



# MEMORANDUM

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## LEGISLATIVE REFERENCE BUREAU

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**To:** Ald. Marina Dimitrijevic and Ald. José G. Perez  
**From:** Kathleen Brengosz, Fiscal Planning Specialist, x3926  
**Date:** September 13, 2023  
**Subject:** Cash Funding of Capital Programs and Capital Account Summaries

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In response to your request for information regarding various capital accounts for 2024, the Legislative Reference Bureau is providing information on the 2023 financing of the City's capital programs, possible benefits of cash financing and a summary of select capital accounts.

Nearly 75% of the City's 2023 capital budget for non-enterprise fund departments was funded with borrowing. Borrowing consisted of \$96.1 million of levy-supported general obligation debt and \$25 million of self-supporting tax incremental district borrowing. Tax-levy funding of \$965,000 was used for smaller projects or projects that have a shorter useful life than traditional infrastructure projects. Approximately \$38.8 million of the capital budget was funded with various revenues, including \$12 million from developer-financed TIDs, \$5.1 million of Stormwater Management Fee revenue and \$500,000 of Street Lighting Fee revenue. The 2023 Budget also included \$3.7 million of special assessment funding.

One of the City's long-standing goals has been to limit tax-levy-supported borrowing authorizations to the amount of debt retired. However, since 2014, the City has been issuing more debt than it is retiring. In 2014, outstanding tax-levy-supported GO debt was \$452 million. At the end of 2022, it was \$683 million. The Comptroller estimates that in 2023, tax-levy-supported debt service will be approximately \$109 million. It is projected to grow to \$120 million by 2027.

The primary benefit of financing capital projects with cash is the avoidance of interest costs. To calculate the interest savings requires several assumptions. Using the assumptions of a 15-year term, level principal payments, an interest rate of 5%, and debt issuance in the first half of the year, a \$1,000,000 bond issue would have an interest cost of \$25,000 in 2024. In 2025, the interest payment for the full year would be \$50,000. In subsequent years, annual interest payments would decrease as principle payments reduce the outstanding debt. Total interest paid would be \$425,000. Infusing \$36.8 million of cash into the 2024 capital budget, as suggested in a September 6, 2023 briefing from the Budget Office, could save approximately \$15.6 million in interest costs over 15 years. Actual savings and time frames would depend on the specific terms of the bond issue.

Using cash to finance capital projects can also help manage debt limit use. 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 property value. At the end of 2009, the City had

used just over 50% of its debt limit. Use of the debt limit reached 75% by 2020. 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%. However, sustained increases in borrowing or a downturn in the housing market could quickly increase debt limit use, which could negatively impact the City’s bond rating and interest costs.

With the exception of Bicycle Infrastructure and Materials Recycling Facility Repairs, all of the capital accounts proposed for cash funding in 2024 are existing accounts. Most are ongoing programs for which the departments submit capital requests each year. The smaller accounts like the Municipal Art Fund, the Capital Improvements Committee, Advanced Planning, and the Strategic Facilities Plan are already financed with cash. Most of the remaining accounts are funded primarily with GO borrowing.

The table below summarizes select capital accounts, listing the type of account, how long the account has been funded, its primary funding source, average funding since 2011, and whether projects exist that are ready for funding in 2024. The table is followed by a narrative description of each account.

<b>Dept./Account Name</b>	<b>Type of Account</b>	<b>First Year Funded</b>	<b>Primary Funding</b>	<b>Average Funding</b>	<b>Projects for 2024?</b>
<b>Special Capital Projects</b>					
Municipal Art Fund	Ongoing Program	*	Cash Levy	\$30,750	Yes
Capital Improvements Committee	Ongoing Program	2010	Cash Levy	\$87,750	Yes
<b>DCD</b>					
Advance Planning Fund	Ongoing Program	*	Cash Levy	\$155,750	Yes
In Rem Property	Ongoing Program	2011	Bonding/ Revenue	\$1,005,000	Yes
Strong Homes Loan Program	Ongoing Program	2016	Revenue/ Bonding	\$1,250,000	Yes
Partnerships in Homeownership	Ongoing Program	2021	Revenue	\$1,000,000 <sup>1</sup>	Yes
<b>Fire Department</b>					
Major Capital Equipment	Ongoing Program	*	Bonding	\$1,765,000	Yes
Fire Facilities Maintenance	Ongoing Program	2009 <sup>2</sup>	Bonding	\$648,000	Yes
<b>Library</b>					
Central Library Improvements	Ongoing Program	*	Bonding	\$1,125,000	Yes
Branch Library – New Construction	Ltd. Term Program	2011	Bonding	\$2,142,500 <sup>3</sup>	Yes
<b>Municipal Court</b>					
SQL Migration and Website Project	Multi-Yr. Project	2022	Bonding	\$122,000	Yes

<b>Dept./Account Name</b>	<b>Type of Account</b>	<b>First Year Funded</b>	<b>Primary Funding</b>	<b>Average Funding</b>	<b>Projects for 2024?</b>
<b>Neighborhood Services</b>					
Concentrated Blight Elimination	Ongoing Program	2014	Bonding <sup>4</sup>	\$2,043,000	Yes
Code Compliance Program	Ongoing Program	2015	Bonding <sup>5</sup>	\$750,000	Yes
<b>Police Department</b>					
Public Safety Radio Upgrade	Multi-Yr. Project	2023	Bonding/ Revenue	\$11,500,000	Yes
<b>DPW- Operations</b>					
Major Capital Equipment	Ongoing Program	*	Bonding	\$6,608,000	Yes
Materials Recycling Facility Repairs	Project	2024 <sup>6</sup>			Yes
<b>DPW Infrastructure Services</b>					
Street Reconstruction & Resurface	Ongoing Program	*	Bonding/ Spec. Assess	\$9,783,800	Yes
High Impact Streets Program	Ongoing Program	2013	Bonding	\$6,4364	Yes
Bike Infrastructure	New Program	2024 <sup>7</sup>			Yes
Space Planning – Facilities	Ongoing Program	*	Bonding <sup>8</sup>	\$281,200	Yes
Strategic Facilities Plan	Multi-Yr. Project	2023	Cash Levy	\$500,000	Yes

*\*Indicates a program that has been funded since at least 2000.*

*1 The Partnerships in Homeownership has only received funding in 2021.*

*2 Prior to 2009, expenditures for the maintenance of engine houses were made from various capital accounts including the Interior Building Maintenance, Mechanical Systems Maintenance, Exterior Building Maintenance and Ventilation System and Window Replacement accounts.*

*3 The Branch Library – New Construction account has not been funded since 2019.*

*4 The Concentrated Blight Elimination (Demolition) account was funded with ARPA funds in 2022 and 2023.*

*5 The Code Compliance Loan Program was funded with TID revenue in 2015 and ARPA funds in 2022 and 2023.*

*6 Material Recycling Facility Repair – This would be a new capital account in 2024 to begin to address the damage from the fire that occurred at the facility on May 31, 2023.*

*7 Bicycle Infrastructure – This would be a new capital account in 2024. In prior years bicycle infrastructure projects have been funded through various other capital accounts in DPW-Infrastructure Services and grant funding. Creating a separate capital account for bicycle infrastructure increases the transparency of dedicated bicycle infrastructure funding and may improve the City’s chances to secure more grant funding for projects.*

*8 The Space Planning account is generally funded with bonding, but has received \$694,000 of tax levy funding since 2007.*

### **Municipal Art Fund**

The Municipal Art Fund helps support the Milwaukee Arts Board, which promotes the development, support, and enjoyment of the arts, advances cultural diversity in the artistic life of the City, and supports the formation and growth of artistic projects and programs. The Arts Board was established in 1990.

### **Capital Improvements Committee**

By its action in passing Common Council File Number 081215 as amended by file number 090090, the Common Council reconstituted the Capital Improvements Committee and assigned the responsibility for its staffing to the Office of the City Clerk. A position was created to support the work of the Committee and is responsible for overseeing all of its work products. The current incumbent has accepted broad responsibility for assisting the Legislative Reference Bureau in its analysis of the annual budget, the drafting of resolutions and ordinances, and providing research for the Council.

### **Advance Planning Fund**

This program provides funding for various Department of City Development studies, including market analyses for local business corridors, feasibility studies for new developments, land use planning studies, comprehensive plan updates and redevelopment plans for specific neighborhoods.

### **In Rem Property**

This program was created on 2011 to fund minor capital repairs (e.g., new roofs, water heaters, etc.) to properties obtained by the City through foreclosure, with the goal of making these properties more marketable for prompt sales. In 2014, as part of the Strong Neighborhood Plan, the focus of the in rem program was changed to include support for additional programs. For 2024, The Department of City Development anticipates that the In Rem Property account will support the City's lease to own program, homebuyer assistance loans, the Challenge Grant Fund, the Re-Invest in City Homes (RICH) program, Art and Resource Community Hub (ARCH) loans, as well as repairs and improvements on City-owned in rem properties. As of March, 2023, the City owned approximately 700 foreclosed, improved residential properties. It is expected that 300-500 additional properties will be acquired in 2024.

### **Strong Homes Loan Program**

This program, which is part of the Strong Neighborhoods Program, provides assistance to qualified owner-occupants of 1-4 family properties throughout the City on a first-come, first-served basis to promote the retention of homeownership. Strong Loans helps fill gaps which aren't being addressed because of the limitations of existing programs, such as income restrictions, rehabilitation requirements, and geographic criteria.

### **Partnerships in Homeownership**

This capital account was created by amendment in the 2021 Budget. This account was intended to fund preservation strategies for affordable housing as recommended in Section 4.5 of the Anti-Displacement Plan. Funding is intended to be used to develop marketing and outreach plans for down payment assistance, co-op, land trust, and other housing initiatives. Down payment assistance programs must target renters and properties in neighborhoods where increases in property values are expected.

### **Major Capital Equipment**

This program provides for the replacement of major fire-fighting equipment and apparatus, including ambulances, fire engines and ladder trucks. Stable funding in this account will allow the department to replace equipment each year and will create a smooth age distribution throughout the fleet, while variable funding can create the need for large capital expenditures in future years.

### **Fire Facilities Maintenance Program**

This program funds the repair and maintenance of internal, external and mechanical systems for the Fire Department's engine houses. Prior to 2009, expenditures for the maintenance of engine houses were made from various capital accounts, including the Interior Building Maintenance, Mechanical Systems Maintenance, Exterior Building Maintenance and Ventilation System and Window Replacement accounts. Combining these capital accounts provided more flexibility to the department to address the most pressing maintenance concerns.

### **Central Library Improvements Fund**

The Central Library Improvements Fund pays for interior, exterior and mechanical repairs at the Central Library. Interior activities include repairs to mosaic tile and scagliola in the rotunda, renovation, upgrades and modernization as well as general repair and maintenance. Exterior work includes the maintenance and repair of the exterior façade of the Central Library, such as limestone block and balusters, Chicago brick, marble block, windows, lighting and roofs. Mechanical systems include HVAC, electrical, building controls, fire safety, security and elevators. Projects for 2024 include elevator repairs, the replacement of a steam unit and Phase 3 of a roof replacement project.

### **Branch Library – New Construction**

This capital account was created in 2015. It has been used to fund the construction of four new branch libraries to replace Mill Road, Forest Home, Capital and Martin Luther King. From 2015 through 2019, a total of \$16,050,000 has been budgeted in this account. Funding for previous phases of the Library Facilities Initiative were requested and funded in other capital accounts. The 2024 capital request includes \$1 million in funding for the construction of the new Martin Luther King branch library. The total 6-year request is \$16 million.

### **SQL Migration and Website Project**

This is a multi-year project to migrate the Municipal Court's Court Automated Tracking System (CATS) from an outdated Oracle database to MS SQL. The project will reduce annual licensing costs, be easier to maintain and reduce the number of servers necessary to support the system. The Court's website will also be updated to operate on a content management system (CMS) platform. This will improve user experience and serve as a scalable foundation of future functionality improvements. This project received \$179,000 of funding in 2022 and \$165,000 of funding in 2023.

### **Concentrated Blight Elimination**

The 2014 Budget created a new capital program called Concentrated Blight Elimination to support the Strong Neighborhoods Plan. The Department of Neighborhood Services uses this account to demolish blighted residential and commercial properties. The Department of Neighborhood Services may issue a raze order for a building if the cost to bring the structure into code compliance exceeds 50% of its assessed value. As of

March 31, 2023, the Department had a backlog of 371 residential and commercial structures that met the threshold and have raze files or orders.

### **Code Compliance Loan Program**

This capital account funds deferred payment loans of up to \$15,000 per property to correct observable building code violations. The program serves as an alternative to other Department of Neighborhood Services enforcement actions and provides low-income families an opportunity to correct building code violations, thus avoiding court fines and reinspection fees.

### **Public Safety Radio Upgrade**

This is a multi-year, project to replace the Open Sky radio system with a P25 Phase II system. Departments included in this project include Police, Fire and Public Works. This project received \$11.5 million in funding in 2023. The Police Department anticipates needing an additional \$28.5 million over the next 3 years to complete the project. The Police Department has issued a request for proposal to upgrade the system. Contract negotiations are being conducted.

P25 is a suite of standards for interoperable, digital, two-way radio products. P25 was developed by public safety professionals in North America and has gained acceptance for public safety, security, public service, and commercial applications worldwide. P25 radios add the ability to transfer data as well as voice, allowing for encryption and text messaging. P25 radios are commonly implemented by dispatch organizations, such as police, fire, ambulance and emergency rescue services, using vehicle-mounted radios combined with repeaters and handheld walkie-talkies.

### **Major Capital Equipment – DPW Fleet**

This program provides funding for equipment having a cost that exceeds \$50,000 and a life expectancy of at least 10 years. The program focuses on equipment replacement for garbage and recycling collection, snow and ice control, and pick-up and dump trucks for use as pool equipment.

### **Materials Recycling Facility Repairs**

This account will fund repairs to the Materials Recycling Facility after the fire at the facility on May 31, 2023.

### **Street Reconstruction and Resurface**

This capital account provides funding for the reconstruction of local streets.

### **High Impact Streets Program**

This program was created by the 2013 Budget to fund asphalt overlay projects in business and commercial corridors. Projects are typically constructed in a few days, minimizing impact on businesses and traffic patterns. Many High Impact projects include restriping to add bike lanes. There are no property owner assessments associated with this program.

### **Bike Infrastructure**

This would be a new capital account in 2024. In prior years, bicycle infrastructure projects have been funded through various other capital accounts in DPW-Infrastructure Services and grant funding.

### **Space Planning – Facilities**

This program provides funds for architectural and engineering services related to office space studies, including the preparation of preliminary plans and cost estimates for proposed projects, and unscheduled interior office alterations for City departments. It also provides funding for the inspection of the City buildings which are the responsibility of the Department of Public Works and the maintenance of condition data for those buildings.

### **Strategic Facilities Plan**

This was a new request for funding in the 2023 Budget for a 2-year project to develop a plan for using City facilities to maximize efficiency and minimize cost. The use of City facilities has been greatly impacted by the implementation of new technologies including remote work and meeting capabilities. Some offices are not at full capacity, while others need additional space. Some repair and storage facilities are not being used efficiently. The 2023 Budget provided \$500,000 of funding for this project. The 2024 capital request includes a total of \$1.5 million spread over three years (2024-2026).

If you have questions, or you need additional information, do not hesitate to contact me.

LRB179393