

2023



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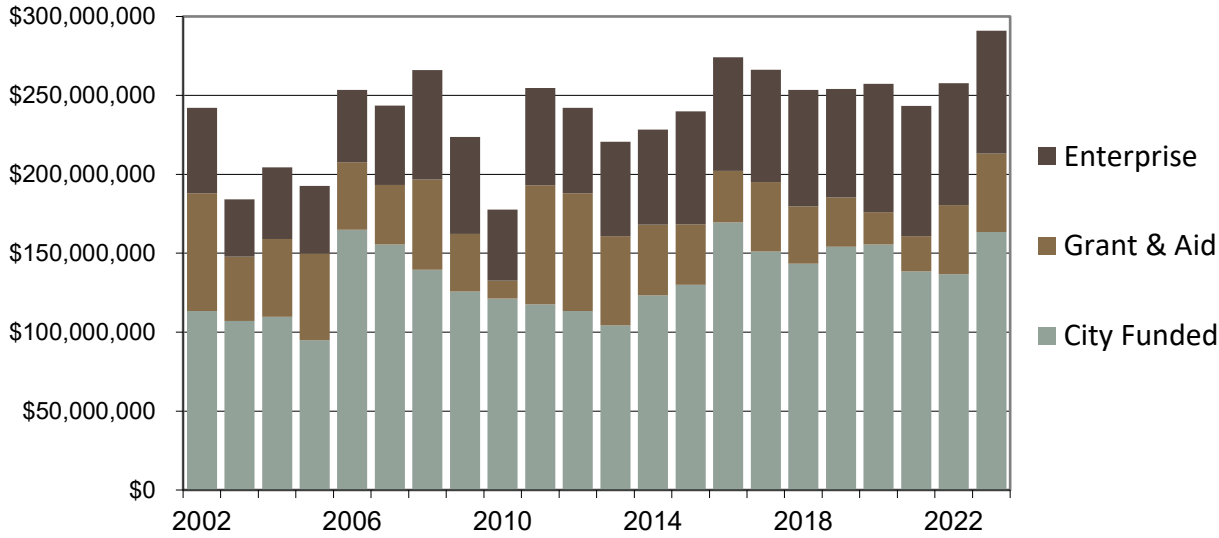
CAPITAL IMPROVEMENTS OVERVIEW



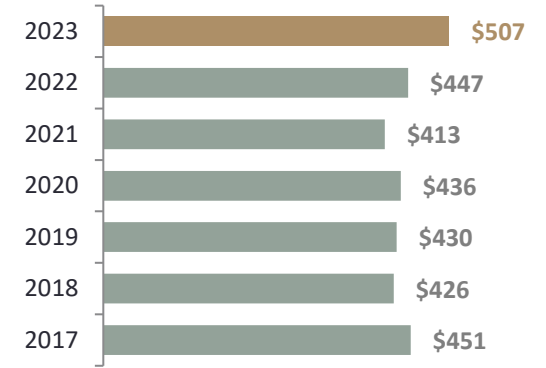
Prepared by: Kathy Brengosz, Fiscal Planning Specialist
Budget Hearing: 9:00 am on Thursday, September 29, 2022

Final

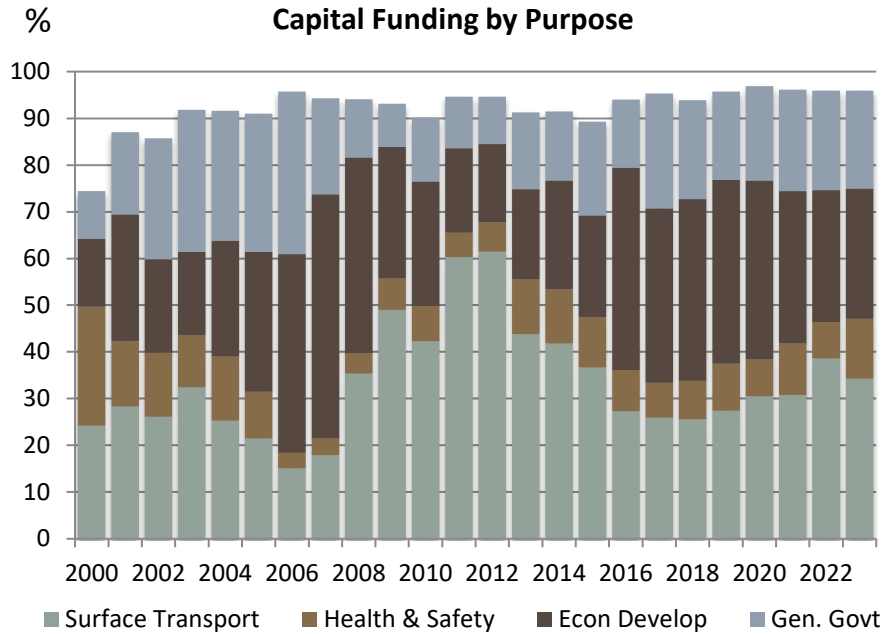
Total Capital Plan



Budget Per Capita

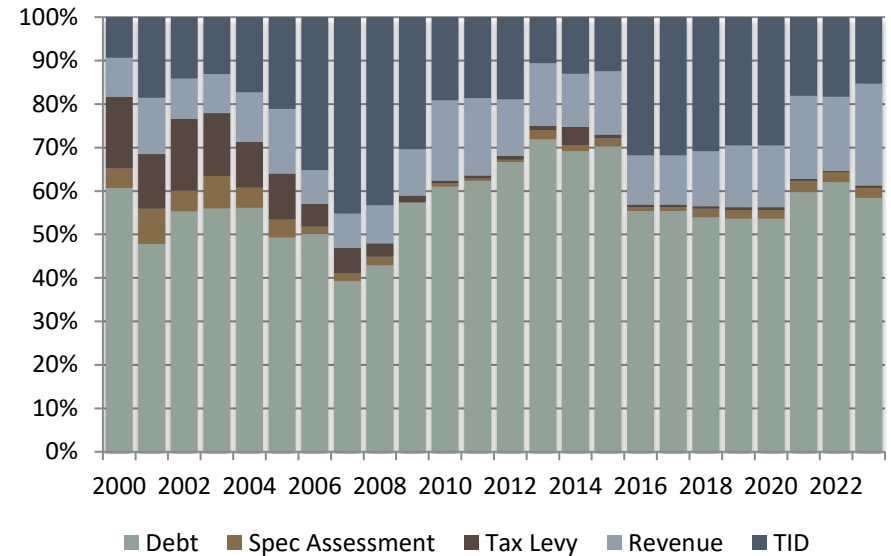


Capital Funding by Purpose



Funding Sources

(excluding enterprise funds)



\$290,911,000

Proposed 2023 Capital Budget
(including enterprise funds)

\$14.5 million

Proposed Capital Funding for
vehicles (DPW, Fire, & Police)
an increase of
\$2.8 million from 2022

\$374 million

Total 2023 Capital Request

300,243

Vehicles in Milwaukee subject to
MVR fees in 2021, up from
295,407 in 2020 and
down from 323,740 in 2017.

\$605 million

Outstanding general obligation
debt for streets, buildings, police,
fire and economic development,
a decrease of \$7 million
from last year.

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 \$290.9 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 its operating budget with the tax levy 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 2017 through 2022, the City's 10-Year Debt Payout ranged between 87% and 92%. It is projected to be just under 90% in 2023.

Funding Sources

As proposed, the City-funded capital program will be financed with \$95.6 million of **levy-supported general obligation debt**, an increase of \$10.6 million from the 2022 Budget. This amount does not include debt which will be used to fund tax incremental districts. The \$25 million of TID borrowing is considered self-supporting because the property tax levy is not used for debt service.

Tax levy funding of \$965,000 will be used for smaller projects or projects that have a shorter useful life than traditional infrastructure projects.

Approximately \$38.8 million of the capital budget is funded with various **revenues**, including \$12 million from developer-financed TIDs, \$5.1 million of Stormwater revenue and \$500,000 of Street Lighting revenue.

The 2023 Proposed Budget also includes \$3.7 million of **special assessment** funding.

Additional borrowing in 2023 will support the capital programs of the Sewer Maintenance Fund (\$22.7 million), the Water Works (\$47 million) and the Transportation Fund (\$2.4 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 levels.

Capital Budget by Department								
	2017	2018	2019	2020	2021	2022	2023	Change
	Adopted	Adopted	Adopted	Adopted	Adopted	Adopted	Proposed	from 2022
City-Funded								
Special Projects	\$8,739,000	\$8,514,000	\$8,514,000	\$9,016,000	\$9,114,000	\$8,115,000	\$10,115,000	\$2,000,000
Administration, Dept. of	3,045,000	1,660,000	2,590,000	1,533,000	2,057,000	1,592,000	2,095,000	503,000
Assessor	350,000							
City Attorney							750,000	750,000
City Development, Dept. of	53,517,000	53,420,000	56,015,000	55,400,000	40,825,000	36,450,000	39,600,000	3,150,000
Common Council - City Clerk	438,000		150,000	25,000	56,115			
Election Commission								
Emergency Communications							789,000	789,000
Fire & Police Commission			150,000	5,000,000		685,000		-685,000
Fire Dept.	2,948,000	1,555,000	3,324,000	1,950,000	1,800,000	1,830,000	3,000,000	1,170,000
Health Dept.	731,000	660,000	760,000	690,000	1,550,000	160,000		-160,000
Library	2,844,000	4,695,000	2,150,000	1,290,000	1,680,000	664,000	1,600,000	936,000
Municipal Court	384,000					259,000	265,000	6,000
Neighborhood Services, Dept. of	2,900,000	2,000,000	3,550,000	3,000,000	3,000,000		3,200,000	3,200,000
Police Dept.	7,589,000	7,001,000	6,416,000	3,995,000	6,337,500	7,220,000	17,930,000	10,710,000
Port of Milwaukee	640,000	700,000	1,450,000	475,000	675,000	2,812,000	3,319,000	507,000
Public Works, Dept. of	66,904,000	63,123,000	69,009,000	73,250,000	71,386,800	76,888,000	80,875,000	3,987,000
Total City-Funded	\$151,029,000	\$143,328,000	\$154,078,000	\$155,624,000	\$138,481,415	\$136,675,000	\$163,538,000	\$26,863,000
Grant & Aid								
Port of Milwaukee	400,000	800,000	3,800,000	800,000	800,000	800,000	1,958,000	1,158,000
Public Works, Dept. of	43,643,000	35,570,000	27,399,000	19,517,000	21,634,815	42,944,000	47,595,000	4,651,000
Total Grant & Aid	44,043,000	36,370,000	\$31,199,000	\$20,317,000	\$22,434,815	\$43,744,000	\$49,553,000	\$5,809,000
City-Funded and Grant & Aid	\$195,072,000	\$179,698,000	\$185,277,000	\$175,941,000	\$161,291,230	\$180,419,000	\$213,091,000	\$32,672,000
Enterprise Funds								
Transportation	3,340,000	3,424,500	3,385,000	2,725,000	1,800,000	1,300,000	2,410,000	1,110,000
Sewer Maintenance	38,714,000	37,514,000	33,950,000	34,150,000	40,350,000	33,000,000	28,400,000	-4,600,000
Water	29,210,000	32,780,000	31,385,000	44,570,000	40,300,000	43,060,000	47,010,000	3,950,000
Total Enterprise Funds	\$71,264,000	\$73,718,500	\$68,720,000	\$81,445,000	\$82,450,000	\$77,360,000	\$77,820,000	-\$460,000
TOTAL CAPITAL PLAN	\$266,336,000	\$253,416,500	\$253,997,000	\$257,386,000	\$243,366,230	\$257,779,000	\$290,911,000	\$33,132,000

Debt Limit

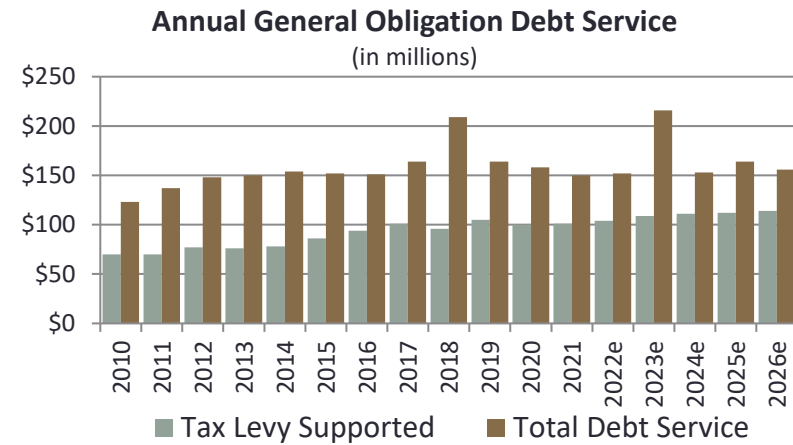
Debt service on general obligation bonds has been increasing steadily. The Comptroller estimates that in 2023, tax-levy-supported debt service will be approximately \$109 million. The total outstanding general obligation debt for all purposes at the end of 2021 was \$1.14 billion.

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.

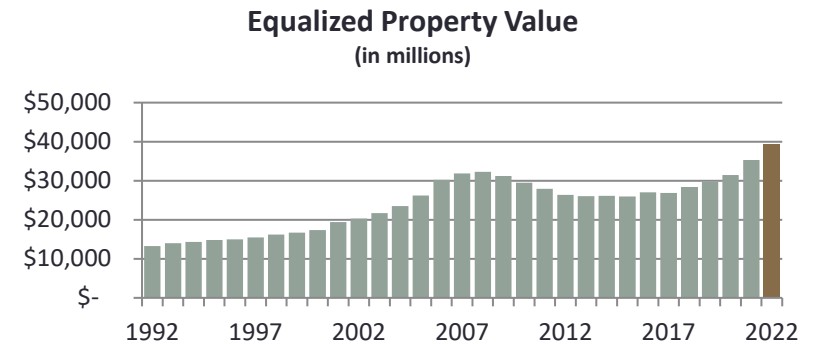
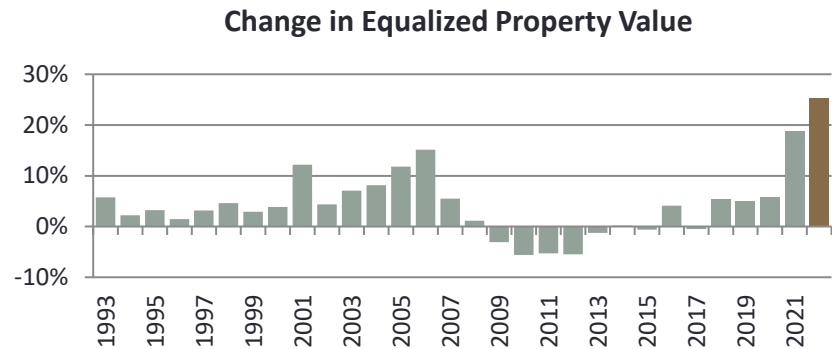
The City has been issuing slightly more debt than it is retiring. Until 2008, increases in the City’s equalized value helped to keep debt limit utilization at an acceptable level. Between 2008 and 2015, the City lost over 19% of its equalized value. Significant growth in equalized value in 2021 and 2022 has resulted in a decrease in the legal debt limit used. Debt limit use is now below 60%

Although the City’s use of its debt limit has decreased, the City still faces the risk of additional bond-rating downgrades due to other fiscal challenges.

Bond Ratings			
Year	S&P	Moody’s	Fitch
2017	AA	Aa3	AA
2018	AA	A1	AA
2019	AA-	A1	AA-
2020	A	A2	AA-
2021	A	A2	AA-
2022	A	A2	AA-



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



Core Infrastructure

The 2023 Proposed Budget includes \$105.83 million in funding for capital programs relating to bridges, streets, alleys, street lighting, traffic control, underground conduit and electrical manholes, an increase of \$12.5 million (13%) from the 2022 Budget. The increase is caused by an increase in total grant and aid funding. The 10-year average annual funding for these programs is \$82.5 million.

Total funding for bridge projects has decreased by \$3.7 million from 2022. The City is continuing to partner 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.

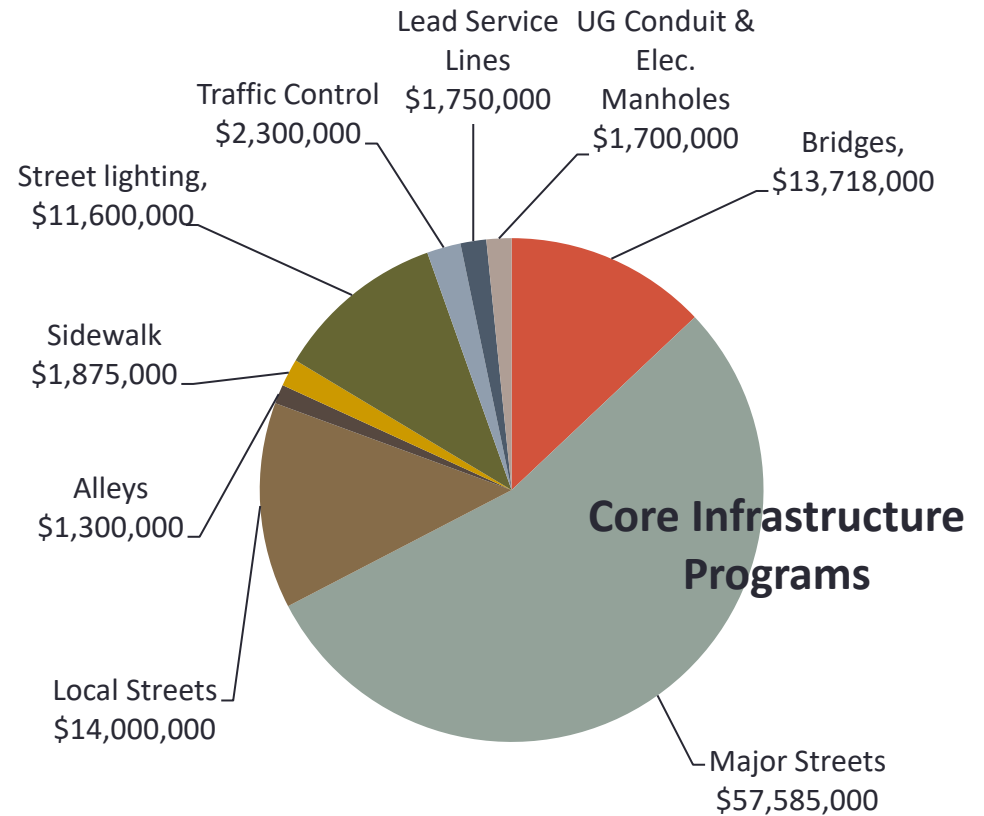
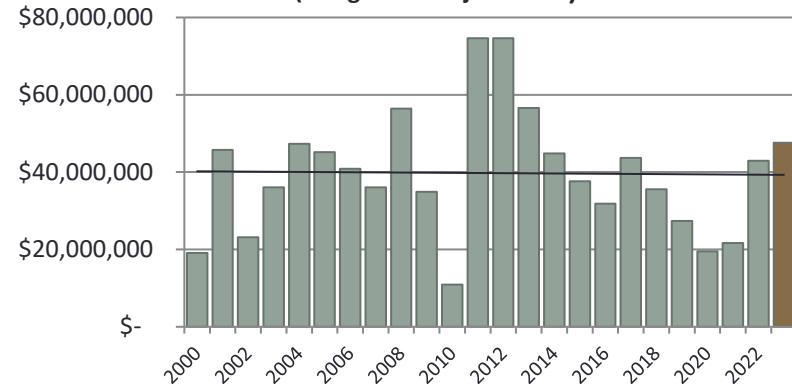
Grant funding for major streets increases for 2023 by \$6.5 million. City funding for Major Street paving is increased to \$20.2 million. Total funding for Major Streets is \$57.6 million.

High Impact funding is increased by \$1 million and funding for Local Streets is decreased by \$2 million from 2022. Local Road Improvement Funds (LRIP) which are available from the State only in even-numbered years will not be available in 2023.

Proposed funding includes \$1.3 million for 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 is \$1.75 million, an increase of \$250,000 from 2022.

**Grant Funding
(Bridge and Major Street)**



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 2023, the SMF anticipates using \$22.7 million in debt financing; \$18.5 million for sewer relays, \$2 million for the Inflow & Infiltration program, and \$1 million for water quality projects. The SMF also anticipates receiving \$1.7 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 2023 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 \$3.48 million, an increase of \$220,000 from 2022. 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 2022.

Water usage increased slightly in 2022. Through July 2022, water consumption increased by 0.4% compared to the same period in 2021. Long term water consumption is down significantly, declining 25% since 2004. 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 2023 is \$47 million, an increase of \$3.9 million from 2022.

Transportation Fund

Capital improvements for the Transportation Fund are relatively modest (\$2.4 million) compared to the Sewer Maintenance Fund and the Milwaukee Water Works, and are typically debt-financed.

The 2023 Proposed Budget includes \$500,000 million for improvements at the 1000 N Water Street parking structure, \$610,000 for the MacArthur Square structure, and \$700,000 to make green improvements at surface parking lots.

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 30 requests for building-related capital projects or programs, with a total of \$77.7 million. The 2023 Proposed Budget funds 14 requests.

The Department of Public Works received \$1.5 million for repairs at the Municipal Services building on 15th and Canal Street. An additional \$4.3 million is provided for other building maintenance programs. The department also requested \$30 million for various building projects, none of which are funded in 2023. There is no additional funding in 2023 for the City Hall foundation project.

The Library receives \$1.6 million for improvements at the Central Library. No funding is provided for branch library improvements or for the construction of new branch libraries.

The Police Department receives \$792,000 to make repairs at District stations and \$750,000 for concrete repairs around the Police Administration Building. No funding is provided for interior renovations at the PAB.

The Fire Department requested \$2.8 million for maintenance and renovation at fire houses and receives \$500,000 for that purpose. The department also requested \$15 million for a new repair garage. The project is not funded.

Office renovation projects were requested by the City Clerk, DER, and DNS. None of these projects are funded.

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 2023, there were 18 requests for IT projects totaling \$17 million. Funding is provided for 13 projects totaling \$15.8 million.

Large Scale IT Projects 2016-2022

(>= \$400,000)

Project	Dept.	Amount
New ERP System	ITMD	\$4,000,000
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
Business License Conversion	ITMD	\$500,000
Assessment Software	Assessor	\$906,000
IT Upgrade & Replacement	Attorney	\$750,000
Unified CAD System	FPC	\$5,835,000
Joint Public Safety Radio Upgrade	Police	\$11,500,000
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
Hardware/Software Refresh	Police	\$2,000,000
Fire Digital Radio System	Fire	\$400,000
Fire Record Management System	Fire	\$550,000
Onboard Garbage Truck Computers	DPW-Ops	\$482,000
Total		\$44,716,000

Unfunded Capital Requests			
	Housing Trust Fund	\$1,000,000	
DOA	DPW Apps Replacement	\$250,000	
City Clerk	Document Scanner Replacement	\$30,875	IT
	City Hall Basement Exhibit Space	\$1,064,475	Bldg
	CH Rm 205 Renovation	\$5,171,775	Bldg
DCD	Housing Infrastructure Preservation Fund	\$100,000	Bldg
DER	Office Remodel	\$241,270	Bldg
Fire	Fire Repair Shop	\$15,000,000	Bldg
Health	ZMB 1 st & 3 rd Floor Renovation	\$650,000	Bldg
Library	Branch Library Improvements	\$686,000	Bldg
Muni Court	Relocation Feasibility Study	\$225,000	
DNS	Remodel Development Center Offices	\$3,112,500	Bldg
Police	Police Admin Building Remodeling	\$628,491	Bldg
	Building Automation System Controllers	\$500,000	Bldg
	R8200 Communications System Analyzers	\$113,550	IT
	Electrical Switchgear Coordination Study	\$93,500	
	GrayKey	\$92,000	IT
	Security Upgrades at the Safety Academy	\$238,275	
	Property & Evidence Solution	\$167,959	IT
Port Milw	Roadway Paving	\$202,000	
	Rail Track & Service Upgrades	\$1,441,000	
	Port Utilities	\$250,000	
DPW	MRF Seawall	\$2,625,000	
	Central Salt Dome	\$800,000	Bldg
	Recycling Scale House Replacement	\$500,000	Bldg
	Central City Drop-off Center	\$21,209,000	Bldg
	Hazardous Tree Removal	\$50,000	
	Tire Shop Relocation	\$6,030,000	Bldg
	Snow Melter	\$450,000	Equip
	Snow Dump Lease	\$150,000	
	Central Garage Relocation Study	\$200,000	
	Shared Office Space Pilot	\$1,000,000	
	North Point Roof Restoration	\$1,251,000	Bldg
	MacArthur Square	\$1,300,000	

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 lifespans.

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 Capital Budget with an expenditure of \$2.6 million. The Police Department requested \$5.2 million for the purchase of 60 patrol cars, 2 prisoner conveyance vehicles and 10 motorcycles. The 2023 Proposed Budget includes \$4.2 million in capital funds for Police Department vehicles.

The average age of the Police Department fleet is over 8 years. An analysis by DPW indicated that the purchase of at least 45 vehicle each year would be required to prevent the fleet’s average age from rising. To bring the Police Department fleet in line with national replacement standards would require the purchase of approximately 200 vehicles each year.

The Proposed Budget also include \$2.5 million for Fire Department vehicles.

