REVISED
5-1-23

**COUNTY OF MILWAUKEE**
Inter-Office Communication

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| Date: | April 20, 2023 |
| To: | Marcelia Nicholson, Chairperson, Milwaukee County Board of Supervisors |
| From: | Joe Lamers, Director, Office of Strategy, Budget, and Performance |
| Subject: | Informational report regarding Milwaukee County's 5-Year Capital Improvement Program, funding policies, and potential strategies. |
| File Type: | Informational Report |

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## REQUEST

As part of the County's Strategic Planning effort tied to fiscal health, the Office of Strategy, Budget, and Performance (SBP) is providing an informational report outlining:

1. County capital project funding and related policies
2. Deferred maintenance relative to the Milwaukee County's (County) 5-Year Capital Improvement Program (CIP) and bond funding scenarios
3. Bond funding scenario(s) impact to County debt service, property owners, agency bond ratings, and compliance with state statue
4. Project management capacity
5. Strategies to address the deferred capital projects within the County's CIP

## POLICY

This report aligns to Chapter 108: Achieving Racial Equity & Health.

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| Milwaukee County Code of General Ordinances: | Chapter 108: Achieving Racial Equity & Health |

## BACKGROUND

Due to a number of different factors and conditions, the County maintains a significant backlog of capital projects that has accrued over several years. Primary issues are centered around the large County infrastructure footprint, available funding, and project management capacity.

County Funding for Capital Projects (Bonds and Cash)

The County's capital improvements program (excluding airport projects) is primarily financed by general obligation bonds/notes and cash (mainly sales taxes and property tax levy). Projects that are eligible to be financed with general obligation/notes are typically financed with general obligation/notes. The funding options included in this report assume that approximately seventy percent of the annual capital project needs are bond-eligible with the remaining thirty percent as not bond-eligible (and require cash financing).[1]

Airport projects are generally funded with Passenger Facility Fees, Airport Reserves, and General Airport Revenue Bonds (GARBS). As a result, Airport projects do no impact the County's overall tax levy and are not part of this report.

*Bonds*

For non-Airport related capital projects, the County issues general obligation bonds. Proceeds of these bonds may be used to finance infrastructure related activities of the County. The United States Internal

[1] The percentage of non-bond eligible projects is based upon actual capital budget requests during the annual capital budget process since 2015.

Revenue Service (IRS) and state statute maintain rules and regulation that dictate and limit the use of bond proceeds, and therefore, what County capital projects are bond eligible. Capital projects that are not bond eligible must then be financed through County cash (primarily sales tax and tax levy) and/or other financing sources (i.e. private contributions, federal-state-locals funds, etc.).

The County has an adopted policy (County Board file number 03-263) limiting the amount of corporate purpose bonds issued to finance capital improvement projects. Under this policy, corporate purpose bond issuance is limited to an increase of no more than 3% over the preceding year's adopted bond amount.[2]

In general, the total bond-eligible projects submitted during the annual departmental capital request phase is significantly higher than the County's available Bond financing. Since 2015, approximately 59% of requested project funding needs can be met, leaving a gap of about $30.1 million when comparing requests to the annual bond limit. Just under 61% of requested project funding has been adopted in the same time period, leaving a shortfall of approximately $28.8 million. Since 2015, the median number of requested projects that get adopted is approximately 52%.

**County Bond Funding (Excluding Airport)**

| | | | | *VAR: Bond Limit to Bond REQ* | | *VAR: Bond Adopted to Bond REQ* | |
|---|---|---|---|---|---|---|---|
| BUDGET YR | BOND REQ | BOND LIMIT | BOND ADOPTED | VAR Limit to REQ | % REQ $s FUNDED | VAR Adopted to REQ | % REQ $s FUNDED |
| 2015[3] | $42,712,000 | $38,590,554 | $51,734,665 | ($4,121,446) | 90.4% | $9,022,665 | 121.1% |
| 2016[4] | $71,328,011 | $42,580,193 | $39,234,810 | ($28,747,818) | 59.7% | ($32,093,201) | 55.0% |
| 2017 | $71,997,939 | $40,411,854 | $41,147,918 | ($31,586,085) | 56.1% | ($30,850,021) | 57.2% |
| 2018[5] | $73,718,901 | $39,669,356 | $39,642,309 | ($34,049,545) | 53.8% | ($34,076,592) | 53.8% |
| 2019 | $56,238,941 | $43,625,968 | $43,619,074 | ($12,612,973) | 77.6% | ($12,619,867) | 77.6% |
| 2020 | $78,147,924 | $44,927,646 | $44,927,646 | ($33,220,278) | 57.5% | ($33,220,278) | 57.5% |
| 2021 | $82,304,205 | $46,275,475 | $46,275,475 | ($36,028,730) | 56.2% | ($36,028,730) | 56.2% |
| 2022[6,7] | $134,656,702 | $44,505,364 | $89,505,364 | ($90,151,338) | 33.1% | ($45,151,338) | 66.5% |
| 2023[8] | $104,820,197 | $45,840,525 | $108,718,761 | ($58,979,672) | 43.7% | $3,898,564 | 103.7% |
| *MEDIAN* | *$73,718,901* | *$43,625,968* | *$44,927,646* | *($30,092,933)* | *59.2%* | *($28,791,255)* | *60.9%* |

[2] In June 2003, the County Board issued $100,025,000 in general obligation refunding bonds to advance refund various maturities from the 1994 through 2002 corporate purpose bond issues. The refunding increased the County's overall outstanding debt service by $48.7 million. In order to minimize the impact of this refunding on the County's debt service, the County Board also adopted a change in the County's debt management goals restricting future borrowing. In effect, this policy limited 2005-2007 borrowing to an increase of no more than $1 million over the previous year's corporate purpose bond amount. In addition, the corporate purpose bond amount for 2008 was set at a not-to-exceed amount of $30 million, and future not-to-exceed amounts are to increase by 3 percent over the previous year's bond amount.

[3] The 2015 Adopted Capital Improvements Budget included Project WP0481 Parks Infrastructure Projects. The project included $9,154,472 of general obligation financing. The 2015 Budget indicated that the $9,154,472 of general obligation bond financing was not to be included in the 2016 bonding limit.

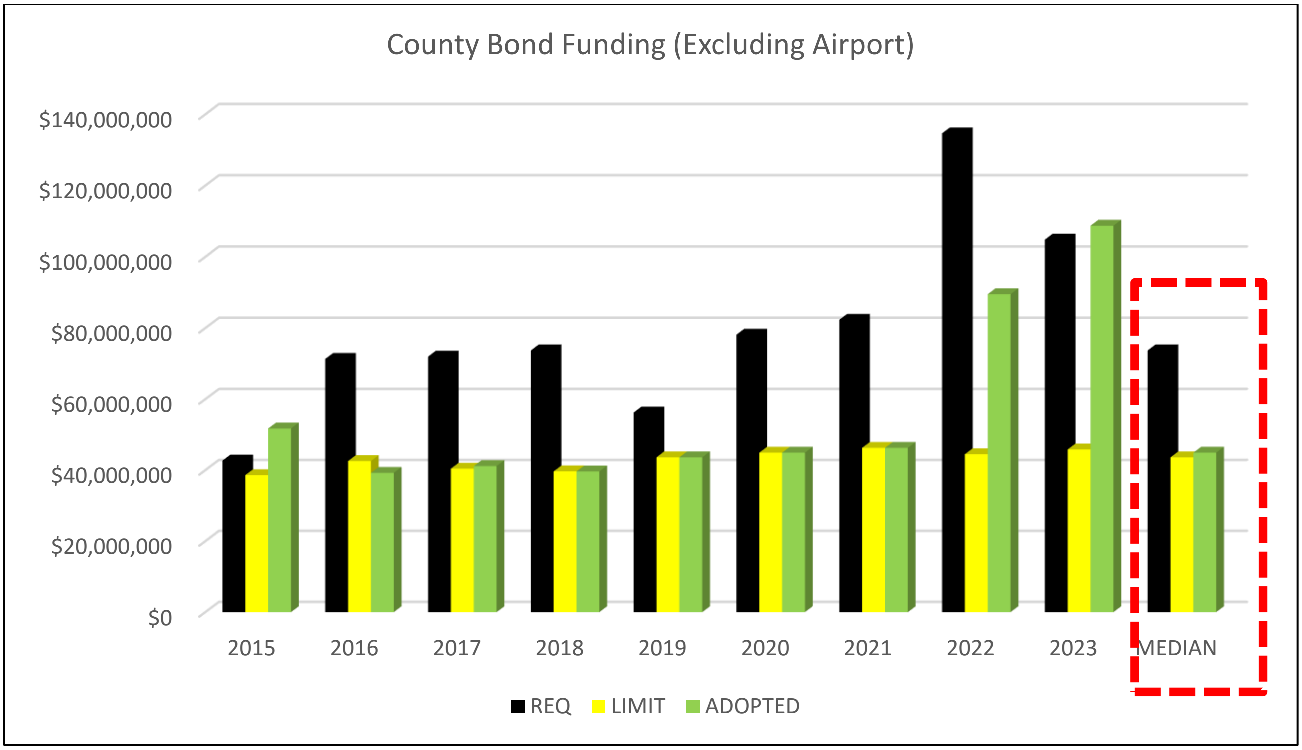
[4] Total General Obligation bond financing included in the 2015 Adopted Capital Budget is $51,734,665. County Board amendment 1B002 created capital project WP481 as part of the 2015 Capital Budget process and included bond financing of $9,154,472. However, the amendment also included language stipulating: "the calculation of the 2016 bonding cap shall not include the bond financing included in this project." As a result, the 2015 Bonding Base assumed for the 2016 Bonding Cap calculation is reduced from $51,734,665 to $42,580,193. The adopted bonding amount of $39.23 million is closer to the calculated bonding amount based on the typical 3% annual increase from the 2015 bonding limit ($39.75 million).

[5] The 2018 Bonding Cap was reduced to reflect County Board Resolution #17-496 that accelerated $2,713,000 of planned 2018 bond financing to 2017 for Project WZ11901 – Zoo Adventure Africa – Elephants Exhibit.

[6] The 2022 Bonding Cap was reduced pursuant to adopted County Board Resolutions #21-314 and #21-273.

[7] Contingent upon Milwaukee Public Museum, Inc. (MPM) meeting specific conditions and requirements, adopted County Board file #22-454 has committed $45 million in general obligation bonds (or notes) towards the construction of a new museum facility that replaces the existing building located at 800 West Wells Street. The total cost of the new facility is estimated at $240 million ($45 million County, $40 million State of Wisconsin, $155 million MPM). The 2023 Capital Budget excludes the new museum bonding amount from the 2023 bonding cap of $45.8 million. The table above includes the County commitment to illustrate the $45 million impact relative the annual bond limit and bond request category.

[8] The Adopted 2023 Capital Improvements Budget included Project WC020901 - Forensic Science Center - Phase 2 has partial bond funding of $62,899,560, or 58% of the total bond funding. All other (non-airport) capital projects total $45,819,201.




*Cash*

Beginning with the 1995 capital budget, the County established a cash-financing goal of twenty percent to be implemented over a ten-year period. The annual cash goal is based off twenty percent of the Net County Funding Contribution (which excludes Federal/State/Local revenue sources).[9]

The annual cash goal reflects 20% of the Net County Funding Contribution (which excludes Federal/State/Local revenue sources). County cash financing primarily consists of sales tax and property tax levy for non-Airport capital projects.[10] The Vehicle Registration Fee (VRF) was introduced as part of the 2017 Adopted Budget and is recognized as a County cash contribution. It should be noted that the VRF revenue source has been used to help fund Transit ($16.1 million in 2023) and Fleet ($1.1 million in 2023) operational budgets with limited to capital budget allocations being made in 2017 ($1.97 million) and 2018 ($315,000). Typically, private contributions are onetime (non-County) allocations to specific capital projects pursuant to specific agreement(s). In order to more accurately account for the true County cash (i.e. sales tax, property tax, and VRF) capital contribution requirements for non-Airport projects and private contributions are excluded.

Non-bond eligible projects at the Departmental Request Phase, consistently outpace the County's ability to cash finance projects using sales tax and/or tax levy. Since 2015, 35% of project funding is realized, leaving a shortfall of about $20.7 million when comparing requests to the annual cash goal of twenty percent. Just over 26% of requested project funding has been met in the same time period, leaving a shortfall of just under $23.5 million. Since 2015, the median number of requested projects ultimately adopted is approximately 22%.

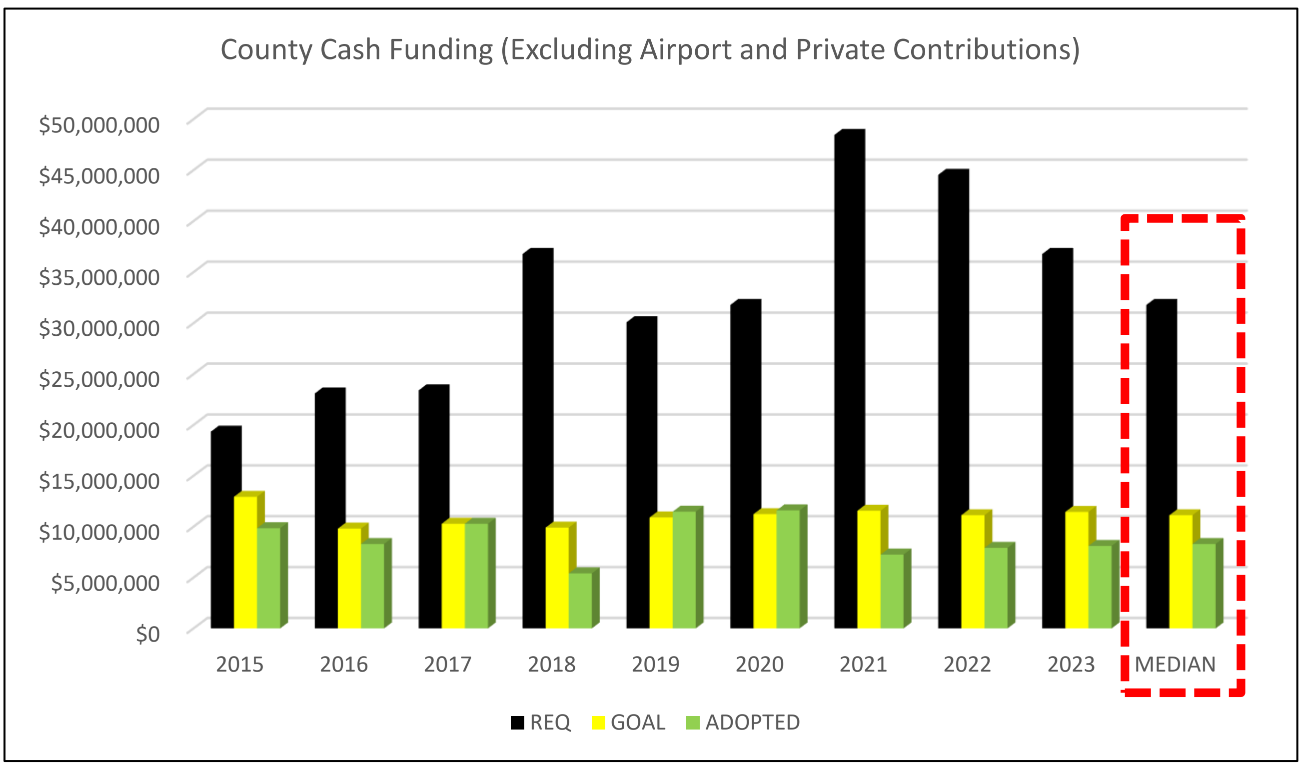
[9] Private contributions are excluded from the cash financing calculation. Typically, private contributions are one-time (non-County) allocations to specific capital projects pursuant to specific agreement(s).

[10] The availability of sales tax revenue and property tax levy is limited by other operational needs and the State's local levy limit statutes pursuant to Wisconsin Statute 66.0602

Even if it is assumed the County is able to meet its cash financing goal of twenty percent of the Net County Funding Contribution for each year, there are large gaps anticipated that cannot be financed based on current available resources without making significant reductions to operating departments.

**County Cash Funding (Excluding Airport and Private Contributions)**

| | | | | *VAR: Cash Goal to Cash REQ* | | *VAR: Cash Adopted to Cash REQ* | |
|---|---|---|---|---|---|---|---|
| BUDGET YR | CASH REQ | CASH GOAL | CASH ADOPTED | VAR Goal to REQ | % REQ $s FUNDED | VAR Adopted to REQ | % REQ $s FUNDED |
| 2015 | $19,342,632 | $12,933,666 | $9,846,769 | ($6,408,966) | 66.9% | ($9,495,863) | 50.9% |
| 2016 | $23,095,097 | $9,808,703 | $8,293,468 | ($13,286,395) | 42.5% | ($14,801,629) | 35.9% |
| 2017 | $23,400,414 | $10,286,980 | $10,286,987 | ($13,113,435) | 44.0% | ($13,113,427) | 44.0% |
| 2018 | $36,785,176 | $9,910,577 | $5,409,618 | ($26,874,599) | 26.9% | ($31,375,558) | 14.7% |
| 2019 | $30,085,532 | $10,904,769 | $11,476,492 | ($19,180,764) | 36.2% | ($18,609,040) | 38.1% |
| 2020 | $31,783,042 | $11,231,912 | $11,600,094 | ($20,551,131) | 35.3% | ($20,182,948) | 36.5% |
| 2021[11] | $48,452,372 | $11,568,869 | $7,256,584 | ($36,883,503) | 23.9% | ($41,195,788) | 15.0% |
| 2022 | $44,540,834 | $11,126,341 | $7,914,736 | ($33,414,493) | 25.0% | ($36,626,098) | 17.8% |
| 2023[12] | $36,782,814 | $11,454,800 | $8,103,873 | ($25,328,014) | 31.1% | ($28,678,941) | 22.0% |
| *MEDIAN* | *$31,783,042* | *$11,126,341* | *$8,293,468* | *($20,656,701)* | *35.0%* | *($23,489,574)* | *26.1%* |




[11] To more accurately reflect normal "cash" funding of projects with sales and property tax, $3,763,816 was removed from the CASH ADOPTED column as that amount reflects a one-time draw from the Department of Health and Human Services - Behavioral Health Division's reserve account used to partially fund capital project WS012601 - Youth Services Admin Relocation and Tenant Improvements.

[12] To more accurately reflect normal "cash" funding of projects with sales and property tax, $10,000,000 was removed from the CASH ADOPTED column as that amount reflects a one-time draw from the County's Debt Service Reserve Fund used to partially fund capital project WC020901 – Forensic Science Center.

Deferred Maintenance – County Capital Projects CIP and Increased Bond Funding Scenarios

Given the fiscal challenges facing the operating budget and assuming relatively flat revenue growth as well as assumed annual cost to continue increases, it is unlikely that additional cash resources will be available to shift from operations towards the financing of cash capital projects. In light of this, a review of (estimated) bond eligible projects that are part of the County's 5-YR CIP was undertaken, including an analysis of three bond funding scenarios.

The capital project data used in this report/analysis includes the following:

1. Years 2 – 5 (2024 – 2027) of the 2023 adopted 5-YR CIP and forecasted year 2028;

2. Year 2028 figures is an estimate based on the previous 4 years data in the CIP (less the large, one-time costs for the New Criminal Courthouse project);

3. In general, the first year of the CIP includes estimates that are more realistic since one or more of the following steps have been completed:

   a. County cost estimating staff (or consultants) have provided initial (or conceptual) cost estimate(s);[13]

   b. Planning/Design has been completed in a previous phase and the final design and construction/implementation costs are known.

   It should be noted that project costs become more generalized in nature further out (from year 1 into years 2 – 5) as the majority of these projects have typically not had initial cost estimates performed and likely do not have completed design plans. Additionally, project needs are difficult to anticipate without full understanding of future operational needs, and (at least) initial levels of project scope and design development.

*Bond Scenarios*

The SBP consulted with the Office of the Comptroller and worked with Public Financial Management (PFM), the County's Financial Advisor, to develop scenarios based on the 5-year capital information provided by departments.

**It is important to note that the estimated requests for out-year capital projects are speculative. The actual amounts and projects could vary substantially.**

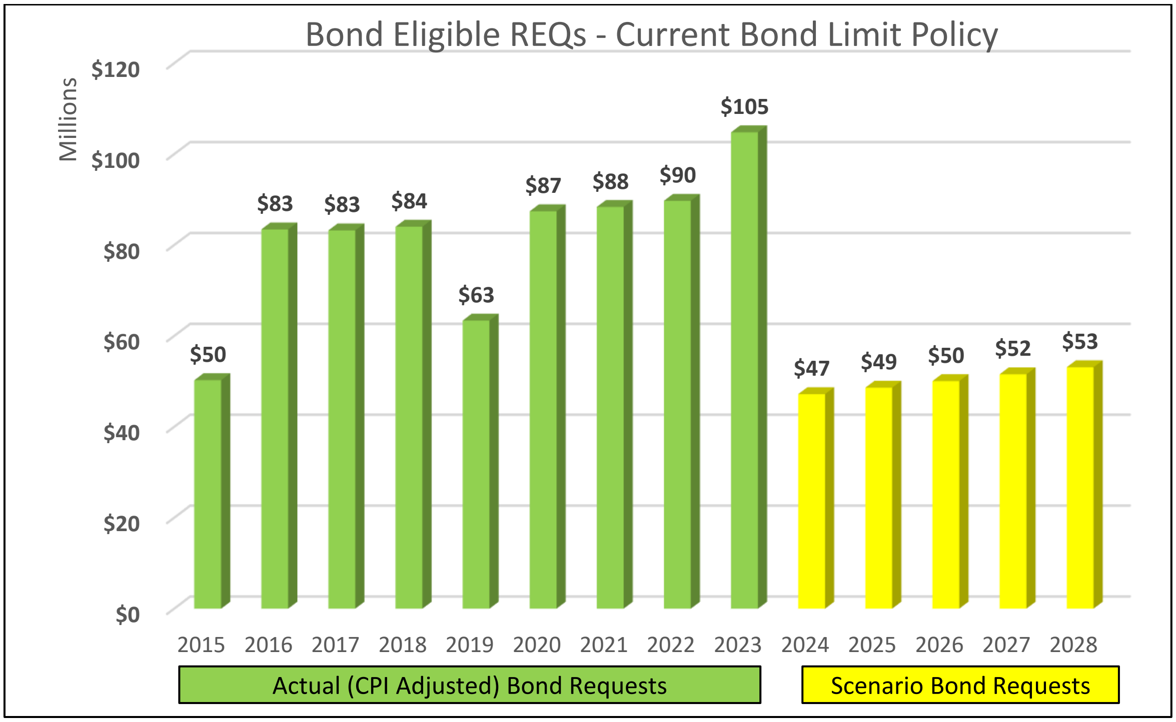
In general, year 1 preliminary capital project cost estimates are primarily provided by staff from the Department of Administrative Services (DAS) divisions (Facilities Management and Information Management Services) and Department of Transportation divisions (Transportation Services, Fleet, and Transit/ParaTransit).

The three bonding scenarios include the 1.) Current Bond Limit Policy; 2.) Modified Bond Limit Scenario; 3.) Full Funding.[14]

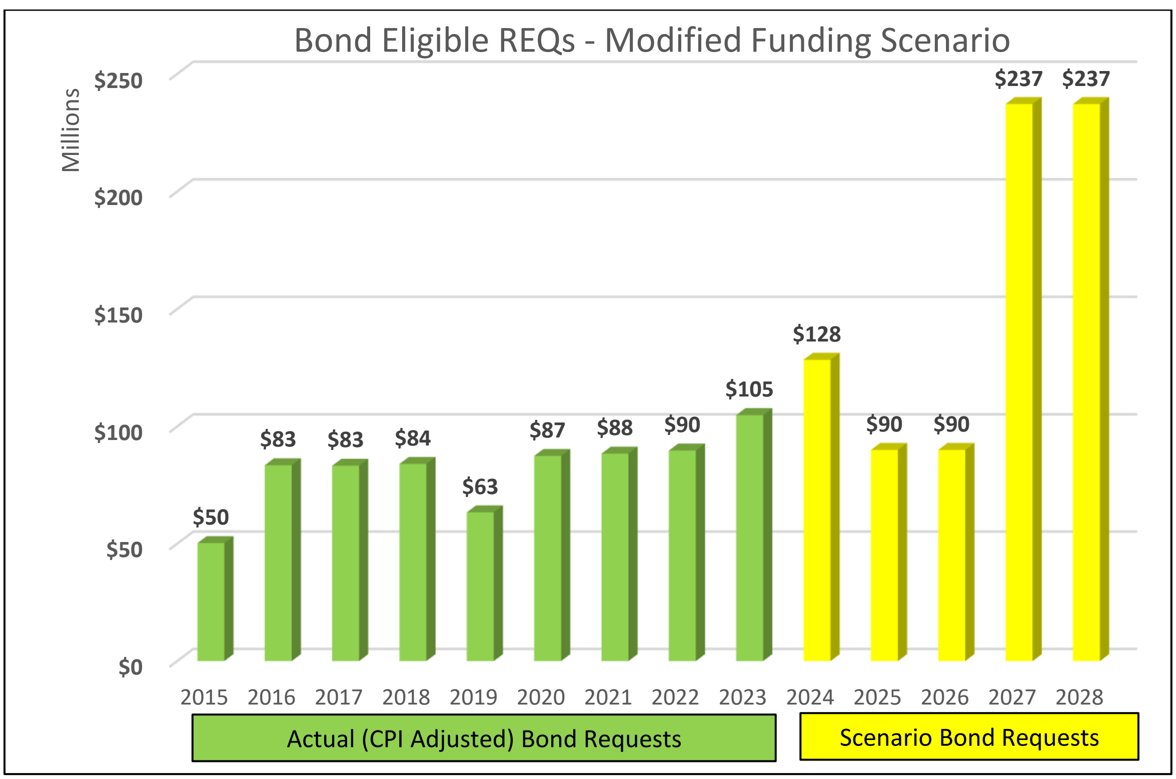
[13] A conceptual cost estimate refers to the efforts made to predict the cost of a project based on a generalized scope of work. The costs and scope of work become more refined as the project moves through the planning and design process and becomes more defined.

[14] The Wisconsin State Statutes do not allow the County to issue bonds to finance expenses that are not capitalized. Based on the last five years of capital requests, it is estimated that seventy percent of capital requests will be able to be financed with general obligation bonds or notes and the remaining amount will need to be financed with cash. NOTE: Year 2022 (in the bond scenario tables) excludes the $45 million bonding commitment for the new public museum as it was included in a separate County Board action (file #22-454) and not part of the annual capital budget request process.

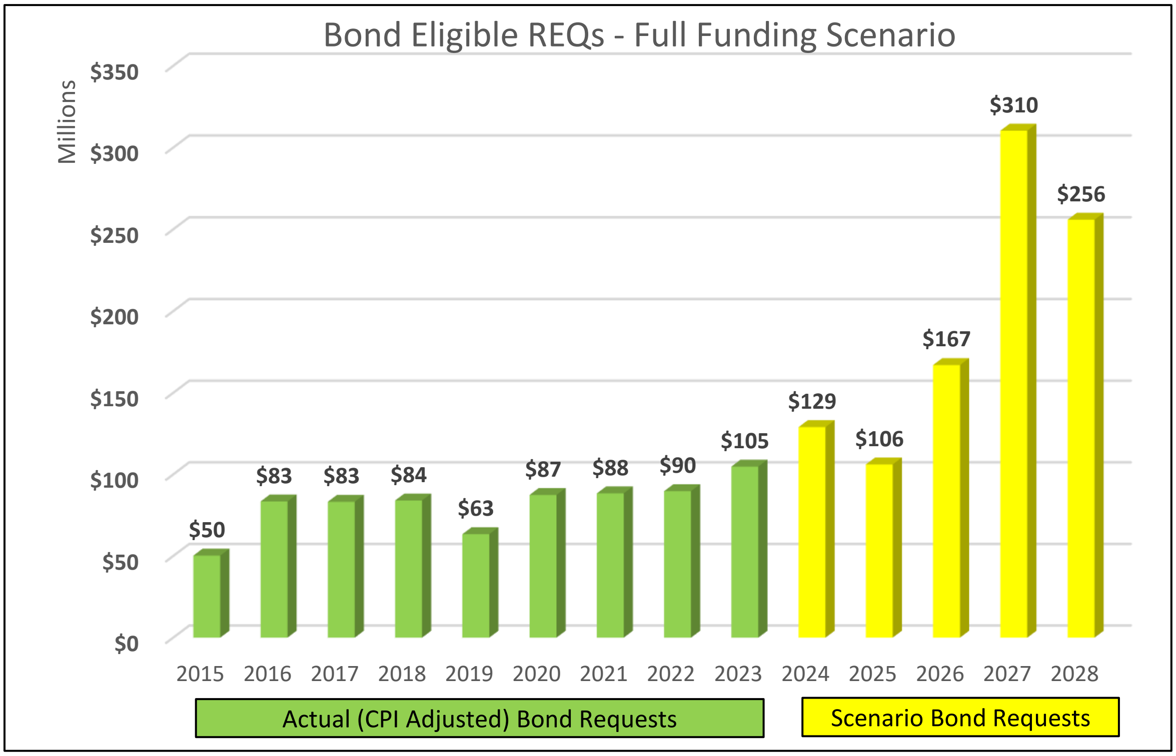
- Current Bond Limit Policy
    - Status quo annual 3 percent bond increase over the previous year's adopted bonding amount.




- Modified Bond Limit Scenario
    - Assumes an annual base amount of $90 million over the next 5 years plus full funding for the New Criminal Courthouse costs (phased over a four year period). The $90 million base reflects the (upward trending, inflationary adjusted) capital requests received from departments for the 2015 through 2023 capital budgets.



- Full Funding Scenario
    - Assumes the (annual) full financing of all estimated bond eligible project requests from years 2 – 5 (2024 – 2027) of the 2023 adopted 5-YR CIP and forecasted year 2028.




For each scenario, projected debt service expenses were developed. The projected debt service for the Full Funding and Modified Bond Limit scenarios were compared against the Current Bond Limit Policy. The comparison includes the differences in total debt service, total tax levy and tax levy impact to County property owners.

The table below reflects the estimated County (bond) funding available for (bond-eligible) capital projects over the next 5 years (2024-2028) relative to the three bonding scenarios.[15]

| **Est Bond Funding Scenarios (2024 - 2028)** | | |
|---|---|---|
| *Full Financing* | *Modified Bond Limit* | *Current Bond Limit* |
| $968,449,347 | $782,800,000 | $250,558,171 |

Bond Scenario Impact[16]
As part of this report, four key indicators were also reviewed relative to the three bonding scenarios:

1.) Debt service comparison(s)
2.) Compliance with State Statue (outstanding debt relative equalized value within the County)
3.) Tax Levy changes (County and Property Owners) 1 - Debt Service Comparison(s)
4.) Bond rating

[15] Data used reflects the most recently adopted (2023-2027) CIP and forecasted Year 2028.

[16] It is important to note that the key indicators provide a general forecasting model. The indicators are estimates and are subject to change based on a variety of factors. For example, the indicator used to show the impacts to property taxes paid by Milwaukee County homeowners is only the Milwaukee County portion of the property tax bill. Property owners would also experience increases/decreases relative to tax levy changes by other taxing authorities/jurisdictions (i.e. local school districts, municipalities, etc.) or changes in property values.

*Bond Scenario Impact*

The following table compares the estimated debt service as it relates each bond scenario.

| * $ Debt Service Impact (full term of debt repayment) * | | | |
|---|---|---|---|
| | *Current Bond Limit Policy* | *Modified Bond Limit Scenario* | *Full Financing Scenario* |
| *AVG (Annual DS Payment)* | $42,731,968 | $79,470,078 | $92,158,082 |
| *TOTAL (All DS Payment Yrs)* | $854,639,351 | $1,589,401,562 | $1,843,161,631 |

*Compliance with State Statute*

Under existing State law, the County maintains the ability to increase its annual tax levy relative to its debt service costs as long as the outstanding debt does not exceed five percent of the equalized value of the County.

The data is inclusive of pre-existing debt and debt issuance(s) beginning in year 2025 (for 2024 adopted bonds) through 2029 (for 2028 adopted bonds) as it relates to the most recently adopted CIP and funding scenarios. All three scenarios remain within State law limits through 2029. However, this analysis would need to be done each year to account for the assumed ongoing adopted bond financed projects approved in subsequent capital budgets (beyond 2028) as well as CIP updates made in subsequent budgets.

*Property Tax Levy Impact*

The tables below include a review of the estimated property tax levy impact to Milwaukee County property owners based on property values of $150,000, $250,000, and $350,000.

Property Tax Levy Impact to Milwaukee County-

| * County Levy Impact -- Incr from Current Bond Policy * | | |
|---|---|---|
| | *Full Financing* | *Modified Bond Limit* |
| *AVG (Annual DS Payment)* | $52,027,488 | $38,671,695 |
| *TOTAL (All DS Payment Yrs)* | $988,522,280 | $734,762,211 |

Property Tax Levy Impact to Property Owners-

| *County Levy Impact* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Current Bond Limit Policy | | | Modified Bond Limit Scenario | | | Full Financing Scenario | |
| *Property Value* | *ANNUAL AVG* | *TOTAL* | | *ANNUAL AVG* | *TOTAL* | | *ANNUAL AVG* | *TOTAL* |
| *$150,000* | *$62* | $1,235 | | *$110* | $2,194 | | *$126* | *$2,528* |
| *$250,000* | *$103* | $2,058 | | *$183* | $3,657 | | *$211* | *$4,213* |
| *$350,000* | *$144* | $2,881 | | *$256* | $5,120 | | *$295* | *$5,899* |

*AVG represents the averaged annual debt service payment increase while TOTAL reflects the cumulative amount over the life of the debt service payments.*

*Bond Rating Review*

Rating agencies grade bonds on a scale that indicates the credit worthiness and risk. In general, entities that have a high bond rating will pay a lower amount of interest on debt. Moody’s Investors Service, S&P Global Ratings and Fitch Ratings, respectively, have assigned the ratings of “Aa3”, “AA” and “AA+” to the County.

PFM has developed a proprietary rating calculator ("rating calculator") that forecasts an entities bond rating based on factors used by Moody's Investors Service ("Moody's"). Moody's uses a weighted average model based on the following factors:

- Economy (30%)
- Financial Performance (30%)
- Institutional Framework (10%)
- Leverage - Long-term Liabilities (20%)
- Leverage - Fixed-Costs (10%)

The projected maximum outstanding debt (par amount) for each of the scenarios was incorporated into PFM's rating calculator.[17] The rating calculator incorporates the factors used by Moody's that determine an entity's bond rating. For each of the three bonding scenarios, Full Financing, Modified Limit Policy, and Current Bond Limit Policy, the resulting maximum outstanding debt was input into the rating calculator.[18] Using the rating calculator, there were no changes to the bond rating for all scenarios.

It is difficult to anticipate the ratings impact of a dramatic increase in the County's outstanding debt. The long-term liabilities portion of the quantitative score represents twenty percent of the overall score. Other factors such as the County's institutional framework score may also be negatively impacted by the increase in outstanding debt. Finally, the other rating agencies also have criteria that relate to the County's direct debt that would be impacted.

Project Management Capacity Review

The majority (approximately 70%) of all authorized/funded capital projects is managed by Architecture and Engineering (A&E) section of the DAS-Facilities Management Division (FMD). Over the past several years, A&E has experienced staffing challenges due to retirements of key personnel over the past several years along with a difficult hiring market. In particular, there have been key retirements of 10 staff averaging over 23 years of experience in the past three years. Additionally, up to 12 other project management personnel are anticipated to retire within the next 1 to 4 years. The net effect of these challenges has impacted A&E's project management capacity, including its institutional knowledge.[19]

At the same time, the County has experienced a significant influx of capital funds from various Federal programs (Coronavirus Aid, Relief, and Economic Security Act (CARES), American Rescue Plan Act (ARPA)), Infrastructure Bill, and various State grants), and A&E has indicated it's normal annual $50M capital program has increased to over $250 million. A&E currently has over 300 active projects in various state(s) of completion, with a total value of over $500 million.

FMD has indicated that since early 2022, it has been working on steps to address the staffing and capacity issues by executing a multi-step strategy:

1. Working with the County Executive's office and leaders of County departments, we developed a 12-step project prioritization scheme, and assigned priority ratings to all active capital projects. A&E then allocated resources against all high priority projects and placed some lower priority projects on 'hold' (22).

[17] PFM's rating calculator does not provide a definitive representation of Moody's final rating calculations. It is a quantitative scorecard that helps estimate what Moody's could rate a municipality. To create a base case scenario, PFM input figures from the County's most recent Moody's ratings report from January 2023, which resulted in a calculated rating of A2, two notches below the County's actual Moody's rating of Aa3.

[18] All other factors were held constant based on current information, which are being used to determine the County's current bond rating.

[19] In September, 2022, the FMD provided an informational report (#22-953) to the County Board providing an update on the current staffing and the impact on the County capital program, and strategies to address the situation.

2. For ARPA-funded capital projects, A&E has contracted with an external consultant to set up and operate a Program Management Office, work with customer departments to assist in project execution, and assign additional project management resources as needed.

3. A&E has added ARPA-funded internal resources (2 new positions) to assist with the workload and provide a talent pipeline to fill future vacancies. A&E has actively recruited for and filled open positions through internal promotions plus new external hires.

4. Completing a major reorganization of A&E & ES with all team members to increase efficiency, productivity, and customer focus. Our specific goals include:
    a. Improve performance of all aspects of project delivery
    b. Create paths for career succession
    c. Deliver superior Customer Service
    d. Provide workload balance

5. Adding external resources to supplement the A&E staff with project management support for non-ARPA projects.

At this time A&E is re-activating all projects that were placed on hold in 2022 and continues to revise processes and systems to streamline operations. While some staff positions remain open and challenging to hire, all key leadership positions have been filled. FMD staff has indicated while some of these steps are still ramping up, executing the above strategy has helped to significantly address capacity constraints within the organization and has placed the A&E organization in a much better place to be able to evaluate and address additional projects in the capital plan as they are proposed.

**The DAS, SBP and Office of the Comptroller will continue to work together to monitor project completion on an on-going basis.**

**<u>Any consideration of significantly increasing the bonding cap from its current policy (in order to substantially increase the volume of funded projects) should be evaluated only after a review of overall (Countywide) project management capacity relative to the proposed bonding cap increase has been done.</u>**[20] Significant increases in the volume of projects (due to a surge in funding) could lead to project delays and increased costs if not properly balanced with adequate project management staffing levels. A review would allow time for staff, consultants, and other stakeholders to provide an assessment of the volume and type of projects within the current 5-Year Capital Improvement Plan relative to the number of staff (and consultants) that would be required to support the project management efforts tied to a proposed bonding cap increase and higher number of funded projects.

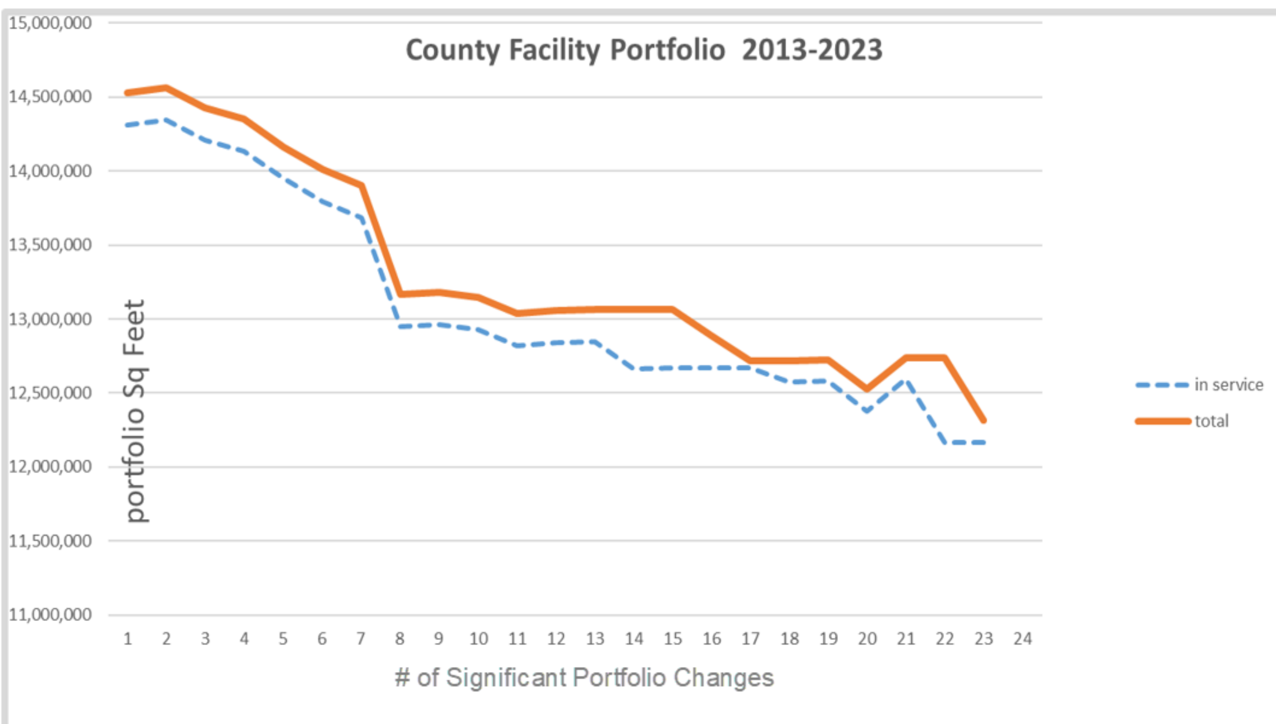
<u>Steps to Address Deferred Capital Projects</u>
Over the last few years, the County has developed a number of cross-cutting process improvements to begin addressing the deferred capital maintenance issue. These work activities include the following:

1. Capital Improvement Committee (CIC) and Project Scoring Methodology
    a. The CIC was established Pursuant to Milwaukee County Ordinance (chapter 36) and utilizes a capital project scoring criteria and prioritization matrix based upon shared

[20] This includes staffing capacity of supporting departments/divisions that provide assistance to project managing departments as well as project owner departments that play an active role in approving project plans, requesting changes, raising issues and risks, approving milestones, releasing payments, and accepting (or declining) the final deliverables of the project.

County goals.[21] Using the CIC prioritization matrix, capital projects are reviewed and scored from late July through Mid-August and sends an ADVISORY listing of capital projects to the County Board and County Executive in August to assist policy makers with development of the annual capital budget.

2. County Facilities Planning Steering Committee (CFP)
   a. The CFP is an advisory committee to provide programmatic and technical real estate, engineering, architectural, and planning expertise at an enterprise level. As such, the CFP provides recommendations to the Administration, County Board and Mental Health Board where applicable for County real estate activities. Some key CFP activities include: 1.) Provide recommendations to the Administration, County Board and Mental Health Board where applicable for County real estate activities; 2.) Review requests for alignment with County-wide legislative mandates, missions and visions; 3.) Provide direction on long-term strategies for alignment with the current Strategic Facilities Master Plan; 4.) Maintain consistent application of enterprise-wide services for all of the County's real property management needs. In addition, the CFP provides an annual overview of requested capital projects to address the requirements of real property assets (such as deferred maintenance on County facilities) to the CIC, to ensure alignment with the overall strategic planning goals of the County. Additionally, the CFP monitors, encourages and supports overall reduction of County infrastructure footprint. The below chart characterizes the overall efforts of the County in this work:




3. Design First Approach (Capital Projects)
   a. This process was implemented as part of the 2021 Adopted Budget and CIC process. The Design First Approach means, that for most capital projects, design appropriations will be made in one year with construction appropriations in a subsequent year (based on a completed design of @ least 90%). The main goal of completing design prior to

[21] Ch. 36 Created - Nov. 5, 2012, J. Proc. CIC membership includes the Finance Committee Chairs, the Community and Economic Development Chair, the Comptroller, the County Department of Transportation Director, the Strategy, Budget, and Performance Director, and two appointments from mayor or board presidents within the County. The CIC Chair is appointed by the County Board Chair and the municipal appointments are made by the County Executive.

any construction appropriation is to increase overall cost estimating and project budget accuracy by: 1.) ensuring the owner and managing departments have established and agreed upon final scope/final design; 2.) ensuring the agreed upon design is complete in order to proceed with construction and implementation. This is a tool used to help mitigate potential project shortfalls and/or project delays. The majority of County capital projects are managed by A&E, so the focus remains on these types of projects at this time. In the future, this approach may be explored with IMSD managed technology projects.

4. A&E Capital Project Charters
    a. A&E has initiated a project chartering process in order to gather more detailed requirements prior to projects being requested as part of the annual capital budget process. By doing so, project scope can be refined to create a more accurate cost estimate. Overall project risks, dependencies, and other potential issues can start to be identified as well.

5. Capital Quarterly Meeting – Stakeholder Communication
    a. Quarterly capital project meetings have recently been established between the various County departmental stakeholders in order to increase communication and breakdown silos. As part of these meetings, grant development staff from the Project Management Office (a division within the Office of Strategy, Budget, and Performance) has been included. The Project Management Office grants staff works with project owner departments to help identify any potential grant sources that could be used to help fund either existing capital projects or proposed new capital projects as part of the annual capital budget request process.

In addition to these ongoing activities, the items below represent recommended additional steps to continue working towards addressing the capital deferred maintenance as identified in the 5-YR CIP.

*Reduced Infrastructure Footprint*
The County maintains a large infrastructure footprint. An important option for policymakers to consider is to continue and expand infrastructure downsizing and/or modifying its current infrastructure relative to departmental (core) programs and services that have changed over the years or may be suited to a better service delivery model.

In addition, there may be infrastructure that no longer aligns with the County's updated strategic plan. By focusing on projects that align with the County's strategic planning principles and core services, the County can work towards right sizing its infrastructure to a more (fiscally) manageable footprint. Identification of non-aligning infrastructure may relieve some of the pressure on the County's available bond and/or cash funding challenges. In addition, operational savings may result from retirement or disposal of such assets.

Any decision to increase footprint should take measured, strategic approach. Policymakers and department leaders will want to carefully weigh the benefits against the financial impact(s) of projects that increase footprint and whether County core services are best served through asset expansion. For example, adding park walkways and trails increases public access and availability to residents, but also adds to Park's overall footprint and the costs to support, maintain, and eventually replace these assets once their useful life is exhausted.

*Consolidate Service and Staffing Locations*
Review of County staff and services that can be relocated and accommodated into core buildings from other locations based on:

- Expiring lease space

- Facilities that have significant deferred maintenance needs and/or cannot effectively provide service delivery

- Flexible staffing models (remote and/or hybrid)
  EXAMPLE: Downsizing the leased 633 W. Wisconsin Avenue offices or relocating staff to other underutilized (long-term) County facility space via remodeling to support hybrid and/or remote staffing models.

*Additional Non-County Funding Sources*
Federal and state funding sources are currently deployed to help address a significant quantity of deferred maintenance items and County infrastructure footprint. Examples include the new Center for Forensic Science and Protective Medicine (replacing the obsolete Medical Examiner's office and consolidating with the Office of Emergency Management) and the new Coggs building for the County's Department of Health and Human Services.

Although continued efforts to secure and utilize federal/state funding, grants, and other partnerships can (and must) be used as part of the overall strategy to help address County capital infrastructure issues, such funding sources should not be relied on as stable, long-term, sustainable options. This is primarily due to the high competition and irregularity of these types funding sources, which the County may or may not be awarded. Large, one-time influxes of federal funding (such as ARPA) essentially represent generational types of funding events that should not be counted on as a long-term fix to the County's infrastructure needs.

Future Steps
Addressing this issue will take a combined and ongoing effort. Moving forward, additional options will be continually explored (to complement the tools already in practice) pending implementation of the steps noted above.

## ALIGNMENT TO STRATEGIC PLAN
3B: Enhance the County's fiscal health and sustainability

## FISCAL EFFECT
None, report is informational only.

## TERMS
None, report is informational only.

## VIRTUAL MEETING INVITEES
Joe Lamers, Director – Office of Performance, Strategy, and Budget
Vince Masterson, Capital Budget Coordinator – Office of Strategy, Budget, and Performance
Pamela Bryant, Capital Finance Manager – Office of the Comptroller
Justin Rodriguez, Budget and Management Coordinator – Office of the Comptroller
Stu Carron, Director of Facilities Management – Department of Administrative Services – Facilities Management Division

Sean Hayes, Director of Architecture, Engineering & Environmental Services – Department of Administrative Services – Facilities Management Division
Peter Nilles, Director, Facilities Planning and Development– Department of Administrative Services – Facilities Management Division

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