



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, Jeffrey Mantes, W. Martin Morics, Mark Nicolini, and Mariano Schifalacqua

Staff Assistant, Terry MacDonald

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Friday, September 11, 2009

11:00 AM

Room 301-B, City Hall

Meeting convened: 11:05 A.M.

Members Present: 7 - Ald. Joesph Dudzik, Chair, Ald. Robert Bauman, Gerald Froh (Ald. Michael Murphy Alternate), Jeffrey Mantes, Michael Daun (W. Martin Morics Alternate), Mark Nicolini, and Mariano Schifalacqua

Members Excused: 0

Also present: Venu Gupta, Dept. of Public Works (Alternate for Jeff Mantes), Marianne Walsh, Manager, Legislative Reference Bureau, Michael Talarczyk, Legislative Reference Bureau, David Schroeder (Alternate for Mr. Nicolini), Dept. of Admin., Budget & Management Div. and Ald. Michael Murphy

1. Introduction of members

Members introduced themselves.

2. Presentation given by Jim Owczarski, Deputy City Clerk, relative to meeting rules, procedures and the open records laws

Deputy City Clerk Jim Owczarski appeared and discussed various aspects of the state Open Records and Open Meetings laws.

Mr. Owczarski said Ald. Bauman has discussed with him the possibility of a walking or rolling quorum with this committee, because a number of the members of this committee do engage in discussions on capital improvement issues on a regular basis.

Mr. Owczarski said he has contacted City Attorney Melanie Swank regarding the possibility of a walking/rolling quorum that this committee could face, and she advised him that she has contacted the Attorney General's Office and is waiting to hear back from them. He also said that as soon as he hears from City Atty. Swank he will forward that information to this committee's chair.

Mr. Owczarski advised the committee members that a quorum of this committee consist of four members, therefore, all committee members will need to be cognizant of the number of members present when discussing capital improvement matters.

3. Discussion relating to the purpose, responsibilities and goals of the Committee

Ald. Dudzik said the City Clerk's Office staff has provided members with copies of the following:

- 1. Common Council Files #081215 and 090090;*
- 2. The 2008 Capital Improvements budget Fiscal Analysis (Exhibit 1); and*
- 3. A report titled: 1985 Capital Budget and 1986-1991 Capital Improvements Program, prepared by the previous established Capital improvements Committee. (Exhibit 2)*

Ald. Dudzik said those documents will be useful tools for this committee.

Ald. Dudzik referred to Common Council File 081215 and said that there are a lot of goals listed and feels that some of the goals may be unattainable, such as eliminating any deferred capital maintenance and the February 1 annual due date for reports.

Mr. Schifalacqua commented that he is not aware of the discussion that took place in reinstituting this committee, but it was a great idea. He said the City lost out by not having such a committee. He said the City got away from true long term planning and looking at the internal relationship between capital and maintenance. He said he agrees with Ald. Dudzik that this committee has been given a big charge and doesn't feel a February 1, deadline for the reports will be possible. He said he noticed in the ordinance that it also creates a position and said that should be this committee's first priority.

Mr. Nicolini replied that the 2010 proposed budget creates a new full time position in the Department of Public Works to staff this committee. He said this committee may want to have a discussion, in the near future, relating to the creation of the job description.

Mr. Schifalacqua asked if that position can be created sooner than January 1, 2010?

Mr. Nicolini replied that it is up to the Common Council and that it may be feasible. He said he could open a file on behalf of an alderman asking that the position be created before the end of the year.

Ald. Dudzik replied that the creation of the job description should be the first step and then the second step would be to have it go before the Finance & Personnel Committee for approval.

Mr. Daun said the scope of this committee's duties are similar to what Mr. Froh's job description was when he was employed with the City of Milwaukee Dept of Public Works and suggested that this committee review that job description as a starting point. He also directed members to page 2, part 4 of file #081215 relating to reports and said that there are some versions of those reports that are already being done and that this committee may want to take a look at those when creating the job description.

Ald. Dudzik asked if some of the information needed for the reports can be obtained from some of the Comptroller's past audits?

Mr. Daun replied that he can't recall any audits that the Comptroller has done that would contain any information that could be used. He said there are some databases that the Department of Public Works has created that may be useful. He said his

office will review and make available to this committee any information it may have relating to capital improvements.

Mr. Mantes replied that the Department of Public Works does have a large amount of infrastructure data available.

Mr. Froh said that the last infrastructure report he had done was in 1988. He said the person who fills the position will struggle through the first year, because he/she would need to pull together all of the information needed.

4. Set next meeting date(s) and time

Ald. Dudzik suggested that the next meeting take place on Thursday, October 15, 2009 at 1:30 p.m. There were no objections.

Mr. Daun asked if several meeting dates could be set?

Ald. Dudzik suggested that this committee meet on the third Thursday of every month. There were no objections.

5. Set next meeting's agenda

Mr. Nicolini suggested the following items be discussed at the next meeting:

- 1. Presentation and discussion on the mayor's proposed 2010 capital Improvements budget plan*
- 2. Discussion relating to the federal stimulus funded capital improvements projects (provided by Dept. of Public Works)*
- 3. Discussion relating to the drafting of a job description for the newly created position*

Meeting adjourned: 11:43 A.M.

**Terry J. MacDonald
Staff Assistant**

C. CAPITAL IMPROVEMENTS

EXECUTIVE SUMMARY

- MISSION:** To maintain and enhance the city's infrastructure in a cost efficient and effective way and to ensure that the city remains economically competitive.
- OBJECTIVES:** Prepare a six year capital improvements plan to identify long range capital needs and to establish spending, debt, and tax rate goals.
- Develop investment strategies to ensure favorable rates of return on city capital investments.
- STRATEGIES:** Reducing capital borrowing to match debt retirements in order to manage the debt levy and enhance the city's financial flexibility.
- Implementing consultant recommendations for the infrastructure capital project management process to improve the ability to monitor capital expenditures on a real time basis for specific projects.

DEPARTMENT MISSION AND RELATIONSHIP TO COMMUNITY GOALS

The 2009 capital improvements budget represents the initial year of a six year capital improvements plan. The budget and plan identify the city's capital funding needs and provide funding sources to support these identified needs. In general, capital improvements include projects to reconstruct, rehabilitate, or otherwise restore an existing system or facility to full functionality. They may also include projects to construct a new or more expansive facility to meet increased demands or to enhance economic development through job creation, business formation, and housing production.

HIGHLIGHTS

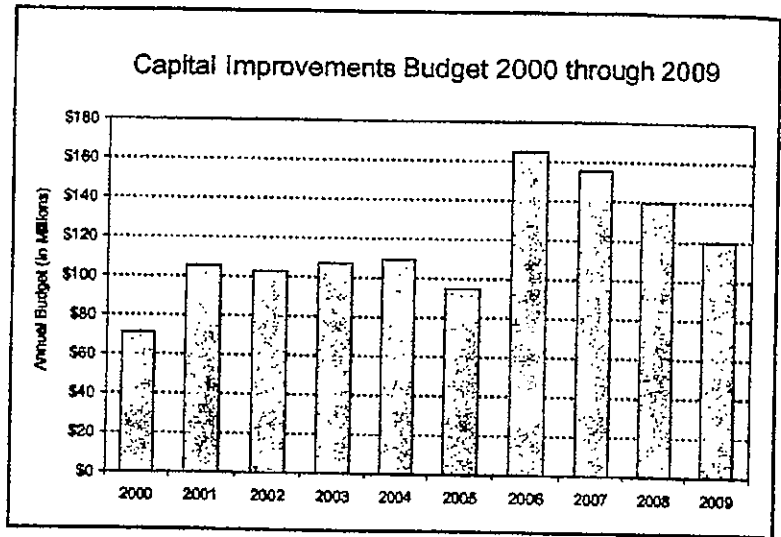
For 2009, the capital improvement budget continues a transitional period. Past capital improvement borrowing levels have translated into a destabilizing debt service tax levy. Problems with cost overruns on several larger capital improvement projects have led to a need for improved monitoring. Although it is important to fix these problems, the side effect is a capital improvement budget that is difficult to compare to previous capital improvement budgets. To address the debt tax levy, the 2009-2014 Capital Improvements Plan will project borrowing levels to a point where the amount of borrowing will approximate the amount of debt retired.

The following discussion of funding and expenditures excludes Vehicle Registration Fee related transfer payments to debt service and the general fund. The 2009 general city capital improvements budget totals \$119.2 million, a decrease of \$20.2 million or 14.5% from the 2008 budget of \$139.5 million. The tax levy supported portion of the capital budget, which includes tax levy cash resources as well as tax levy supported general obligation debt, totals \$70 million. Tax levy cash resources will decrease \$2.2 million from \$4 million in 2008 to \$1.8 million in 2009.

The city's long term goal is to reduce tax levy supported borrowing authorizations to match tax levy debt retirements in order to limit future increases in the debt service tax levy. Control of new levy supported debt will be accomplished through a combination of prioritizing capital programs and projects through the annual budget process and converting some currently levy supported programs to other revenue sources. For example, the 2009 capital budget suspends levy supported borrowing for Milwaukee Public Schools, which was \$4 million in 2007. The city have utilized lease payments from the Sewer Fund and Water Works for the jointly occupied Tower Facility to pay General Obligation (GO) debt service.

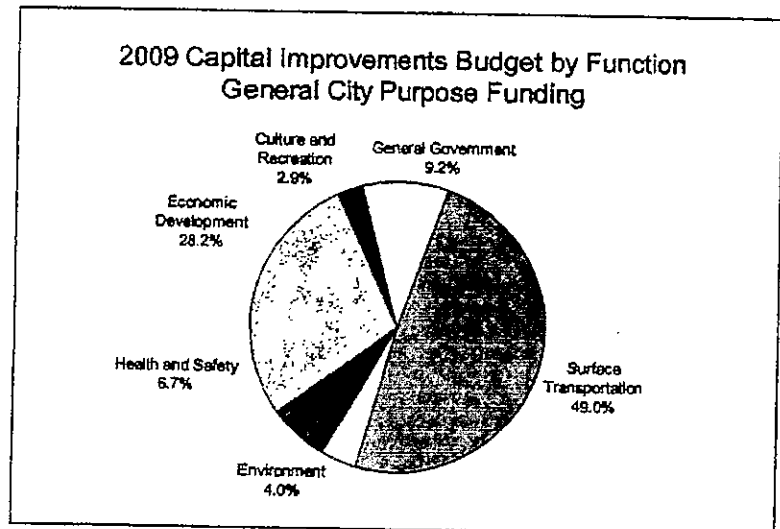
Figure 1 shows capital improvement budgets from 2000 to 2009. As shown, the capital improvements budget was significantly reduced in 2000 due to increased federal and state grant funding. From 2001 to 2004, the capital improvements budget stabilized between \$102.8 million and \$109.6 million. In 2005, the capital improvements budget was reduced to \$94.9 million, a level that is considered sustainable in the long term. The 2006 capital budget increased to \$164.9 million; however this is the result of two large one time projects (\$41.7 million) and a large increase in TID funding (\$38.7 million). The 2009 capital budget is also significantly impacted by the continuing policy of full, upfront TID funding that began in 2006. Levy supported GO borrowing is about \$68.3 million for city purposes, down from \$75 million in 2003.

Figure 1



Functional Categories: Projects included in the 2009 general city funded capital improvements budget are categorized in six functional categories including Surface Transportation, Environment, Health and Public Safety, Economic Development, Culture and Recreation, and General Government. Figure 2 illustrates the portion of the capital budget allocated to each functional area (Water, Parking, Sewer Relief and Relay, and Grant and Aids are excluded).

Figure 2



Surface Transportation projects constitute the largest functional category, which is 49% of the general city funded capital budget or \$76.1 million. This area experiences a continuing significant increase of funding for streets, bridges, and street lighting projects.

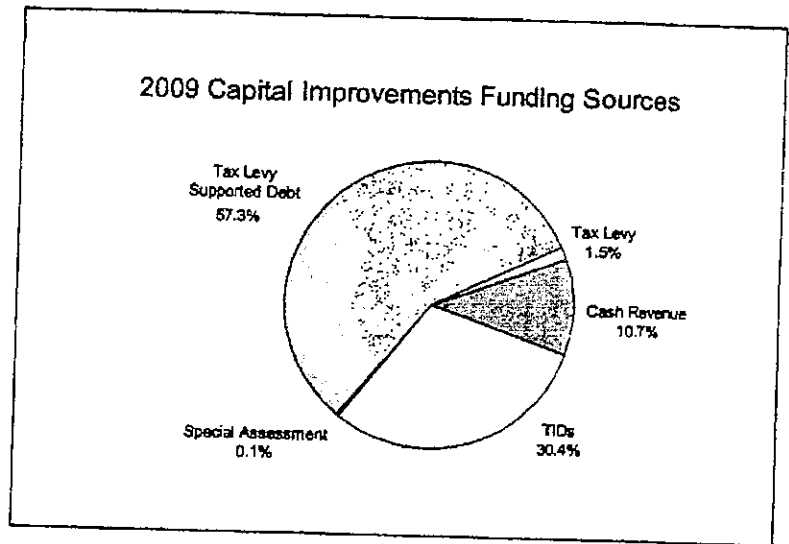
Economic Development projects is the second largest capital functional area at 28.2% of the general city funded capital budget. Tax Incremental Districts (TIDs) amount to \$40.7 million or 93.2% of funding for economic development projects.

The General Government project category constitutes the third largest functional area, with \$14.2 million, or 9.2% provided for this purpose. This is a decrease from 2008, but includes significant funding of \$1.8 million for the City Hall Foundation and Hollow Walk Project.

The Health and Safety projects and Environment projects functional categories comprise a total of about 6.7% of the 2009 general city funded capital budget. Health and Safety has funding of \$10.3 million and Environment has funding of \$6.3 million, respectively. Environment programs include the expansion of sewer capacity and infiltration and inflow reduction programs, included in the Sewer Maintenance Fund since 2008. Culture and Recreation projects are the smallest functional category with \$4.5 million, or 2.9% of the city funded capital budget. Within this category, central and neighborhood libraries capital projects funding totals \$4.1 million.

Funding Sources: The 2009 capital budget is financed through several funding sources including the property tax levy, tax levy supported debt, Tax Incremental Districts, special assessments, cash revenues, and grants and aids. Figure 3 shows funding sources for the 2009 city funded capital budget (excluding grant and aids).

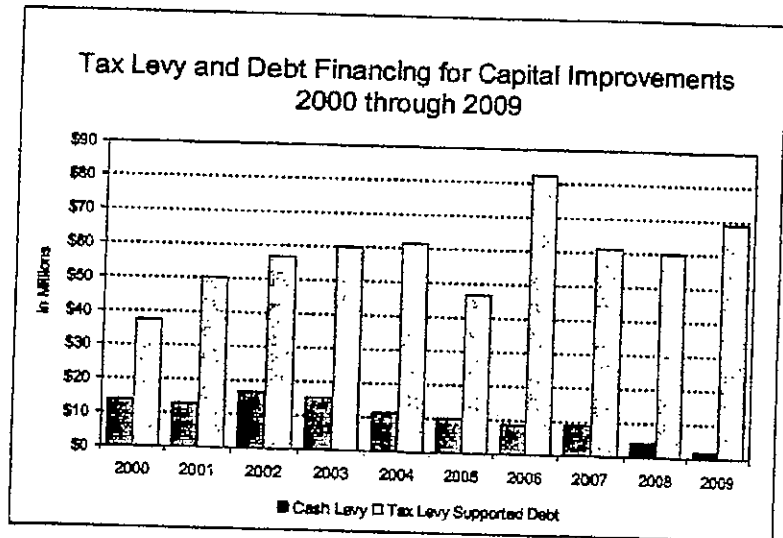
Figure 3



For 2009, the largest funding source is tax levy supported debt financing, which is approximately \$68.3 million or 57.3% of total funding. This is an increase from 2008. Given the life expectancy of the facilities to be constructed or equipment to be purchased, borrowing is an appropriate funding mechanism.

The second largest source of funding for capital projects is Tax Incremental District borrowing, with \$36.3 million, or 30.4%, of total funding sources. TID borrowing is considered self-supporting because the improvements made within these districts are financed through property tax revenue generated from the improvements. The significantly larger TID funding amounts started in 2006 and will continue due to the policy change to fully fund all approved TIDs upfront rather than on an expenditure cash flow basis. While this policy has not changed how TIDs are analyzed, approved, or expended, it produces a major change to capital budget funding.

Figure 4



In addition to TID financing, other self-supporting funding sources include \$12.8 million of cash revenues, which is 10.7% of the total, and \$150,300 of special assessments, which represent 0.1% of the total. Not included in Figure 3 are capital grant and aids, which are anticipated to be \$36.4 million in 2009.

In addition to tax levy supported debt, cash tax levy is the other non-self supporting funding source for capital. In 2009, tax levy supported capital totals \$1.8 million, or 1.5% of all funding sources. This tax levy supported total is a decrease from \$4 million from 2008. Figure 4 shows cash and debt financing trends for capital improvements from 2000 to 2009. As shown, cash financing, while it has fluctuated somewhat, has generally declined from the peak of \$14.1 million in 2000 to \$1.8 million in 2009.

Debt Levy Control: The 2006 capital budget suspended the Infrastructure Cash Conversion (ICC) policy goal to institute a change in overall philosophy to managing capital and debt levy impacts. The focus has changed from the basic ICC goal of funding an increasing amount of cash for a defined set of projects considered recurring infrastructure to the larger issue of controlling all capital debt. Through the years, even while the cash percentage for the defined ICC projects increased, overall capital borrowing also increased at an unsustainable rate. This created a situation of significant annual increases to the debt service levy, impacting the city's ability to fund other

programs. The capital budget will continue to move in the direction of limiting debt issuance to debt retirements to better stabilize the debt service levy.

Note: For purposes of the 2003 and earlier budgets, the Public Debt Amortization Fund (PDAF) withdrawal was reflected in the capital improvements budget by shifting cash funded improvements to debt funded improvements. Fund assets were used to purchase the additional debt. The additional debt was then immediately canceled, thus avoiding future debt service costs. Beginning in 2004, the PDAF draw was applied to reduce the city debt tax levy rather than the capital improvements tax levy. For 2009 the draw is \$6.5 million. At the end of 2008, fund assets will be used to prepay a portion of the principal and interest on city debt due in 2009, which will result in a reduction in the debt levy portion of the 2009 city debt budget.

2009 HIGHLIGHTS AND CHANGES

Major Capital Equipment: Instituted in 2002, Major Capital Equipment Accounts in the Fire Department and Department of Public Works' budgets will continue to fund the purchase of durable equipment with an original unit cost of \$50,000 or more through the capital budget. In 2009, the Fire Department will use \$1.7 million and the DPW Operations Division will use \$5.94 million to replace major fleet equipment.

City Hall Foundation and Hollow Walk: Milwaukee's City Hall is an architecturally significant landmark building listed in the National Register of Historic Places. A significant capital project restoring the building's watertight integrity and addressing structural problems with the towers, exterior walls, interior walls, and supporting structure is nearing completion. The total cost of this project is approximately \$70 million and will be completed in late 2008. The 2009 capital budget includes \$1.8 million of continuing funding for the next phase of foundation and hollow walk repairs.

Emerald Ash Borer Readiness and Response: It is estimated that the City of Milwaukee has over 36,000 ash street trees and an estimated 150,000 additional ash trees on private lands. The street trees alone comprise an asset value of more than \$27 million. Emerald Ash Borer (EAB) has been discovered in neighboring counties and poses a tremendous threat to the survival of these ash trees. Not since Dutch Elm Disease has the city's tree canopy experienced a devastating threat. Beginning in 2009, the Department of Public Works will begin a biannual pesticide injection in half of all street trees every year to protect against EAB infestation. Funding for 2009 also includes conducting remote species mapping using hyper spectral imaging technology to identify the location of all ash trees in the city.

Tax Increment Financing Districts: The 2009 capital budget includes \$40.7 million of funding (\$36.3 million self supported borrowing and \$4.4 million cash revenues) to promote economic development and job growth through tax increment financing.

Large Scale Project Budget Reporting: In response to the Comptroller's audit of the Canal Street construction project, Common Council File 061597 defines a large scale project as a capital project whose components total at least \$2 million in total funding, grantor and city share. The table on the following page identifies these large scale projects to be funded in 2009 by all funding sources associated with the projects, including grant and enterprise funds.

Other capital projects included in the 2009 budget are described in more detail in the departmental operating budget sections of the 2009 *Plan and Budget Summary*. Please refer to these sections for more detail on these projects.

C. CAPITAL IMPROVEMENTS

2009 LARGE SCALE PROJECTS FUNDING BY SOURCE

	CITY FUNDED CONSTRUCTION	GRANT FUNDS	SEWER ENTERPRISE	WATER ENTERPRISE	STREET LIGHTING	CONDUIT/ MANHOLES	PROJECT TOTAL
N 76TH ST(W CENTER ST TO W APPLETON AV)	\$901,800	\$8,819,200	\$430,000	\$945,000	\$231,000	\$40,000	\$11,367,000
N 27TH ST (W ST PAUL AV TO W HIGHLAND BLVD)	\$375,000	\$2,125,000	\$0	\$0	\$220,000	\$120,000	\$2,840,000
W BLUEMOUND RD (ZOO TO MAYFAIR RD)	\$245,000	\$2,345,055	\$0	\$0	\$3,000	\$10,000	\$2,603,055
W BROWN DEER RD (N 91ST ST TO N 124TH ST)	\$25,000	\$2,300,000	\$0	\$0	\$0	\$0	\$2,325,000
S HOWELL AV (EW HOWARD AV TO E WILBUR AV AND S CHASE AV - S HOWELL AV TO E OHIO AV)	\$420,000	\$3,680,000	\$58,000	\$0	\$97,000	\$230,000	\$4,485,000
W LISBON (SOO LINE ROW TO N SHERMAN BL)	\$476,000	\$1,888,000	\$0	\$0	\$14,000	\$50,000	\$2,428,000
W LOOMIS RD (W FARDALE AV TO S 51ST ST)	\$75,000	\$10,925,000	\$0	\$0	\$0	\$0	\$11,000,000
W OKLAHOMA AV (S 60TH ST TO S 72ND ST)	\$790,000	\$3,160,000	\$0	\$0	\$14,000	\$20,000	\$3,984,000
W FOREST HOME AV (S 43RD ST TO HWY 100)	\$376,000	\$5,964,000	\$0	\$0	\$0	\$0	\$6,340,000
W FOREST HOME AV BRIDGE OVER KINNICKINNIC RIVER	\$25,000	\$1,838,000	\$0	\$250,000	\$10,000	\$0	\$2,123,000
W HAMPTON AVE BRIDGE OVER LINCOLN CREEK	\$402,000	\$1,608,000	\$0	\$0	\$10,000	\$10,000	\$2,030,000

Property Tax Supplemented Funds

RECEIVED

LOG. NO. 102

CITY OF MILWAUKEE

EXHIBIT

tabbies

2

THE 1985 CAPITAL BUDGET

AND THE 1986-1991

CAPITAL IMPROVEMENTS PROGRAM

Capital Improvements Committee

DAVID A. KUEMMEL, Chairman
Commissioner of Public Works

WILLIAM RYAN DREW
Commissioner of City Development

JAMES A. McCANN
Comptroller

ALTERNATES

DANIEL BOYCE
Deputy Commissioner of City Development

HERMAN P. ZANONI
Deputy Commissioner of Public Works

W. MARTIN MORICS
Deputy Comptroller

CONSULTANTS TO COMMITTEE

EDWIN J. LASZEWSKI
City Engineer

JENANN OLSEN
Director of Strategic Planning

CAROL A. BROMAN
City Tax Commissioner

WALLACE E. BURKEE
Director - Community Development
Agency

CAPITAL IMPROVEMENTS ADMINISTRATION

LYLE E. KAMLAH
Program Coordinator - Secretary

GERARD J. FROH
Capital Program Specialist

JANE WALDOCH
Clerk-Typist

DIANA L. BALCERZAK
Clerk-Typist

THE PURPOSE OF THE CAPITAL IMPROVEMENTS PLAN

In order to meet the economic development needs of the City and preserve its existing physical plant (infrastructure), the City must plan carefully. Potential capital projects must be considered within the context of present as well as future needs and financial resources. Projects that protect the public health such as sewers and water mains, are obviously important as are the bridges and streets that transport our citizens and commodities. Projects that maintain our quality of life such as street trees, boulevards, playgrounds, libraries and efforts to enhance the beauty of our riverfront and downtown are as important to our efforts to attract and keep citizens and businesses as are our direct efforts at preserving our neighborhoods and developing our economy. All of these projects must compete for the limited funds available. Many worthwhile projects that are not funded could have been funded if the City were willing to use more of its bonding capacity. This would not, however, be prudent because every dollar borrowed today must be paid back with about one dollar and sixty cents in future revenues.

THE ROLE OF THE CAPITAL IMPROVEMENTS COMMITTEE

On June 30, 1941, the Milwaukee Common Council appointed a "Long-Term Improvement Program Technical Committee" and instructed this committee "to prepare a long-term improvement program for the City of Milwaukee of six years or more, to be submitted to the Common Council at the earliest possible date." The first report prepared by this committee was for the years 1944 through 1949. The committee was then authorized "to submit annually to the Common Council at budget-making time a revised six-year program of public improvements." In July of 1952, the name of the committee was changed to "Capital Improvements Committee."

The Committee was reorganized and streamlined in 1965 to place greater emphasis on the planning aspects of the capital program. The new Committee was comprised of the Commissioner of Public Works as Chairman, the Director of City Development and the City Comptroller. Thus, each member brought to the Committee one of the three key areas of planning required to carry out effective capital programming. They include:

1. Public Works Management
2. Comprehensive Planning
3. Financial Planning

The Committee was also assigned a number of consultants including the City Engineer, the City Planning Director, the Tax Commissioner and the Director of Community Development. The Committee was assigned the following duties:

1. Develop a Six-Year Capital Improvements Program based on the anticipated construction or capital acquisition needs of all departments under the control of the Common Council. Submit to the Common Council for its information the suggested Six-Year Capital Improvements Program including:

The total estimated construction costs.

The impact upon tax rates.

Recommendations concerning financing of the program.

The correlated fiscal impact of other taxing units' capital programs.

2. Establish criteria upon which project priority may be based, to include but not necessarily limited to the following:

Effect on the assessed valuation of the City.

Interrelationship of each project with other projects.

Effect of each project on the welfare and progress of the City.

The number of residents favorably or adversely affected by the completion of each project.

Each project's relationship to the City's general development plan with emphasis upon the Six-Year Capital Improvements Program and the Community Renewal Plan.

3. Determine a priority for each project within the program based upon the established criteria.
4. Secure supporting data, justification for proposed projects, accurate cost estimates and a listing of departmental services and facilities and projected operating costs related to each construction project.
5. Submit a Capital Improvements Budget within such principles, limitations or guidelines as established by the Common Council.
6. Coordinate and expedite completion of the Capital Improvements Program as recommended to the Common Council; and to prepare semi-annual progress reports on the program; and to supplement this semi-annual report with monthly report of project status which places emphasis on projects which are behind in their predetermined construction schedule.