



NIK KOVAC

ALDERMAN, 3RD DISTRICT
CITY OF MILWAUKEE

May 9, 2013

Mark Nicolini, Budget Director
200 East Wells Street
Milwaukee, WI 53202

Re: Recommendations of the Capital Improvements Committee for the 2014 Capital Budget.

Dear Mr. Nicolini:

Section 320-24 of the Milwaukee Code of Ordinances charges the Capital Improvements Committee to provide guidance regarding the formulation of the City's capital budget. The committee is working to ensure that budgeted investments in capital assets and City infrastructure are adequate to maintain those assets in an acceptable condition. At the same time, the committee recognizes that it is critical to analyze department spending to ensure that funding is used to achieve the highest possible return on investment, especially in these tight budgetary times.

A top priority for the committee has been the development of meaningful, comprehensive condition ratings for all city infrastructure and facilities. The committee believes that accurate condition information is the key to successful long term capital planning and continues to emphasize the need for meaningful, comprehensive and consistent metrics combined with departmental strategies for keeping them current. Departments have responded to the committee's concerns and have made significant progress in assessing the condition of their facilities and identifying areas of deferred maintenance. As the scope of deferred maintenance, particularly in City buildings, continues to be identified, it is becoming apparent that the burden on the City's financial resources for the maintenance its infrastructure will present an increasingly difficult challenge.

To ensure Milwaukee's continued fiscal health, the Administration has identified a goal of maintaining a stable amount of tax levy supported debt service. The target for 2014 is \$79 million of levy supported general obligation debt. The committee's recommendations include projects and programs that are well in excess of that proposed funding level, totally nearly \$107 million in general obligation spending. That amount does not reflect a lack of understanding or appreciation of the fiscal constraints faced by the City. The committee

believes it has an obligation to put forward the needs of the City relative to maintaining its infrastructure. The recommendations reflect the committee's judgment of the need for facility and infrastructure maintenance and investment. The city has a vast amount of infrastructure including hundreds of miles of streets, alleys, sewers and water mains, hundreds of buildings and a growing inventory of residential properties, many of which are aging and in need of significant repairs. The committee recognizes that these recommendations and the fiscal realities faced by the City will require the Administration to make difficult choices but feels it would be remiss not to provide, to the best of its ability, a full accounting of the City's capital needs.

Capital planning is particularly challenging in the area of building facilities where projects can be difficult to anticipate more than a year or two in advance. The variability of building requests make it difficult to commit to long term increases in other capital programs. The committee believes that the Facilities Condition Assessment Program (FCAP), which systematically evaluates building condition and projects long term maintenance costs, will be beneficial in reducing the amount of variability in the annual capital requests for buildings. Once all the condition and capital maintenance data for the City's buildings is gathered and compiled, it will be easier to develop a six year capital plan that is inclusive of all the anticipated capital needs and will better facilitate the prioritization of projects. The committee recommends including funding for the FCAP in a discrete capital account to provide better accountability for the program. The committee adds that the intent of the recommended funding is not to add additional positions, but to consolidate the funding source to ensure transparency in the cost of the building evaluations.

Current year funding depends on how confident we are that the six year plan really represents the projects that need to be done in the next six years.

Of note in the committee's review of the capital requests is the lack of coordination regarding the use of space at City facilities. At one time the City had a Space Allocation Committee that served in an advisory capacity. While the committee is not recommending that the Space Allocation Committee be formally reinstated, it believes that a broader evaluation of space needs would be beneficial. Several departments are facing space constraints and have submitted requests to reconfigure their offices or construct new facilities. In addition, when conflicts arise over the use of space, they are difficult to resolve within the current capital budgeting process. A comprehensive space plan would allow individual requests to be evaluated within the framework of the overall needs of the City. It would help ensure that funding decisions are based on providing services to the citizens of Milwaukee in the most effective and efficient manner possible and not simply on past funding practices. The development of a comprehensive space plan would be a major initiative that would require funding.

In addition to the above recommendations, the Capital Improvements Committee would like to provide the following comments relative to recommendations for specific requests:

City Hall 8th Floor Remodeling Project

The CIC believes that the City Attorney's current location does not adequately meet the needs of the department, primarily as those needs relate to work space and storage. The committee is also aware that other potential uses for the 8th floor of City Hall have been proposed and discussed. The committee has included a nominal amount of funding in its recommendations to address the electrical and mechanical upgrades that will be required on the 8th floor regardless of its future use.

The committee also strongly recommends that a comprehensive exploration of all the options and their related costs be undertaken by an advisory committee before any expenditures are made. The advisory committee should be comprised of representatives from the Dept. of Public Works, the City Attorney's Office, the City Clerk's Office, the Department of Neighborhood Services, as well as other interested parties. The expectation for the advisory committee would be to put forth a formal plan for the most effective use of space in the City Hall Complex. This plan should be subject to approval by the Common Council and the Mayor. In addition to providing cost estimates for various alternatives, the plan should address the issues of the lack of a master space plan for City facilities; a lack of coordination between departments relative to their space needs; conflicting proposals for the use of space, and the public's interest in the use of city buildings and facilities.

The committee further recommends that all spending on remodeling projects in the City Hall complex should be contingent on the results of the space study.

Housing Infrastructure Preservation Fund and *in rem* Property Program

Recognizing that housing stock is a growing component of the City owned infrastructure, the committee has recommended additional funding for both the Housing Infrastructure Preservation Fund and the *in rem* Property program. Because of the foreclosure crisis, the City's ownership stake in housing stock has increased exponentially. The City has a responsibility to maintain those homes in a manner that will reduce the destabilizing effects of the epidemic of blighted and vacant homes. While the committee recognizes the need to maintain prominent and iconic public buildings for future generations, it urges that the remodeling of City offices and work spaces not be accomplished at the expense of the neighborhood housing stock.

Port of Milwaukee

The Port of Milwaukee provides a critical transportation link for business and manufacturing not only for Milwaukee but for the entire region. The committee has recommended funding for the Port's new crane, but believes that due to the regional nature of the benefits provided, funding for the crane should be a statewide effort. To that end the committee strongly supports the efforts of the Intergovernmental Relations Department to amend the state budget to allow grant funding to be used to offset a portion of the cost of the crane.

Storm Water Management

The committee supports the efforts of the Administration to improve water quality on the properties that the City owns. The committee believes that it is appropriate to use funds collected from the Storm Water Management Fee to pay for improvements at City owned facilities which will mitigate storm water runoff and improve water quality. These types of projects will become increasingly important as the Milwaukee Metropolitan Sewerage District and the Department of Natural Resources begin enforcing new water quality regulations. Specifically for 2014, the committee would recommend the use of Sewer Maintenance Fund revenues for the portion of the Central Repair Garage parking lot project which will prevent contaminated storm water from flowing over the Hank Aaron State Trail and into the Milwaukee River.

Milwaukee Public Library

The committee recommends funding for the Milwaukee Public Library's Facility Initiative. It strongly advises however, that funding for a new area library be contingent upon the collective commitment from the Library Board, the Administration and the Council to consolidate existing neighborhood libraries to achieve the operational efficiencies which are a fundamental element of the plan.

The committee has been impressed with the vision of the Library Board in developing a strategic plan that will provide innovative library services to city residents for years to come. In 2012, the committee declined to include funding in its recommendations because of concerns about the potential for increased operating and maintenance costs if neighborhood libraries were not consolidated following the construction of new library facilities.

The CIC believes that a timely decision on the future of the City's library system is required. Any further delay places the existing buildings at risk of declining to the point that they cannot be easily salvaged. The City needs to commit to the Library's Facility Initiative and the associated

consolidations or it must embrace the current neighborhood library concept and begin to actively address the extensive, system wide deferred maintenance at its branch libraries.

Material Recovery Facility

The proposed Material Recovery Facility represents an opportunity to partner with Waukesha County on a joint recycling contract. The committee believes that funding for this project is essential to demonstrate Milwaukee's commitment to ensuring that a quality facility is available for this endeavor. The committee however, encourages the department to proceed with an RFP that will broadly explore all the possibilities for the new contract keeping in mind the development potential of the current transfer station. The committee would advise against reflexively investing in a facility on a parcel of land that may have other more productive uses.

High Impact Street Program

The committee has recommended increasing funding for the High Impact Street program by \$500,000. This program, created by the Mayor in the 2013 Budget provides a practical way to deal with the backlog of street projects without sacrificing the significant progress the City is making in restoring the local paving program and addressing the condition of neighborhood streets. The committee believes the potential to improve driving conditions on local or arterials roads that serve high traffic counts, areas of employment or other commercial areas warrants increased investment.

Alley Paving Program

The City's alley program has been the subject of considerable discussion in recent years with little consensus on the issues of the appropriate level of investment and cost sharing with abutting properties. The committee has recommended funding at the level that was requested by the department. It also recommends that the City work toward the development of a capital plan that include a one hundred year replacement cycle for alleys. The committee believes that level of investment is feasible, realistic and respectful of the need to maintain the alley system.

Record Management System

The committee recommended the full amount that was requested by the Police Department for the new Record Management System. The committee recognizes that the current system does not adequately support the data driven priorities of the department. The committee advises caution when choosing a proprietary system to avoid unexpected maintenance costs. The committee also advises that the project be done in consultation with the Department of

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Administration – ITMD to ensure City wide compatibility and to take advantage of any efficiencies that may exist.

Milwaukee Fire Department Repair Shop

Although the committee's recommendations do not include any funding for the Fire Department's proposed repair shop, the Committee recognizes that the current repair shop is inefficient from both a physical and operational standpoint. The proposal for a new repair shop that was presented by the Fire Department was not sufficiently developed for the committee to make an informed decision about its appropriateness or feasibility. The Fire Department is working to develop estimates of savings that will be associated with the project. The CIC believes that this proposal, with its anticipated operational savings and potential revenue opportunities, deserves serious consideration in upcoming budget years.

Playground Challenge Fund

The committee did not include funding for the Playground Challenge fund. It does however recommend evaluating the fund balance prior to the issuance of the 2014 Proposed Budget. If the funds for 2013 have been expended or encumbered, the committee would recommend replenishing the account so there will be funding available in 2014.

The Capital Improvements Committee will continue to work with departments throughout the summer to refine their requests and with the Administration to successfully manage the City's resources to make the City of Milwaukee an attractive place to live, work and do business.

Sincerely,



Ald. Nik Kovac

Attachment

Cc: Ald. Hines
Ald. Murphy