IMPROVEMENTS COMMITTEE

ALD. JOSEPH DUDZIK, CHAIR
Ald. Robert Bauman, Ald. Michael Murphy, Jeffrey Mantes, W. Martin Morics, Mark Nicolini, and Mariano Schifalacqua
Staff Assistant: Tobie Black, 286-2231; Fax: 286-3456, tblack@milwaukee.gov
Fiscal Planning Specialist: Kathleen Brengosz, 286-3926, kbreng@milwaukee.gov

Tuesday, September 6, 2011 | **9:00 AM** | **Room 301-B, City Hall**

Meeting called to order at 9:00 a.m.

Also in attendance:

Kathy Brengosz, Fiscal Planning Specialist

1. Review and approval of the minutes of the July 27, 2011 meeting.

Minutes from the July 27, 2011 meeting were unavailable and will be reviewed and approved at the next meeting.

2. Presentation of the Condition Report by the Port of Milwaukee.

(Please see the PowerPoint presentation titled "Port of Milwaukee Condition Presentation Sept 6, 2011" attached to Common Council File 101154)

Appearing– Eric Reinelt, Port Director; Larry Sullivan, Port Engineer; Wayne Johnson, Harbor Master and Port Operations Manager

The Port of Milwaukee's Mission Statement was created in cooperation with the Harbor Commission. The Port of Milwaukee includes the North Harbor tract and the South Harbor Tract (Commercial Port). The condition report was presented by Mr. Sullivan and focused on the South Harbor Tract.

Mr. Sullivan stated that:

Private docks along the waterways are the responsibility of the riparian owners. Property owners can be compelled to make repairs. The City is responsible for maintaining between 10 and 12 miles of dockwall. The docks are inspected periodically and repaired as necessary. The Port of Milwaukee applies for grants to fund repair and restoration work.

Silt that settles in the river and harbor area needs to be removed in order to maintain commercially navigable channels. The City utilizes a confined space for disposal of the materials. When the confined space is full, the area can be used for development. Since the mid 1970's approximately 53 acres of land have been *created. The dock for the Lake Express ferry sits on reclaimed land. The current disposal site has capacity for approximately 20 years.*

Because they may contain contaminants, the Dept of Natural Resources and the Environmental Protection Agency prohibit the dumping of dredged materials into open water. Ald. Dudzik asked about the stability of the dockwall supporting the confined disposal site and the potential for a spill. Mr. Sullivan stated that diving and camera inspections have shown that the wall is in good condition and that monitoring is on-going. If material escaped from the facility it would be material that is native to the harbor. He also stated that the material in the disposal facility is "regulated" not "hazardous".

Public roads are maintained by DPW, private roads with the port area are maintained by the Port of Milwaukee. A new freeway ramp allows for direct freeway access to the Port. Oversize loads no longer limited to certain routes or hours of travel.
The petroleum pipelines at the Port were inherited. Most of them are the responsibility of the tenant. Mr. Schifalacqua asked if the Port handles liquid cargo. Mr. Sullivan answered yes. Most of the liquid cargo comes in by rail and leaves by truck. The Port is exploring plans to handle liquid cargo by boat. $1.8 million in grant funding may be available to rehabilitate the liquid cargo pier. However, at the present time there is not a sufficient cargo stream to support the project.

Many of the sewer lines at the Port facility are the responsibility of the City of Milwaukee. The lines out to the terminal are not the City's responsibility. The Port need to be aware of international discharge requirements which are different from the requirements the rest of the city must follow.

The Port of Milwaukee operates its own water distribution system. The Port inspects, repairs and flushes the mains. Because the system is on a peninsula, chloride residuals are problematic. A study done in 1995 by Rust Environment & Infrastructure determined that the Port's water mains are not the anode for the cathodic protection system of other pipelines at the Port.

The Port is served by two Class 1 railroads (Canadian Pacific & Union Pacific) The Port also maintains approximately 15 mile of track to connect each terminal the Port's storage yards to the main line railroads. The railroad system and all crossings must be maintained to federal standards. The Port is in the process of converting its 90 lb track to 115 lb track.

Environmental remediation is required at some sites which have been contaminated by former tenants. One seven acre site had an oil spill. An engineered cap will contain the contaminants and allow the site to be re-used.

The Port works with a grant writer to access additional funding for project related to Homeland Security and harbor maintenance. Several of the Port's capital programs provide matching funds for federal and state grants.

The overall condition grade for infrastructure at the Port of Milwaukee is a "C". The grade reflects on-going maintenance challenges such as masonry building façades which require extensive tuckpointing. The grade also reflects facilities such as the liquid cargo pier which does not receive significant investment because it is not used as much. The amount of deferred maintenance has not been calculated.

As part of the budget process, the Port has hired a consultant to evaluate the Ports assets. The Port is also in the process of revising its inspection schedule so condition information can be available in a timely manner. Mr. Schifalacqua asked *when the report can be expected. Mr. Sullivan replied that the Port will be working with DPW as well as an outside consultant and the investigation will begin this fall.*

Ald. Dudzik asked which item or items are most in need or attention and will give most bang for the buck. Mr. Reinelt answered that the roads and other asphalt surfaces were most in need of repair. The Port's buildings are old but structurally sound. There are some buildings that need to be demolished because they are no longer used. A big crane would be a valuable asset to the Port but its purchase could be postponed. Mr. Sullivan added that Port staff recently rebuilt and existing crane. As a result the Port expects to get an additional 20 years of use from it.

Mr. Daun asked if there are any facilities that pose a safety risk or if their failure would lessen customer service. Mr. Sullivan stated that no facilities are facing imminent failure and he believes the mission of the Port to serve the industry will not be compromised.

Mr. Daun noted that there was no quantifiable information in the condition presentation. He hoped the new study would include that type of information. He stressed that because the Port is one of the most capital intensive operations in the city and it deals with safety as well as customer service, it is important to put system in place to track the condition of the infrastructure into perpetuity. Ald. Dudzik asked when the last condition assessment was done. Mr. Sullivan replied that it was somewhere around 2000.

3. Further discussion of the Debt Service Limits.

(Please see the PowerPoint presentation titled "Debt Slides 2011" attached to Common council file 101154)

Mr. Daun stated that the information is drawn from the Report of Debt & Debt Service issued by the Comptroller's Office.

Mr. Kammholz stated that there is variability in the issue of debt but it is not related to capital expenditures. The variability is caused by the actual issue date of the debt which may be different than the year in which it was budgeted. On average, debt issue is relatively stable. The total amount of debt includes self supporting debt and tax levy supported debt. Self supporting debt includes borrowing repaid from sources other than the general property tax levy.

Mr. Kammholz said that increases in the out year projections for year end outstanding debt are based on capital programs. The projections tend to decline as the budget year gets closer. The City is, however, issuing a little bit more than it is retiring. He also said that there are revenues in the debt service fund that will lower the amount that must be supported by the tax levy.

The amount of debt issued by the City is limited to 5% of equalized value. The City's use of its debt limit had been relatively stable near 50%. Recently it began to rise and is now approximately 65%. The increase was caused by decrease in equalized value. Milwaukee's equalized value has decreased by 8% since 2008.

Mr. Daun added that the 5% limit is important because it is a state constitutional requirement. The percentage of the debt limit shows the extent to which the City is using the state constitutional debt limit.

Ald. Dudzik asked if the lending agencies taken notice of the City's increased use of *the debt limit.*

Mr. Kammholz replied that our bond rating have not been affected yet.

Mr. Daun stated that there are several factors that the ratings agencies consider when assigning ratings. They look at the City's financial management which is the extent to which the City balances and executes its budgets; economic development and macro statistics such as poverty; and the City's tax base.
The decline in the tax base is not unusual especially in the current economic climate. However, the wealth base of the community is especially important in Milwaukee because we don't have access to other types of taxes. The property tax levy is our base source of revenue. The rating agencies look favorably on the pace at which we retire debt, but the value of our property is a crucial component of our bond rating.

Mr. Kammholz added that the City issues debt for 15 years with level principle payments. Approximately 80% of debt is paid off in first 10 years. By structuring debt this way the City save a significant amount on interest and it is viewed as a large positive by the credit ratings agencies. Mr. Kammholz said that current low interest rates will not last forever. The Fed, however, has announced that interest rates will remain low through 2013. The City may have to revisit the short term projections for debt service.

Mr. Froh asked if the City has looked into financing pension obligations like some other institutions have. Mr. Daun answered that some municipalities or organizations attempt to finance things like pension obligations with debt. The effect is to turn a soft liability into a hard liability. Borrowing for purposes such as pension obligation is taxable – not tax exempt. To make that feasible the earnings on the investment must be higher than the costs of debt service.

Milwaukee County has used that as a funding strategy. The County's first attempt to issue debt would have been disastrous had the debt actually been issued. In 2008 the County Board approved the issue of pension obligation bonds. The County back ended a lot of the debt that they were refinancing and extended maturities into the future which added significantly to their per capita debt.

Milwaukee Public Schools also financed their obligation to Wisconsin Retirement system. Even though they were able to borrow at 5% instead of the 8% they were paying, it still adds a big liability to their balance sheet.

MATC and MMSD do not have these issues to the same extent as the county and MPS.

Mr. Daun added that there is a tension between advocating for adequate investment and budget realities. This committee needs to advocate for investment but the payments must be sustainable. It is critical to get condition databases up to date so the City can determine what the maintenance gap is so that our investments will be prudent ones. Debt limits and debt service limits could be a province to the committee.

4. Set next agenda.

Bridges Condition Report

The Capital Improvements Committee may convene into closed session pursuant to s. 19.85(1)(g), Wis. Stats., for the purpose of conferring with the City Attorney who will render oral or written advice with respect to litigation in which the city is or is likely to become involved.

Ald. Dudzik moved that the Capital Improvements Committee convene into closed session, pursuant to s.19.85(1)(g), Wis. Stats., for the purpose of conferring with the City Attorney who will render oral or written advice with respect to litigation in which the city is or is likely to become involved.

Roll call taken. Present: 7 – Dudzik, Bauman, Daun, Froh, Korban, Nicolini, Schifalacqua; Excused: 0; Also Present: Venu Gupta, Miriam Horwitz

Meeting adjourned at 10:30A.M.

Respectfully submitted by
Kathleen Brengosz
Fiscal Planning Specialist

This meeting can be viewed in its entirety through the City's Legislative Research Center at http://milwaukee.legistar.com/calendar.