

MEMORANDUM FOR KATHY BRENGOSZ
FROM MIKE DAUN *MD*
SUBJECT: COMMENTS ON 2012 CAPITAL REQUESTS
DATE MAY 2, 2011

Even in difficult financial times, the City of Milwaukee needs to maintain an adequate level of investment in its essential capital plant. These facilities form the backbone for future growth and prosperity. At the same time, given the severe fiscal constraints facing the City of Milwaukee over the next several years, the potential exists for major changes the Mayor and Council could authorize in consolidating or closing department facilities and reducing service levels. As such, the CIC needs to balance two competing concerns:

- ❖ Avoiding unwarranted reduction in capital budgeted investments for essential City infrastructure and public buildings,
- ❖ Exercising extreme caution before recommending the continuation of past spending patterns for City capital budget proposals. The CIC should be confident that all proposed capital budgets support facilities whose future need clearly warrants the proposed capital spending.

The comments below focus on a few recommendations intended to promote each of these competing objectives and expand the CIC's capabilities in examining future City capital budget requests.

1) Library Capital budget:

The library is requesting \$4 million in 2012 to begin funding a Library Facilities Initiative, the result of a strategic plan reshaping and resizing the City's library system for the future. The plan is expected to total \$32.1 million over 6 yrs with the construction of six new libraries. This plan only makes sense if the planned consolidation of existing libraries occurs as planned. **Recommend inclusion (or at a minimum, release) of the proposed 2012 budget of \$4 million for a new library be made contingent on prior Common Council approval of the proposed consolidation of the Mill Road and Capital libraries.**

2) Water Works Distribution System Capital budget:

Mainly due to the delayed and reduced Public Service Commission rate increase decision, the financial condition of the Water Works has been dramatically damaged. This extensive delay has forced the WWks to run its cash balances down to virtually zero and severely reduce its capital request to support the water distribution system for 2012 and future years.

The following compares the WWks 2012 capital budget request and its projected 2012-2017 six year CIP for the water distribution system with its 2011 capital budget and what was contained in the 2011-2016 CIP:

	Annual capital budget	Six year Capital Plan
2011 Capital Budget	\$15,500,000	\$99,800,000 (2011-2016)
2012 Capital request	\$3,500,000	\$42,500,000 (2012-2017)

The superintendent indicated that this level of 2012 investment would lead to an increase in water main breaks in the City. While I'm not in a position to

determine the severity of the impact of the planned six year reduction, it would seem that if the 2011-2016 CIP remotely approximated the true capital maintenance need, the 350% reduction in 2012 and the 50+% reduction over the next six years is too severe.

Recommend that the WWks determine the rate increase necessary to:

- ❖ **Restore operating cash to levels consistent with industry standards**
- ❖ **Maintain a minimal level of capital investment to avoid further degradation of the WWks distribution system over the next 2-3 years.** This increase in Water rates s/b proposed to the CC and the State Public Service Commission as soon as possible
- ❖ **Should a sufficient rate increase not likely to be forthcoming over the next 6-9 months, the City should consider 2012 City borrowing authority to be repaid by the WWks to support adequate 2012 capital maintenance effort for its water distribution system. Deferring essential capital maintenance is not something to which the CIC should subscribe.**

3) City Capital Asset Condition Assessment:

The Facilities Condition Index is intended to clearly define condition in terms of both “the functionality and safety of our buildings.” It should therefore be a top priority for the CIC and the City. If the CIC is going to gain the ability to accurately assess the adequacy and suitability of future infrastructure and building capital budgets, a meaningful, comprehensive set of condition ratings must be established and maintained as soon as possible.

Recommend increasing 2012 appropriations to accelerate the expansion the current City infrastructure and public building physical condition data base information system, particularly for City buildings and related facilities. The City’s goal s/b to achieve a current, accurate, automated condition data base(s) for

- a. **the arterial and high volume local streets network,**
- b. **sewer and water networks and facilities and**
- c. **the existing condition ratings data base (“Facility Condition Index system”?) for all City buildings, parking structures and related facilities**

within the next two years (2013). Contracting for such database services should be considered if necessary to achieve this goal. Would suggest you work closely with DPW staff to estimate the additional amount required for both 2012 and 2013 to achieve this objective. Whatever the amount, this is a small investment to help the City more closely monitor the performance of its networks facilities – both to prevent serious failure but also to promote cost effective, targeted capital improvements budgets

4) MPS Facility Condition Information

Even though City financial support of the MPS capital program has been reduced in recent years, the City of Milwaukee retains a vital and vested interest in the condition of the facilities operated by MPS because:

- ❖ **MPS facilities service city of Milwaukee residents.**

- ❖ The City of Milwaukee has the sole authority to borrow funds for MPS purposes.
- ❖ The City retains ownership title to MPS facilities
- ❖ The condition of MPS facilities and finances affects the City's bond rating, cost of funds and therefore its tax levy.
- ❖ For MPS recreation facilities, the City of Milwaukee is responsible for all capital maintenance and improvement outlays.

Recommend that the City of Milwaukee request that MPS annually provide a condition inventory for all of its facilities, beginning with its recreation and any other facilities for which the City has capital maintenance responsibility. The City of Milwaukee should also request that MPS annually update the City regarding its plans for closure, consolidation or expansion of its capital facilities.

5) Port of Milwaukee Capital Asset Inventory & Condition Information

Recommend that the City request the Port of Milwaukee to provide a comprehensive inventory of its capital assets including a quantifiable condition assessment delineating the physical, functional and safety characteristics of each asset.

