

2021



Legislative Reference Bureau

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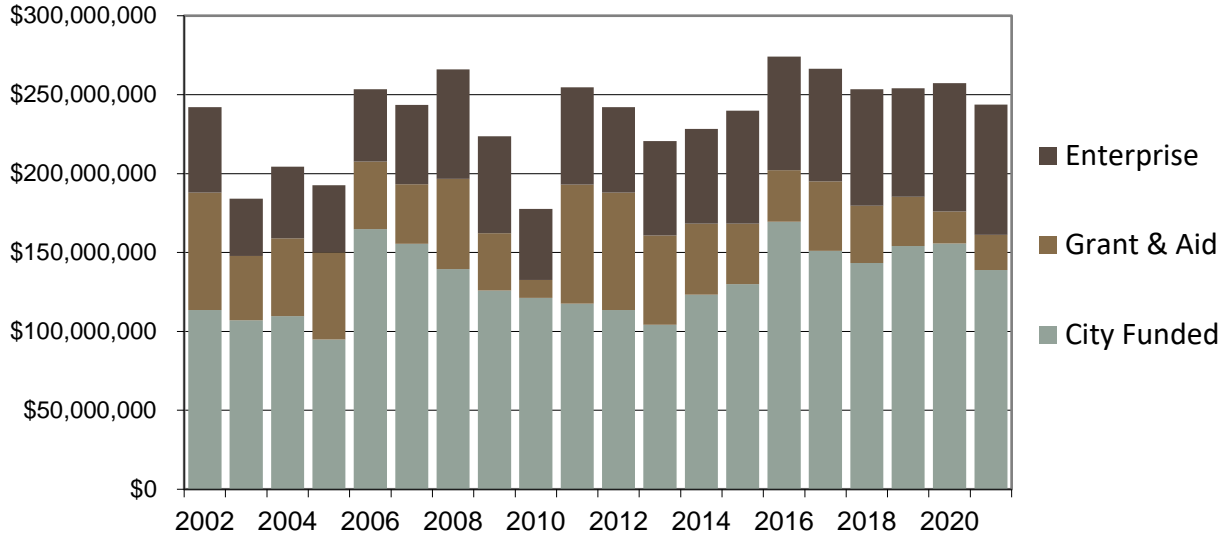
# CAPITAL IMPROVEMENTS OVERVIEW



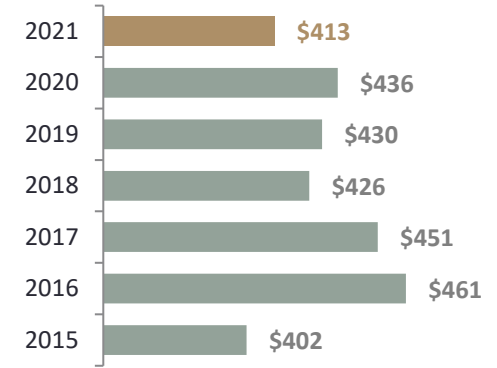
Prepared by: Kathy Brengosz, Fiscal Planning Specialist  
Budget Hearing: 9:30 am on Friday, October 2, 2021  
Last Updated: September 28, 2020

Final

**Total Capital Plan**

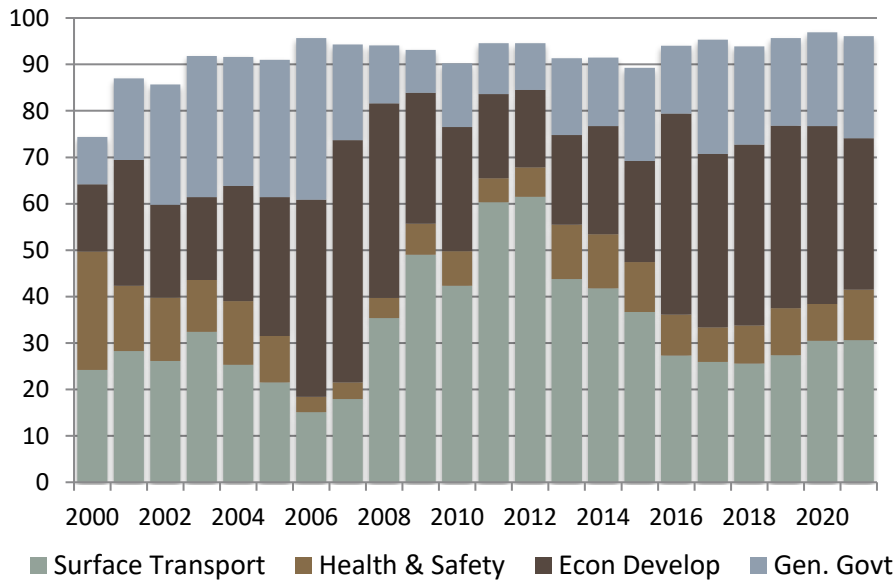


**Budget Per Capita**



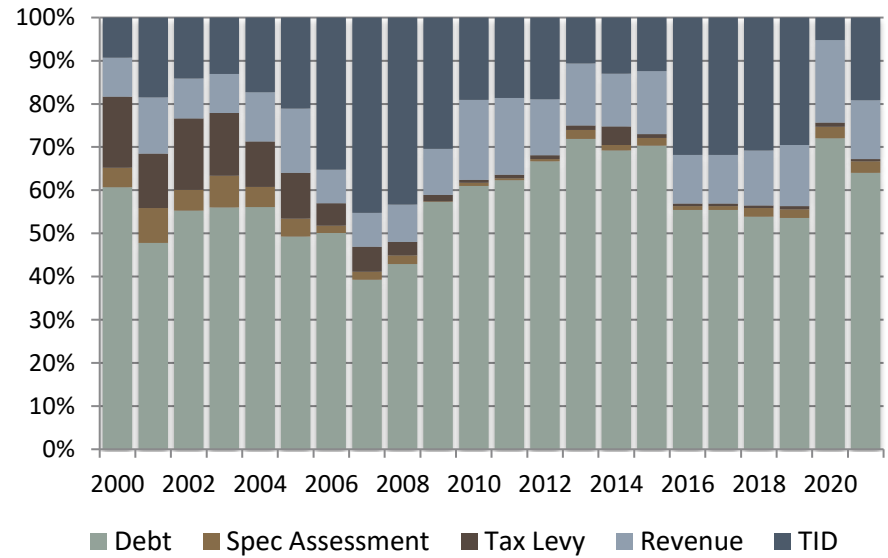
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**Capital Funding by Purpose**



**Funding Sources**

*(excluding enterprise funds)*



# \$243,700,000

Proposed 2021 Capital Budget  
(including enterprise funds)

# \$11.5 million

Proposed Capital Funding for  
Vehicles (DPW, Fire, Police)

# \$329.7 million

Total 2021 Capital Request

# 306,883

Vehicles in Milwaukee subject to  
MVR fees in 2019,  
down from 323,740 in 2017.

# \$575 million

Outstanding general obligation  
debt for streets, buildings, police,  
fire and economic development.

## 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 \$243.7 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 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 89% in 2021.

## Funding Sources

As proposed, the City-funded capital program will be financed with \$83.1 million of **levy-supported general obligation debt**, the same amount as the 2020 Budget. This amount does not include debt which will be used to fund tax incremental districts. The \$34 million of TID borrowing is considered self-supporting because the property tax levy is not used to pay off the debt.

**Tax levy** funding of \$620,115 will be used for smaller projects or projects that have a shorter useful life than traditional infrastructure projects.

Approximately \$26.6 million of the capital budget is funded with various **revenues**. The 2021 Proposed Budget also includes \$3.5 million of **special assessment** funding.

Additional borrowing in 2021 will support the capital programs of the Sewer Maintenance Fund (\$34.5 million), the Milwaukee Water Works (\$40.3 million) and the Transportation Fund (\$1.8 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								
	2015	2016	2017	2018	2019	2020	2021	Change
	Adopted	Adopted	Adopted	Adopted	Adopted	Proposed	Proposed	from 2020
<b>City-Funded</b>								
Special Projects	\$9,587,000	\$8,512,000	\$8,739,000	\$8,514,000	\$8,514,000	\$9,016,000	\$9,114,000	\$98,000
Administration, Dept. of	3,260,000	4,340,000	3,045,000	1,660,000	2,590,000	1,533,000	2,057,000	524,000
Assessor	555,000	556,000	350,000					
City Attorney								
City Development, Dept. of	26,350,000	61,830,000	53,517,000	53,420,000	56,015,000	55,400,000	41,150,000	(14,250,000)
Common Council - City Clerk	150,000	225,000	438,000		150,000	25,000	56,115	31,115
Election Commission	1,530,000							
Fire & Police Commission					150,000	5,000,000		(5,000,000)
Fire Dept.	1,898,000	3,179,000	2,948,000	1,555,000	3,324,000	1,950,000	1,800,000	(150,000)
Health Dept.	366,000	745,000	731,000	660,000	760,000	690,000	1,050,000	360,000
Library	8,750,000	5,800,000	2,844,000	4,695,000	2,150,000	1,290,000	1,680,000	390,000
Municipal Court	504,000		384,000					
Neighborhood Services, Dept. of	2,244,000	2,925,000	2,900,000	2,000,000	3,550,000	3,000,000	3,000,000	0
Police Dept.	8,200,000	9,070,000	7,589,000	7,001,000	6,416,000	3,995,000	6,812,500	2,817,500
Port of Milwaukee	1,000,000	4,400,000	640,000	700,000	1,450,000	475,000	675,000	200,000
Public Works, Dept. of	65,559,000	68,022,000	66,904,000	63,123,000	69,009,000	73,250,000	71,461,800	(1,788,200)
<b>Total City-Funded</b>	<b>\$129,953,000</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>\$138,856,415</b>	<b>(\$14,649,770)</b>
<b>Grant &amp; Aid</b>								
Port of Milwaukee	800,000	800,000	400,000	800,000	3,800,000	800,000	800,000	0
Public Works, Dept. of	37,607,907	31,838,000	43,643,000	35,570,000	27,399,000	19,517,000	21,634,815	2,117,815
<b>Total Grant &amp; Aid</b>	<b>\$38,407,907</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>\$2,117,815</b>
<b>City-Funded and Grant &amp; Aid</b>	<b>\$168,360,907</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>(\$14,649,770)</b>
<b>Enterprise Funds</b>								
Transportation	2,292,000	1,780,000	3,340,000	3,424,500	3,385,000	2,725,000	1,800,000	(925,000)
Sewer Maintenance	44,200,000	44,404,000	38,714,000	37,514,000	33,950,000	34,150,000	40,350,000	6,200,000
Water	24,950,000	25,660,000	29,210,000	32,780,000	31,385,000	44,570,000	40,300,000	(4,270,000)
<b>Total Enterprise Funds</b>	<b>\$71,442,000</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>\$1,005,000</b>
<b>TOTAL CAPITAL PLAN</b>	<b>\$239,802,907</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>\$243,741,230</b>	<b>(\$13,644,770)</b>

**Debt Limit**

Debt service on general obligation bonds has been increasing steadily. The Comptroller estimates that in 2021, tax-levy-supported debt service will be approximately \$97 million. The total outstanding general obligation debt for all purposes at the end of 2019 was \$1.1 billion.

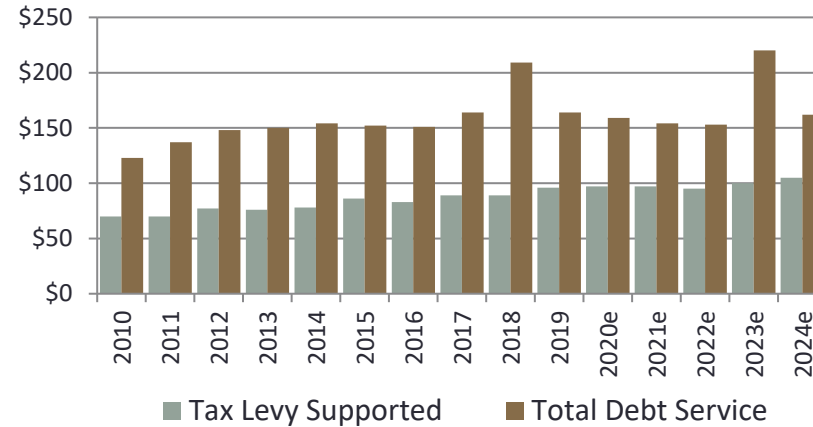
The amount of general obligation debt the City may issue is limited by the State Constitution to no more than 5% of the City’s equalized value. Revenue bonds are not included when calculating the City’s use of its debt limit. At the end of 2009, the City had used just over 50% of its debt limit. Use of the debt limit reached 74% by 2016 and then declined to 71% in 2019. It is expected to be around 67% at the end of 2020. 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.

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 have begun to rise, reaching \$31 billion in 2020. Equalized value is still \$786 million less than it was in 2008.

The City’s general obligation bond rating was recently lowered from AA- to A by S&P Global Ratings.

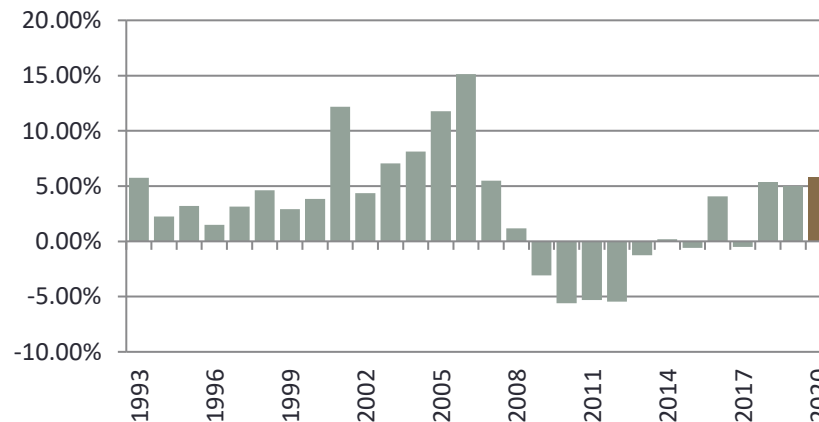
**Annual General Obligation Debt Service**

(in millions)



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

**Change in Equalized Property Value**



**Core Infrastructure**

The 2021 Proposed Budget includes \$70 million in funding for capital programs relating to bridges, streets, alleys, street lighting, traffic control, underground conduit and electrical manholes, an increase of \$1.6 million (0.9%) from the 2020 Budget. The increase is caused by an increase in total grant and aid funding. The 10-year average annual funding for these programs is \$88.4 million.

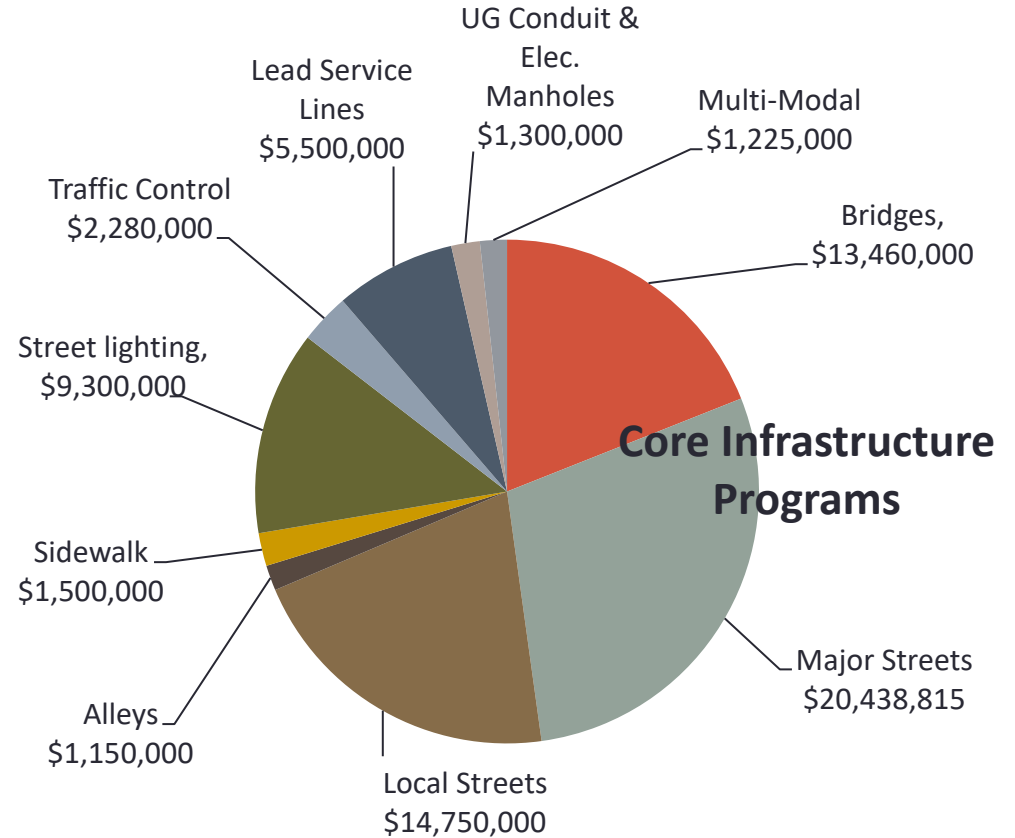
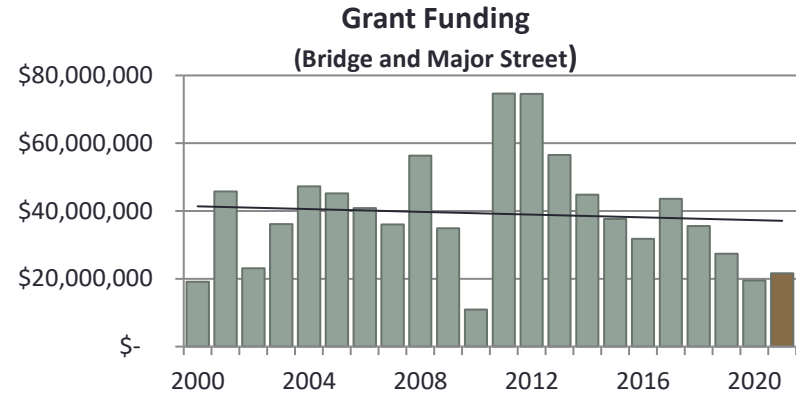
Total funding for bridge projects has increased by \$6 million from 2020. The City is partnering with Milwaukee Metropolitan Sewerage District on a flood-reduction project along the Kinnickinnic River. Funds from the stormwater fee will support bridge replacements associated with this project.

Grant funding for major streets decreases for 2021 by \$1.8 million. Because grant funding has decreased, the City’s cost share for the major street program also decreases by \$1.9 million.

High Impact funding is unchanged from 2020. Local Road Improvement Funds (LRIP) which are available from the State only in even-numbered years will result in a decrease in the total funding available for local street paving projects by approximately \$2 million.

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

Funding for lead service replacements increases by \$200,000.



**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 2021, the SMF anticipates using \$34.5 million in debt financing; \$25.5 million for sewer relays, \$2 million for the Inflow & Infiltration program, and \$800,000 for water quality projects. The SMF also anticipates receiving \$3.65 million in grants for projects that will reduce the amount of clear water that enters the sewer system through private laterals and for projects that will improve water quality.

The 2021 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, 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 \$3.26 million, an increase of \$60,000 from 2020. 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 (PSC) concerns about water main replacement. MWW will replace 20 miles of water mains in 2021.

Water usage continues to decline. Through July 2020, water consumption decreased by 2.3% compared to the same period in 2019. Since 2004, water consumption is down 25%. MWW is currently using less than 25% of its treatment capacity.

Milwaukee Water Works, which is traditionally funded with cash, has been funding more of its capital maintenance with debt to meet the water main replacement target required by the Public Service Commission. Anticipated borrowing for 2021 is \$40.3 million, an increase of \$188,000 from 2020. Borrowing in 2018 and 2019 was \$21.8 million and \$30.7 million, respectively.

**Transportation Fund**

Capital improvements for the Parking Fund are relatively modest (\$1.8 million) compared to the Sewer Maintenance Fund and the Milwaukee Water Works, and are typically debt-financed.

The 2021 Proposed Budget includes \$1 million for improvements at the 1000 N Water Street parking structure, \$400,000 for the 2<sup>nd</sup> & Plankinton structure, and \$200,000 for the purchase of special equipment.

Additional funding will be used at other parking structures for minor repairs, to make improvements at surface parking lots and to ensure that City parking facilities are ADA-compliant.

**Buildings**

Departments submitted more than 2 dozen requests for building-related capital projects or programs with a total of \$52.1 million. The 2021 Proposed Budget funds 15 requests.

The Department of Public Works receives \$8.5 million for foundation work. Funding for the City Hall Foundation was requested through 2022. The department receives an additional \$3.56 million for other building maintenance programs.

The Library receives \$1.25 million for improvements at the Central Library and \$205,000 for branch library improvements. No additional funding is provided for the construction of new branch libraries.

The Police Department receives \$525,000 to make repairs at District stations. No funding is provided for the Police Administration Building project.

The Fire Department requested \$1.53 million for maintenance and renovation at fire houses. The Proposed Budget includes \$450,000.

DPW-Operations requested funding for several facilities, including the relocation of the Industrial Road yard, a new Forestry yard, a new salt dome at 1600 N. 14<sup>th</sup> Street, and the relocation of the Tire Ship to Central Garage. None of these projects are funded.

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

**Large Scale IT Projects 2016-2021**  
(>= \$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
Assessment Software	Assessor	\$906,000
Unified CAD System	FPC	\$5,150,000
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
Fire Digital Radio System	Fire	\$400,000
Fire Record Management System	Fire	\$550,000
<b>Total</b>		<b>\$24,799,000</b>

**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 2021, there were 15 requests for IT projects totaling \$7.9 million. Funding is provided for 9 projects totaling \$3.9 million.



**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 life.

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 2021 Proposed Budget includes \$3.5 million for 40 squad cars. 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.

**Unfunded Capital Requests**

DOA	City Assessor Modernization	\$150,000	IT
	Electronic Health Records and Billing ??	\$2,000,000	IT
	Phone Voice Recording System Replacement	\$475,000	IT
	Public Facility Communications Vehicle	\$100,000	Vehicle
Attorney	City Hall Restoration - 8th Floor	\$4,707,000	Bldg
City Clerk	Record Center Moveable Shelving	\$605,000	
	CH Rm 205 Renovation	\$4,364,000	Bldg
DCD	Housing Infrastructure Preservation Fund	\$100,000	
DER	Office Remodel	\$241,270	Bldg
Fire	Fire Shop Improvements	\$500,000	Bldg
	Ballistic Vests	\$350,000	Equip
Health	Lead Paint Prevention and Abatement	\$340,000	
Library	Branch Library - New Construction	\$4,200,000	Bldg
DNS	Remodel Development Center Offices	\$466,000	Bldg
	Redesign DNS IT Offices	\$142,500	Bldg
Police	Police Administration Building	\$9,784,000	Bldg
	Vmware NSX Distributed Firewall	\$1,100,000	IT
Port	Agricultural Export Facility	\$4,300,000	
DPW	Central Salt Dome	\$800,000	Bldg
	MRF Seawall	\$2,625,000	
	On-Board Garbage Truck Computer System	\$482,000	IT
	Central City Drop-off Center Study	\$80,000	
	Hazardous Tree Removal	\$250,000	
	Industrial Road Facility Relocation	\$2,500,000	Bldg
	Centralized Forestry Facility	\$2,500,000	Bldg
	Tire Shop Relocation	\$750,000	Bldg
Repave Surface Parking Lots	\$75,000		