

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Date: July 18, 2018

To: Members of the Milwaukee County Capital Improvements Committee

From: Vince Masterson, Capital Budget Coordinator; Office of Performance, Strategy and Budget, Department of Administrative Services

Subject: Preliminary Financing Goals for the 2019-2023 Capital Improvement Plan

The following report provides information regarding the preliminary financing guide (guide) for the 2019-2023 Capital Improvement Plan. **Due to separate financing sources, the Airport is NOT included in the Financing Goals.**¹ The guide provides an estimated total amount of capital project costs the County can incur (per budget year) based on the following assumptions:

1. Annual Bond Financing Cap

Policy:

The annual bond limit is defined by County Board file number 03-263, an annual (**self-imposed**) bonding cap to which policy-makers have generally adhered. The annual bond cap represents a 3% increase over the prior year's Adopted bond base. Bond financing related to the Airport is non-corporate purpose and is therefore not included in the annual calculation.

Previous Year Requested Projects, Adopted Projects and Bond Cap:

Departments requested approximately 62 bond eligible capital projects totaling \$67.8 million in 2018.²

The calculated bonding cap for 2018 was \$39.67 million.

The 2018 Capital Improvement Budget included 19 capital projects with a final bond financing amount of \$39.64 million (or -0.1% below the bond cap). Forty-three capital projects totaling approximately \$28.2 million were unable to be funded within the bond cap. These projects are moved to the subsequent year (2019) in the Five-Year Capital Improvement Plan (CIP) document for planning purposes and to assist departments for next year's capital budgeting process.³

¹ Airport capital projects are typically funded with general airport revenue bonds, airport reserve revenue, passenger facility charge revenue, and federal and state revenue.

² 2018 Capital project WO60201-Enterprise Platform Modernization (\$5.8 million) included bond financing of \$3 million and cash financing of \$2.8 million. Therefore, this project is included in both the cash and bond financing project count.

³ The CIP document is included as part of the annually adopted Capital Improvement Budget and is part of the budget document.

2019 Estimated Bond Cap:

Based on the 2018 adopted bond amount, the 2019 bonding cap would be calculated at \$40,831,578. However, approved County Board resolution 17-496 accelerated \$2,713,000 of planned 2018 bond financing to 2017 for capital project WZ11901-Zoo Adventure Africa-Elephants Exhibit.

As a result, the \$2.71 million is added to the \$40.8 million (2018) bond financing base resulting in a **2019 bonding cap of \$43,625,968**. This “adjusting” language is noted in the 2018 Adopted Capital Improvement Budget as well as County Board file number 17-496.

2019 Departmental Capital Requests:

The 2019 Departmental Capital Requests include approximately 44 projects, totaling \$55.9 million of (preliminarily) bond eligible requests.⁴

<u>Project Category</u>	<u>#</u>	<u>\$ (Millions)</u>
Mandated, Ongoing/Continuing, and/or Contractual Obligations	12	\$23.7
Programmatic	6	\$13.9
All Other Non-Categorized/Non-Bond Eligible	26	\$18.3
TOTAL	44	\$55.9

2. Cash Financing Goal

Policy:

Beginning with the 1995 Adopted Capital Improvement Budget, the County established a cash financing goal of 20 percent. County cash financing primarily consists of *sales tax and tax levy* for non-airport capital projects. Private contributions have historically been included as part of the **net** County funding contribution and beginning with the 2017 Adopted Capital Improvement Budget, revenue from the Vehicle Registration Fee was also included within the County “cash” category.

Previous Year Requested Projects, Adopted Projects and Cash Goal:

Departments requested approximately 73 non-bond eligible (i.e. cash) capital projects totaling \$35.6 million in 2018.

The calculated 20% cash financing goal in 2018 was \$10.6 million.

The 2018 Adopted Capital Improvement Budget included 9 capital projects with a final cash financing amount of \$5.4 million, equating to a 12% cash goal. The cash financing consisted of the following:

- \$4.84 million Sales Tax (90%)
- \$0.30 million Vehicle Registration Fee (5%)
- \$0.25 million Property Tax Levy (5%)

Sixty-four non-bond eligible capital projects (totaling \$30.2 million) were unable to be funded in 2018. These projects are moved to the subsequent year (2019) in

⁴ 2019 Capital project WO60201-Enterprise Platform Modernization (\$6.9 million) includes bond financing of \$3 million and cash financing of \$3.9 million. Therefore, this project is included in both the cash and bond financing project count.

the CIP document for planning purposes and to assist departments for next year's capital budgeting process.

2019 Estimated 20% Cash Goal:

For 2019, a 20% Cash financing goal for the County's share of each capital improvement project is estimated at **\$10,906,492**.

2019 Preliminary Departmental Capital Requests:

Preliminary 2019 Departmental Capital Requests includes 57 projects totaling \$30.7 million of (preliminarily) non-bond eligible (i.e. cash) projects. Of that amount, 4 projects totaling \$6.2 million falls within projects that are mandated, ongoing/continuing, and/or contractual obligations. This is \$800k more than what was appropriated in the 2018 Adopted Capital Improvement Budget for cash financed projects.

<u>Project Category</u>	<u>#</u>	<u>\$ (Millions)</u>
Mandated, Ongoing/Continuing, and/or Contractual Obligations	5	\$6.2
Programmatic	5	\$4.3
All Other Non-Categorized/Non-Bond Eligible	47	\$20.2
TOTAL	57	\$30.7

3. 2019 Bond and Cash Financing Estimates / 2019 Capital Project Requests

Table 1 - Estimated Available County Financing for Capital Projects (Excludes All Airport (WA) Projects)

	<u>2018 (Adopted BASE)</u>	<u>2019</u>
Bond Cap (Actual for 2018)	\$39,642,309	\$43,625,968
Cash Financing Goal (Actual for 2018)	\$5,409,618	\$10,906,492
Available Financing for Capital Projects:	\$45,051,927	\$54,532,460
<i>TOTAL County Cash Finance</i>	12.0%	20.0%

Table 2 - Preliminary Departmental Capital Project Requests (estimated County Share of Project Costs)

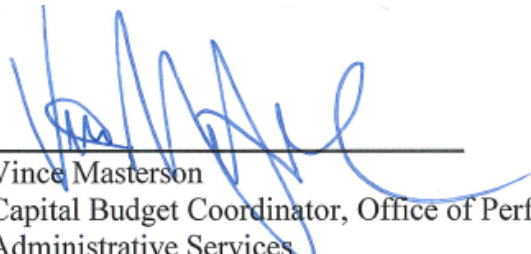
	<u>2018 (Adopted BASE)</u>	<u>2019</u>
TOTAL Capital Project Requests:	\$103,449,180	\$86,674,026

Table 3 - Estimated County Financing Shortfall

Estimated County Financing CASH Shortfall:	(\$30,209,534)	(\$19,857,157)
Estimated County Financing BOND Shortfall:	(\$28,187,719)	(\$12,284,409)
Estimated County Financing Shortfall:	(\$58,397,253)	(\$32,141,566)

Please keep in mind that this is a preliminary guide and is subject to modification. Any revisions to the guide made as a result of such changes, will be given to members at the

next Capital Improvements Committee meeting. Additionally, the bond-eligibility of requested projects is preliminary and may be modified based upon the Comptroller Office review.



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