



City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin
53202

Meeting Minutes

CAPITAL IMPROVEMENTS COMMITTEE

ALD. JOSEPH DUDZIK, CHAIR

**Ald. Robert Bauman, Ald. Michael Murphy, Ghassan Korban,
Martin Matson, Mark Nicolini, and Mariano Schifalacqua
Staff Assistant: Tobie Black, 286-2231; Fax: 286-3456,
tblack@milwaukee.gov
Fiscal Planning Specialist: Kathleen Brengosz, 286-3926,
kbreg@milwaukee.gov**

Thursday, January 19, 2012

9:00 AM

Room 301-B, City Hall

Meeting called to order at 9:11 a.m.

Present: Froh, Korban, Schifalacqua, Dudzik, Nicolini, Bauman, Kammholz

Also in attendance:

Kathy Brengosz, Fiscal Planning Specialist

1. Review and approval of the minutes from the December 21, 2011 meeting.

Minutes were approved with a few changes from Mr. Daun via e-mail.

2. Further Discussion of the Six-Year Capital Program.

Ms. Brengosz presented a basis for the structure of the Six-Year Capital Program (please see the attachment "Six Year Capital Program- Preliminary Draft" to Council file 111338). She said that she followed the guidelines from the previous incarnation of the Capital Improvements Committee and provided some history and information about the processes that the Committee uses. She added that there may be some adjustments to the text, especially in terms of the Capital Planning Process, because that is something that is still being discussed by the Committee. The document explains why the Capital Program is important, what the objectives of the committee are, and provides some technical data, including the budgets that have been proposed and approved and the actual spending by departments and what their budgets have been over the last five years.

Based on the discussion at the previous committee meeting, Ms. Brengosz included some different scenarios, such as what would happen if the City changed the terms of its borrowing or how increasing the budget for a specific department would affect other things. The Committee needs to decide which scenarios should be included in the document and which could wait until another time. Ms. Brengosz also said that the Committee needs to decide as a whole what the program needs to include. The Six-Year Capital Program from the previous Capital Improvements Committee included all of the Condition Data. There was a report on the condition of the Streets and other infrastructures, but the previous Committee did not cover quite as much infrastructure as this Committee reviews. Even though in the past the Condition Data

and the Capital Program were one report, the Committee may want to consider separating them. As a year-round, ongoing process, the Committee reviews the Condition Data; compiling it into a separate document that could be posted on the City's website for the general public may be a better model than combining the Condition Data and the Capital Program into one document.

Regarding the Budget Requests, Mr. Schifalacqua asked if Mr. Nicolini foresees the submitted requests coming to the Committee first for review before they are submitted as was the process last year. Mr. Nicolini replied that there was a series of meetings in April last year to review the requests. He said that the request process is an open-book process that allows departments to provide the Committee with more information during the summer, so it means something for the record. However, it is up to the Committee. There was a bit of a challenge processing everything in the allotted time period last year, but it can certainly be done again. The question also is which items in the Capital Budget the Committee wants to focus on for its request to the Administration. The Committee may want to focus primarily on the core infrastructure items since that is where the Committee will have the most information about the Condition Data. This information will also have the most relevance to the Six-Year Capital Program.

Mr. Nicolini said that so many of the facilities have episodic requests that can be forecast to some extent. In many cases, they are departures from the recurring type of work. He added that leading into a Six-Year Plan, focusing on the core infrastructure, meaning items within Infrastructure Services and the Enterprise Funds, are the most meaningful to focus on.

Mr. Kammholz said that the primary focus should be on long-term planning and the infrastructure component of the Capital Plan. The intent in creating the Committee was to look at conditions and to look at what the City should do with the major capital infrastructures over the six years. Otherwise, there will be a side by side duplication of an Annual Capital Budget, which is the responsibility of the Budget Office. The longer term focus should be on the Capital Plan and each year there can be a comparison between what is being budgeted compared to what the year called for in the Capital Plan.

Ms. Brengosz explained briefly what each section of the plan is and what it entails. Based on feedback received from the Committee before the next meeting, revisions, additions or corrections can be made to the report.

The components of the draft Six-Year Plan are as follows:

Capital Improvements Committee-

This sheet briefly explains the history of the Capital Improvements Committee and explains that the Committee has a very long history of providing planning opportunities for the City. It also explains that the Committee is supposed to prepare an annual budget, the Six-Year Capital Improvements Program, and the Condition Reports. Ms. Brengosz added that it details the membership of the Committee, what its purpose is, and how the Committee came back into being.

Purpose of the Six-Year Capital Plan-

This document provides background on why the Capital Plan is important and why the City invests the time and effort into it. Ms. Brengosz said that it also explains the economic conditions in which the City finds itself, the fiscal constraints that it has and the causes of the situation that the City is in in terms of managing its fiscal capacity. It also explains how the Six-Year Capital Program can be used to provide a process for planning and how it can be a tool for organizing and prioritizing the City's needs.

Capital Improvements Committee Objectives-

About a year and a half ago, the Committee had some discussion about its objectives and what the Committee is trying to accomplish. Ms. Brengosz said that the Committee can make revisions to the list of objectives if necessary. She said that it is important to be as transparent in the process as possible and to make the information available to the public particularly since it is much more possible to do so now. Mr. Schifalacqua said that the Committee will need to identify measurable principles so it can track how well it is meeting the goals and objectives. Ms. Brengosz asked if it is something that should be included in the report or if it is for future discussion. Mr. Schifalacqua said that it is for future discussion, but eventually identifying measurable principles has to be a goal.

The Capital Improvements Planning Process-

Ms. Brengosz said it is important to emphasize that the Capital Planning is a year-round process and not just something that occurs once a year when the departments present their budgets. The Committee has moved in the direction of making the monitoring of and reporting on the infrastructure a year-round process. In terms of the process, she asked for feedback as to whether the Committee wants the process to remain the same as last year or if it should be adjusted.

Evaluation Process and Criteria-

When the Committee was trying to decide how to evaluate projects, it developed nine major categories, including Public Buildings, Major Vehicle Replacement, and Port of Milwaukee. Within each category the requests were to be divided by Projects and Programs as there is a difference between the ongoing needs of the City and particular projects that come up on a one-time or short-term basis. Further explained is the difference between Programs and Projects and the areas of emphasis that the Committee created, including health and safety, regulatory compliance and compliance with the City's comprehensive plans.

Financing of the Capital Program-

Ms. Brengosz said that it was important to include some background on what the City's financing strategy has been in the past. Prior to 1983, much of the Capital Program was financed with debt. After that year, there was a shift to the idea that the repaving of streets is similar to annual maintenance and therefore should be paid from the tax levy and not financed with debt. There are a number of reasons that that policy was changed and the current policy is to match new debt with annual debt retirement to maintain a manageable debt service level. Ms. Brengosz said that she would like feedback from the Comptroller's Office on her representation of the City's past policies.

Capital Program Summary-

Ms. Brengosz said that part of the value of the document is providing transparency in terms of what the City is doing, what it is financing and where it is setting its priorities. The section provides a brief summary of what each of the programs represents. The programs are divided by the categories that the Committee has chosen, such as Public Buildings and Streets, not by department. She said that this format more closely follows the guidelines that the Committee established earlier.

With regard to Special Capital Projects, the document provides a slightly expanded summary of what the projects are, including the history and the status of each project. Ms. Brengosz said that she could do a brief summary of each project, but because these are major investments in the City's infrastructure and facilities they warrant an expanded summary. She also said that if the Committee thinks any additional projects should be listed in this category, even if they are not in this year's

Capital Budget, she can add them.

Ald. Dudzik said that the expanded summaries of the Special Projects are a good idea as it helps the Committee track its progress. He asked Ms. Brengosz if the expanded summaries are something new that she saw a need for or they were a holdover from the previous Capital Improvements Committee. Ms. Brengosz answered that the old Capital Programs listed dollar amounts for the individual programs and projects in a table format, not a narrative that described the purposes of the programs and projects. She added that she saw a need for the expanded summaries as they provide context.

Ms. Brengosz said that following the Capital Program Summary, there will be information on the historic budgets and the actual expenditures; the Capital Program that was presented at the last meeting; and a section with a discussion of any scenarios. Following that section, if the Committee decided to combine the Six-Year Capital Program and the Condition Report, would be information about the Condition Report. This information would illustrate the focus of the Condition Report, which is to examine the extent of the infrastructure that is owned by the City; the sufficiency of the annual maintenance efforts and the long-range and short-range budgetary effects.

Ms. Brengosz said that there will also be an explanation that this is the first time that a comprehensive Condition Report has been done. Although the previous Capital Improvements Committee did a Condition Report, it is not as extensive as the report that the Committee is doing now. She also said that the information will also point out that the Condition Report is a work in progress and that it will get more comprehensive every year and that it is meant to be read by broad audience.

Ms. Brengosz said that she did indicate that the Condition Data does have some limitations and that the reader is cautioned against making inferences from data since there may be things that are occurring in the underlying data that are not readily apparent.

Using This Report-

This section describes all of the different sections in the report. The Committee spent a considerable amount of time coming up with the format of the Condition Report and there is a set format for each type of infrastructure so that one can compare one type of infrastructure to another. This will aide the Committee in monitoring what data is available and what data is missing. At this point, some of the necessary data will be missing because some departments have not been maintaining or collecting that type of data. However, as years go on the data will become more comprehensive and the Condition Report will become a historic record of what has occurred.

Mr. Schifalacqua asked if Ms. Brengosz sees the Capital Plan and the Condition Report, if separated, being done in the same time frame or would the Condition Report be done first, which would then lead to the Capital Program. Ms. Brengosz said that the deadline set in the legislation that created the Committee is the same for both reports. Because the Committee reviews condition data from departments throughout the year, the Condition Report could be updated periodically so that the latest data would available. Ms. Brengosz said that would be at the discretion of the Committee. A formal presentation of the report to the Public Works Committee would still need to be done annually on a set date. Mr. Schifalacqua asked if it works better as two separate documents as opposed to one. Ms. Brengosz said that having two documents would be her recommendation.

Mr. Froh said that one angle that is omitted is the interrelationship of the Capital

Programs, such as how the Paving Program affects the Sewer and Water Program and the Street Lighting. He said that he is not sure how the interrelationships would be presented, but it is a very important aspect to convey to the public and elected officials. Ms. Brengosz said that there are a couple of different ways of handling this situation. She said that there could be a separate section in the report that explains what some of the interrelated things are and to highlight and bring it to the attention of the user of the report. Also, in the section where various scenarios are discussed, one could run models that illustrate how increasing funding for one program affects another. It depends on how much technical information is to be included in the report.

Ald. Dudzik brought up Mr. Froh's previous observation about the information gathered from the other governmental taxing entities. He said that one of the largest problems the City has is getting a handle on the State's projects, which in turn affect the City's projects. Ald. Dudzik said that he appreciates Mr. Froh's insight into trying to get the necessary information from the other government agencies and integrating that information in the Capital Plan.

3. Discussion of the 2013 Capital Request Process.

Mr. Nicolini said that the Budget Office is developing an update to the Six-Year Capital Plan. He said that some of the components that are somewhat more difficult revolve around specialized departments' specific facilities because of lack time available to talk with them. But the Budget Office will have an update available for the February 8th meeting.

Mr. Schifalacqua asked for more discussion on the timing and on the role the Committee will serve in the development and approval of the Six-Year Capital Program. He said that one of the Committee's charges is developing the plan, so the Budget Office should explain how it envisions the process going differently than it has in the past. Ald. Dudzik said that he has been approached by people that would like to have more input from the Committee and that he welcomes the opportunity. Mr. Nicolini said that the Committee will solicit input from departments. Last year, a joint letter from the Budget Office and the committee chair was sent to departments regarding their Capital Budget requests. However, there are some unrealistic dates in the code for making a recommendation that is pertinent and relevant to the budget. Mr. Nicolini suggested that the due date for the recommendation be pushed back into the early part of the summer. Once the requests are viewed and input is received from the administration regarding its Six-Year Plan, the actual budgeting will not be done until October or November in terms of decisions.

Mr. Nicolini added that most of the formal Capital Budget Requests that need to be submitted by the second Tuesday in May are formulated by the Committee. The Committee can continue to do this, but it may want to revisit the Capital Program later in the summer because putting together a request touching on all elements within the Committee's purview is difficult to accomplish between the early April turnaround date for department requests and the May due date for formal requests.

Mr. Schifalacqua said that there are two issues: the Capital Requests process and the Six-Year Program. He said that the Committee is charged with developing a Six-Year Capital Program, which the Committee did not do last year. Ald. Dudzik said that the information that will flow from the different departments will be important in developing the Committee's program this year. For the most part, the departments have seen the value in doing the exercises that the Committee has asked them to do.

Ms. Brengosz said that last year a joint letter from the Committee's Chair and the Budget Office was sent out in early February explaining the Capital Request process and setting up the due dates for the requests. Last year the Capital Requests were due on March 21st and at that time departments were asked to fill out the regular budget form as well as an additional form that provided information about the areas of emphasis that the Committee was seeking. The Committee will need to decide if it still wants to receive the additional form or if the form was of limited value. Mr. Kammholz suggested keeping the process the same for continuity's sake until there is a regimented communication between the departments and the Committee. Ald. Dudzik added that honing the process for a few years will aid the departments in the gathering of their information.

4. Set next agenda.

Further discussion of the reports presented by Ms. Brengosz.

Presentation of the Street Lighting and Traffic Controls Condition Reports.

Meeting adjourned at 9:54 a.m.

Staff Assistant Tobie Black

This meeting can be viewed in its entirety through the City's Legislative Research Center at <http://milwaukee.legistar.com/calendar>.