



City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin 53202

Meeting Minutes - Final CAPITAL IMPROVEMENTS COMMITTEE

ALD. JOSEPH DUDZIK, CHAIR

Ald. Robert Bauman, Ald. Michael Murphy, Jeffrey Mantes, W. Martin Morics, Mark Nicolini, and Mariano Schifalacqua
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Wednesday, July 28, 2010

9:00 AM

Room 301-B, City Hall

Meeting called to order at 9:03 a.m.

Members Present: 7- Gerard Froh (Ald. Murphy Alternate), Venu Gupta (Jeffrey Mantes Alternate), Mike Daun (W. Martin Morics Alternate), Mark Nicolini, Ald. Robert Bauman, Mariano Schifalacqua, Ald. Joseph Dudzik

Also present: Kathleen Brengosz, Fiscal Planning Specialist and Craig Kammholz, Comptroller's Office, David Schroeder, DOA-Budget Office

1. Review and approval of the minutes of the July 8, 2010 meeting.

The minutes were approved as written.

2. Final review and acceptance of the Capital Improvements Ratings Sheets.

Mr. Gupta said that the Department of Public Works thinks that the ratings sheet can always be fine-tuned after a year but agreed that it is appropriate to use for the Capital Budget.

Ms. Brengosz said that she will format the sheet so there is a separate sheet for each category.

Mr. Daun moved approval of the Capital Improvements Ratings Sheets. There were no objections.

3. Report from the Comptroller's Office on financing options for Capital Improvement Programs.

Mr. Daun said that the Comptroller's office and the Budget Office worked together to do a review of the budgetary and financing considerations of capital improvements.

The Budget Office and the Comptroller's office made a PowerPoint presentation focused on the challenges of preserving infrastructure and the financing options for Capital Improvement Programs, as well as General Obligation Debt and Debt Service (please see the attachments of Council File 091313).

Ald. Bauman at the table at 9:10 a.m.

Mr. Daun said that there is additional attention and resources being given to preserving facilities in other parts of the country.

Regarding the Sewer Maintenance Fund, Ald. Dudzik asked what effect money from MMSD would have on the 2011 budget. Mr. Nicolini said that the city intends to accelerate some of the plans for the Sewer Maintenance Fund, including the initiation of a compliance program that has a separate line item in the budget titled "I & I Removal Projects" and other projects that would extend the level of protection for certain overburdened areas in the city.

Mr. Daun said that a report on Debt and Debt Service is prepared for the Public Debt Commission. He said that General Obligation Debt is debt that takes first priority over any other obligation or city operation expenditure and if there were some act of God that caused any amount of extra expenditure, the city would be obligated the first dollars of revenue from the state or property taxes to pay off the debt. Because of the first priority, the city receives low interest rates due to the city's good credit rating.

Ald. Dudzik asked if the city's debt is compared to the debt of other cities. Mr. Kammholz said that Milwaukee's debt is compared to the debt of cities that are comparable to Milwaukee.

Mr. Daun said that the other governments in the overlapping jurisdictions have capital responsibilities and as those responsibilities may increase, they may lightly borrow to meet those capital needs, so there may be a crowding out among the four governments issuing the debt because it all goes on the same tax bill. He said there should be a conscious effort at coordinating the governments' respective needs because there is a limited debt capacity on the part of all of the governments. Mr. Froh suggested that the citizen members of the committee meet with other government officials to ask for this information and that they request that this information be consolidated and provided by the Comptroller's office.

Mr. Schifalacqua said that a doubling of interest rates could change the projections quite a bit. He also said that Non-Discretionary Spending can vary from year to year, which can be a challenge. He also said that the gap between how much the city borrows and how much it pays off is increasing.

Mr. Daun said that the committee must look for options that are sustainable not only from a tax standpoint, but that also continue to make the city government a good steward of the valuable infrastructure assets that make the city a decent place to live.

Mr. Schifalacqua asked if Milwaukee County and the Milwaukee Metropolitan Sewerage District have the same bond rating that the city has. Mr. Daun says that the county is one step below the city and that MMSD has the same rating as the city.

Attendance taken at 10:34 a.m.

Ald. Bauman and Mr. Nicolini excused.

4. Report from the Department of Public Works on the direct economic impact of the individual Capital Improvement Programs.

Mr. Gupta said that he and Ms. Brengosz tried to find a simplistic method to provide the information to the committee. He also said that they discovered that there is an existing annual report provided to the Common Council that provides information on residence preference programs for all contracting activities and that the report captures all the hours and numbers of individuals that were hired to the program. Mr. Gupta said that it will be provided to Ms. Brengosz for the purpose of extracting the information that the committee is requesting.

Ms. Brengosz said that the report gives information that will help determine how certain capital projects directly affect employment. She also said that the committee in the future may consider adding information on the commodity influences to the annual report to the Council.

Mr. Gupta said that regarding payback on energy efficiency projects, after a review with major vendors and around the country, it seems that many agencies are using 7 to ten years as criteria for looking at the payback of projects. He also said that the city is a member of the Department of Energy's Energy Star Program and it has a website that allows the city to take information from every energy project and take a look at it with regard to the internal rate of return and to bring future cash flows or savings into the present net value. Mr. Gupta suggested doing the calculations so the committee does not miss a project that from future streams will have a high present net value.

Mr. Daun suggested that the agenda item be brought back before the committee at a later date.

5. Report from the Department of City Development on the tracking system for street improvements funded by Tax Incremental Financing.

Ms. Brengosz said that there is a report issued every year that lists all the expenditures in the Tax Incremental Districts. She said that it may be time consuming to look at the expenditures historically, but it should be easy to analyze the expenditures from now on as an ongoing project. She asked if the committee would like an analysis of past expenditures as well.

Ald. Dudzik said that going back five to ten years would be appropriate. Mr. Daun suggested looking at the last five years in the project plans and asking the Department of City Development for its assistance.

Mr. Froh suggested asking the Department of Public Works for data regarding the infrastructure projects, such as the number of streetlights installed, not funding data. He said that this data is a better measure of what has been accomplished. However, Ald. Dudzik said that the report is geared to look at the funding of the infrastructure projects by Tax Incremental Financing. Mr. Froh said that the funding information is more important going forward than looking backwards.

Mr. Gupta said that he would look into the information available from the Department of Public Works and bring it to the committee.

6. Set next meeting's agenda.

Presentation of condition reports for the various infrastructure elements, including a list of all the reports that are being proposed for this year and their priorities and a brief outline of what is going to be in the reports, specifically the status of the particular infrastructure, where does the city want to go with it, and how does the city get to that point.

Mr. Daun asked what the committee needs to produce in the next three or four months. Ms. Brengosz said that next big submission is the condition report and the annual report of the major projects, which are both due in February.

7. Set next meeting date(s).

The next meeting is scheduled for 9:00 a.m. on Thursday, September 2nd.

**Meeting adjourned at 10:58 a.m.
Staff Assistant Tobie Black**

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