

2020



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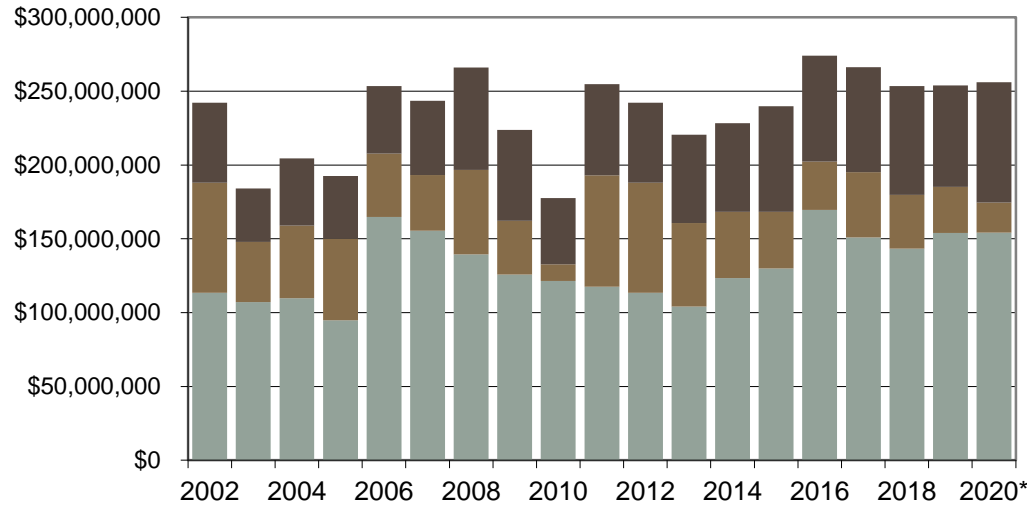
CAPITAL IMPROVEMENTS OVERVIEW



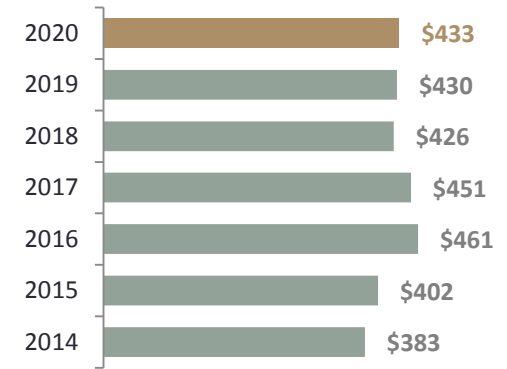
Prepared by: Kathy Brengosz, Fiscal Planning Specialist
Budget Hearing: 9:30 am on Friday, October 4, 2020
Last Updated: October 1, 2019

Final

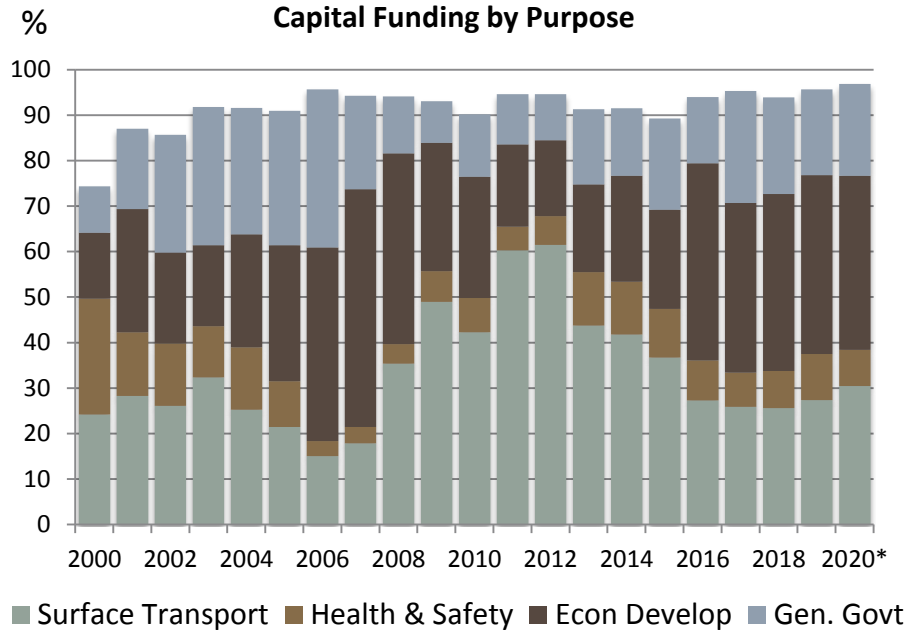
Total Capital Plan



Budget Per Capita

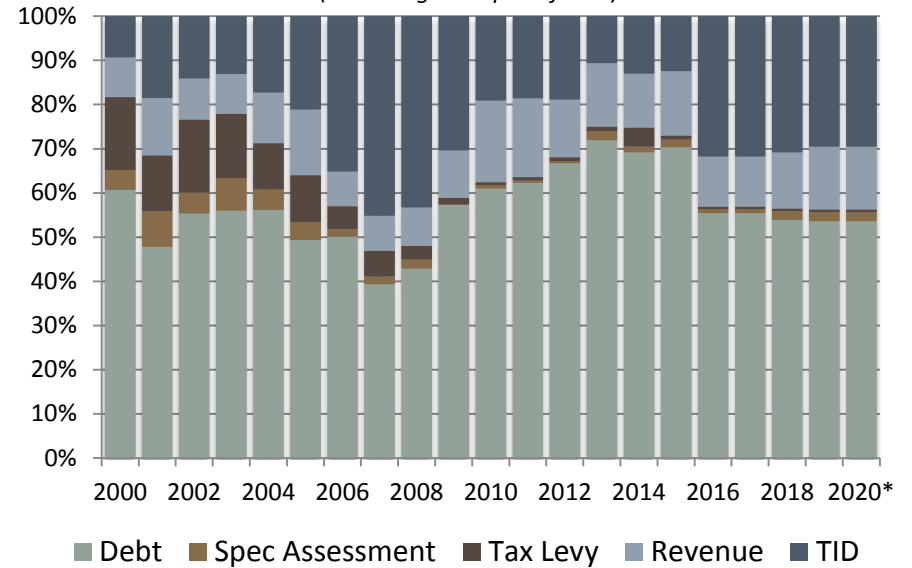


Capital Funding by Purpose



Funding Sources

(excluding enterprise funds)



\$255,986,000

Proposed 2020 Capital Budget
(including enterprise funds)

\$11,595,000

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

\$300.4 million

Total 2020 Capital Request

314,189

Vehicles subject to MVR in 2018,
down from 323,740 in 2017.

\$1.6 billion

Six-Year Capital Request

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 \$256 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 2018, the City's 10-Year Debt Payout ranged between 82% and 90%. It is projected to be 87% in 2020.

Funding Sources

As proposed, the City-funded capital program will be financed with \$82.44 million of **levy-supported general obligation debt**, a decrease of \$2.27 million (2.71%) from the 2019 Budget. This amount does not include debt which will be used to fund tax incremental districts. The \$44 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 \$566,000 will be used for smaller projects or projects that have a shorter useful life than traditional infrastructure projects.

Approximately \$24 million of the capital budget is funded with various **revenues**. The 2020 Proposed Budget also includes \$3.2 million of **special assessment** funding.

Additional borrowing in 2020 will support the capital programs of the Sewer Maintenance Fund (\$29.3 million), the Milwaukee Water Works (\$40.1 million) and the Transportation Fund (\$2.75 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								
	2014	2015	2016	2017	2018	2019	2020	Change
	Adopted	Adopted	Adopted	Adopted	Adopted	Adopted	Proposed	from 2019
City-Funded								
Special Projects	\$8,710,000	\$9,587,000	\$8,512,000	\$8,739,000	\$8,514,000	\$8,514,000	\$8,516,000	\$2,000
Administration, Dept. of	1,060,000	3,260,000	4,340,000	3,045,000	1,660,000	2,590,000	1,533,000	(1,057,000)
Assessor		555,000	556,000	350,000				
City Attorney	1,758,000							
City Development, Dept. of	23,500,000	26,350,000	61,830,000	53,517,000	53,420,000	56,015,000	55,800,000	(215,000)
Common Council - City Clerk	175,000	150,000	225,000	438,000		150,000	25,000	(125,000)
Election Commission		1,530,000						
Fire & Police Commission	150,000					150,000	5,000,000	4,850,000
Fire Dept.	4,437,000	1,898,000	3,179,000	2,948,000	1,555,000	3,324,000	1,950,000	(1,374,000)
Health Dept.	425,000	366,000	745,000	731,000	660,000	760,000	690,000	(70,000)
Library	3,383,000	8,750,000	5,800,000	2,844,000	4,695,000	2,150,000	1,290,000	(860,000)
Municipal Court	144,000	504,000		384,000				
Neighborhood Services, Dept. of	2,320,000	2,244,000	2,925,000	2,900,000	2,000,000	3,550,000	2,600,000	(950,000)
Police Dept.	9,177,000	8,200,000	9,070,000	7,589,000	7,001,000	6,416,000	4,295,000	(2,121,000)
Port of Milwaukee	750,000	1,000,000	4,400,000	640,000	700,000	1,450,000	475,000	(975,000)
Public Works, Dept. of	67,395,000	65,559,000	68,022,000	66,904,000	63,123,000	69,009,000	72,050,000	3,041,000
Total City-Funded	\$123,384,000	\$129,953,000	\$169,604,000	\$151,029,000	\$143,328,000	\$154,078,000	\$154,224,000	\$146,000
Grant & Aid								
Port of Milwaukee		800,000	800,000	400,000	800,000	3,800,000	800,000	(3,000,000)
Public Works, Dept. of	44,818,000	37,607,907	31,838,000	43,643,000	35,570,000	27,399,000	19,517,000	(7,882,000)
Total Grant & Aid	\$44,818,000	\$38,407,907	\$32,638,000	44,043,000	36,370,000	\$31,199,000	\$20,317,000	(\$10,882,000)
City-Funded and Grant & Aid	\$168,202,000	\$168,360,907	\$202,242,000	\$195,072,000	\$179,698,000	\$185,277,000	\$174,541,000	(\$10,736,000)
Enterprise Funds								
Parking	1,715,000	2,292,000	1,780,000	3,340,000	3,424,500	3,385,000	2,725,000	(660,000)
Sewer Maintenance	44,550,000	44,200,000	44,404,000	38,714,000	37,514,000	33,950,000	34,150,000	200,000
Water	13,825,000	24,950,000	25,660,000	29,210,000	32,780,000	31,385,000	44,570,000	13,185,000
Total Enterprise Funds	\$60,090,000	\$71,442,000	\$71,844,000	\$71,264,000	\$73,718,500	\$68,720,000	\$81,445,000	\$12,725,000
TOTAL CAPITAL PLAN	\$228,292,000	\$239,802,907	\$274,086,000	\$266,336,000	\$253,416,500	\$253,997,000	\$255,986,000	\$1,989,000

Debt Limit

Debt service on general obligation bonds has been increasing steadily. The Comptroller estimates that in 2020, tax-levy-supported debt service will be approximately \$103 million. The total outstanding general obligation debt for all purposes at the end of 2018 was just over \$1 billion.

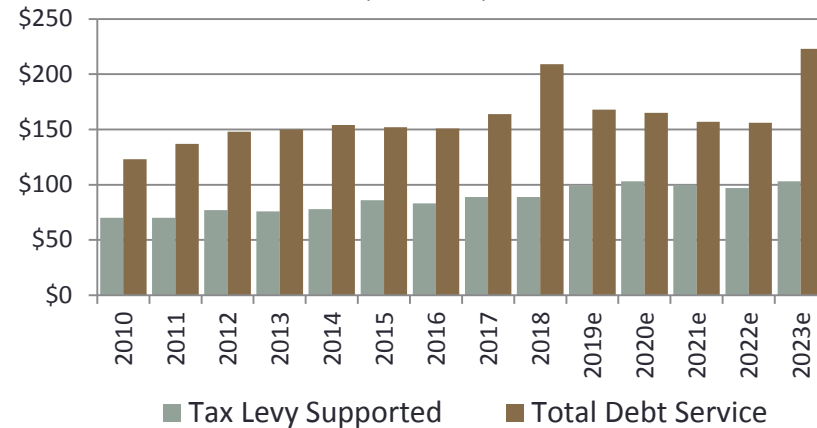
The amount of general obligation debt the City may issue is limited by the State Constitution to no more than 5% of the City’s equalized value. Revenue bonds are not included when calculating the City’s use of its debt limit. At the end of 2017, the City had used approximately 73% of its debt limit, up from just over 50% at the end of 2009. As the use of the debt limit rises, the City faces 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 \$28.3 billion in 2018, equalized value is still nearly \$4 billion less than it was in 2008. .

The City’s general obligation bond rating is AA- with a stable outlook by Fitch Ratings, and S&P Global Ratings.

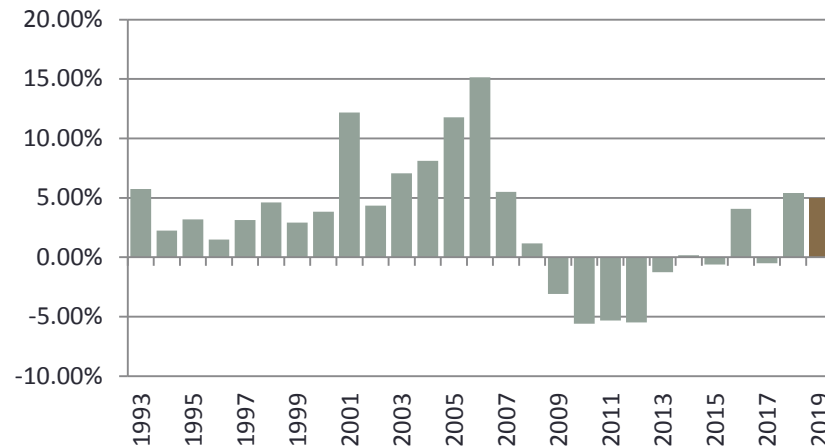
Annual General Obligation Debt Service

(in millions)



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

Change in Equalized Property Value



Core Infrastructure

The 2020 Proposed Budget includes \$69.4 million in funding for capital programs relating to bridges, streets, alleys, street lighting, traffic control, underground conduit and electrical manholes, a decrease of \$7 million (9.2%) from the 2019 Budget. The decrease is caused by a reduction in grant and aid funding. The 10-year average annual funding for these programs is \$88 million.

Total funding for bridge projects has increased by \$1.4 million from 2019. 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.

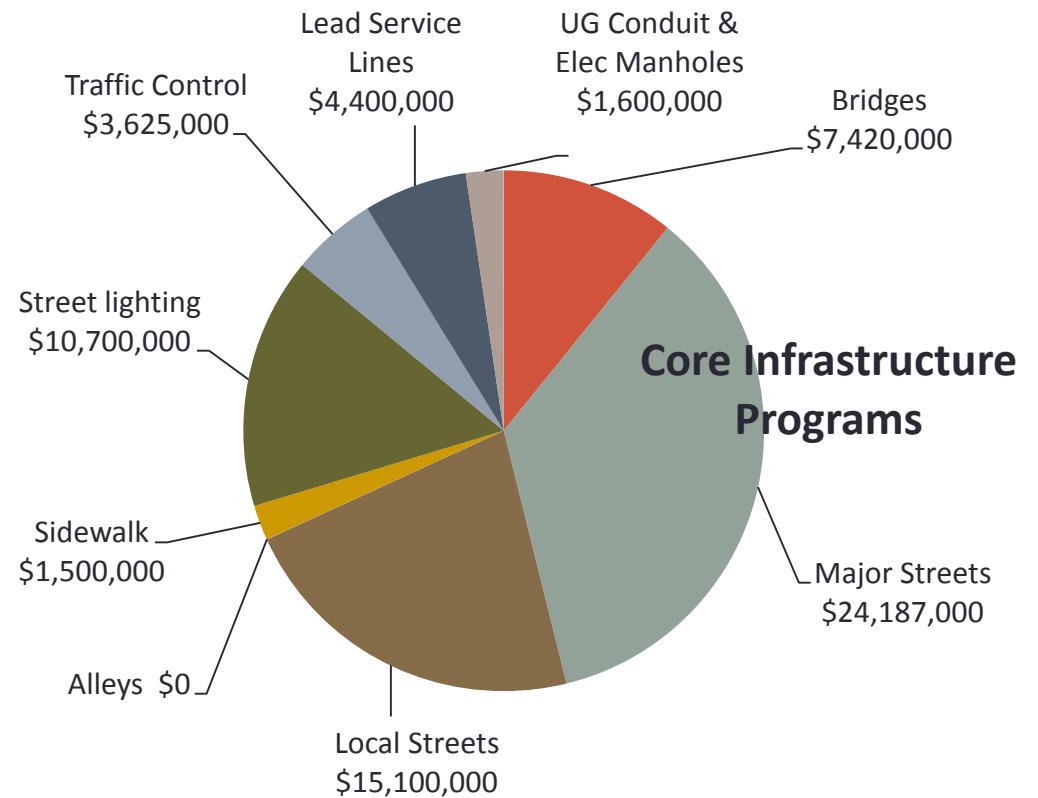
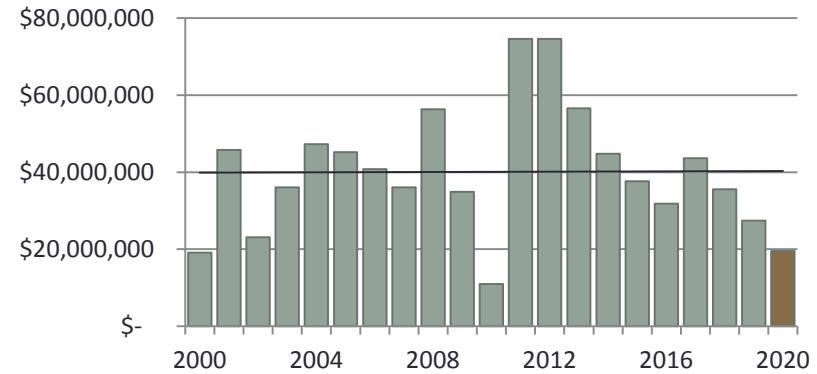
Grant funding for major streets decreases for 2020 by \$10.7 million. City support for the major street program increases by \$2.3 million.

High Impact funding increases by \$600,000. Local Road Improvement Funds (LRIP) which are available from the State in even-numbered years will increase the total funding available for local street paving projects by approximately \$2 million.

Funding was requested for multi-modal transportation improvements throughout the City. Projects would support various goals and initiatives, including Complete Streets, the newly-adopted Pedestrian Plan, Safe Routes to School, and other mobility initiatives. Funding for these types of projects was included in the Traffic Control capital account.

Funding for lead service replacements increases by \$900,000.

Bridge & Major Street Grants



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 2020, the SMF anticipates using \$29.3 million in debt financing; \$24.5 million for sewer relays, \$2 million for the Inflow & Infiltration program, and \$800,000 for water quality projects. The SMF also anticipates receiving \$1.65 million in grants from MMSD for projects that will reduce the amount of clear water that enters the sewer system through private laterals.

The 2020 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, Stump Removal and the Hazardous Tree Removal Program, are financed with transfers from the Sewer Maintenance Fund. A portion of the Environmental Remediation Program and the Facility Systems account are also funded by the SMF.

The total transfer from the Sewer Maintenance Fund for capital projects is \$3.2 million, an increase of \$300,000 from 2019. 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 2020.

The Proposed Budget includes project that will serve the City of Waukesha including the construction of supply and discharge mains and the reconstruction of the Oklahoma Avenue pumping station.

Water usage continues to decline. Through July 2019, water consumption decreased by 3.8% compared to the same period in 2018.

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 2020 is \$40 million, an increase of \$10 million from 2019. Borrowing in 2018 was \$21.8 million.

Transportation Fund

Capital improvements for the Parking Fund are relatively modest (\$2.7 million) compared to the Sewer Maintenance Fund and the Milwaukee Water Works, and are typically debt-financed.

The 2020 Proposed Budget includes \$2 million for improvements at the 1000 N Water Street parking structure and \$500,000 for the purchase of equipment to remove snow and ice from narrow and exception streets.

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 nearly 2 dozen requests for building-related capital projects or programs with a total of \$45.2 million. The 2020 Proposed Budget funds 11 requests.

The Department of Public Works receives \$8.5 million for foundation work and \$700,000 to modernize the City Hall elevators. Funding was requested through 2022. The department receives an additional \$3.35 million for other building maintenance programs.

The Library receives \$890,000 for improvements at the Central Library and \$400,000 for branch library improvements. No additional funding is provided for the construction of new branch libraries.

The Police Department receives \$500,000 to make repairs at District stations. No funding is provided for the Police Administration Building project.

The Fire Department requested \$970,000 for maintenance and renovation at fire houses. No funding is provided.

DPW-Operations requested funding for several facilities, including the relocation of the Industrial Road yard, a new Forestry yard on W. Calumet Road, a new salt dome at 1600 N. 14th 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, and the Department of Neighborhood Services, none of which are funded.

**Large Scale IT Projects
(2016-2020)**

Project	Dept.	Amount
Tax Collection Software	ITMD	\$1,150,000
FMIS Upgrade	ITMD	\$1,300,000
HRMS Upgrade	ITMD	\$1,000,000
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	\$2,300,000
Upgrade CAD System	Police	\$1,800,000
Radio Dispatch Console Upgrades	Police	\$1,900,000
Avaya SMS Upgrade	Police	\$300,000
Fire Digital Radio System	Fire	\$400,000
Fire Record Management System	Fire	\$550,000
Total		\$20,071,000

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 2020, there were 17 requests for IT projects totaling \$16.5 million. Funding is provided for 6 projects totaling \$5.98 million.

The largest project for 2020 is the development of a unified Computer Aided Dispatch system for the Police and Fire departments. The project is funded in the Fire and Police Commission.

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 2020 Proposed Budget includes \$3.8 million for 50 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	Corporate Database Server Upgrade	\$500,000	IT
	City Assessor Modernization	\$150,000	IT
	Electronic Health Records and Billing	\$2,000,000	IT
	Phone System Upgrade	\$475,000	IT
	Desktop Software Upgrades	\$270,000	IT
	Network Monitoring	\$200,000	IT
Attorney	City Hall Restoration - 8th Floor	\$4,041,200	Bldg
City Clerk	Record Center Moveable Shelving	\$605,000	
	CH Rm 205 Renovation	\$2,766,485	Bldg
DCD	Commercial In Rem Property	\$200,000	
Fire	Facilities Maintenance Program	\$523,000	Bldg
	Station Renovation	\$450,000	Bldg
Library	Branch Library - New Construction	\$1,400,000	Bldg
DNS	Remodel Development Center Offices	\$136,400	Bldg
	Redesign DNS IT Offices	\$118,500	Bldg
Police	Police Administration Building	\$7,500,000	Bldg
	Radio & Communications Upgrade	\$375,000	IT
	MDC Upgrade for 50 Motorcycles	\$126,000	IT
	Sonet Ring Replacement	\$85,000	IT
	Automated Fingerprint Analysis System	\$1,700,000	IT
	Training Management System	\$250,000	IT
Port	Pier Booth and Channel Improvements	\$200,000	
DPW	Central Salt Dome	\$800,000	Bldg
	MRF Seawall	\$2,625,000	
	Brine Modifications	\$100,240	
	Industrial Road Facility Relocation	\$2,500,000	Bldg
	Centralized Forestry Facility	\$2,500,000	Bldg
	Tire Shop Relocation	\$750,000	Bldg