

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Date: 1/15/2025

To: Marcelia Nicholson, Chairperson, Milwaukee County Board of Supervisors

From: Joe Lamers, Director, Office of Performance, Strategy, & Budget

Subject: Informational report prioritizing bus and fleet purchases at the start of the annual Capital Improvement Committee process pursuant to 2025 Adopted County Board Amendment #09

File Type: Informational Report

REQUEST

Pursuant to Amendment #09 from the Adopted 2025 Budget, the Office of Strategy, Budget, & Performance (OSBP) and the Milwaukee County Department of Transportation (MCDOT) to provide informational report related to prioritizing bus and fleet purchases at the start of the annual Capital Improvement Committee (CIC) process.

POLICY

Milwaukee County Code of General Ordinances:	Chapter 36
Specific Adopted Budget:	2025 Adopted Budget
Specific Adopted Budget Amendment:	Amendment #09 (File No. 24-827)

BACKGROUND

Milwaukee County (County) established the CIC to review, score, and prioritize annual capital project requests via MCO-36 and has been functioning continuously since 2014. The CIC acts in an advisory capacity and provides a non-binding advisory report to the Board of Supervisors and the County Executive to assist policy makers with development of the annual capital budget.

CIC Criteria and Scoring

Once established, the CIC formed criteria to prioritize capital projects as directed by MCO-36. The CIC utilizes the scoring criteria to evaluate and prioritize annual capital project requests and provide a quantitative baseline (baseline) predicated on shared County priorities and goals. The CIC sub-committee provides an initial scoring report to establish the baseline:¹

Capital Project Scoring Detail			
CRITERIA	IMPACT	DEPT RANKING MULTIPLIER	COMPOSITE SCORE
*Safety	0,5, 10	1.294 High (top 25% of Dept REQs)	
*Policy/Plan	0, 3		
*Net Annual Impact on Operating Costs	0,2, 5		
*Deferred Maintenance	0,3, 5	1.156 Medium (top 26% - 50% of Dept REQs)	60.8
*ADA/Bldg Code	0, 3		
*Non-County Funding	0,1,2,3,4, 5		
*Continuing Program	0, 3	1.056 Low (bottom 25% of Dept REQs)	
*Racial Equity	0,2,3,4, 5		
*Building Mission	0,1,3, 5		
*Climate Action	0,1,2, 3		
	<i>MAX Impact Pts.</i>	<i>Max Multiplier</i>	<i>MAX Composite Pts.</i>

¹ The initial report is presented at the beginning of the CIC's annual review of requested capital projects. Throughout the review process, the CIC typically makes adjustments to finalize its advisory recommendations.

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The CIC first used the scoring criteria as part of the 2015 Annual Capital Budget process. Detailed criteria information is included in Attachment #1. In 2019, the primary scoring criteria was updated to include Racial Equity and Building Mission categories (file #19-473). The Criteria was modified again in 2024 to include a Climate Action component pursuant to adopted Board resolutions (23-485 and 23-697). The Scoring Impact Points (Points) have also been used since the 2014 budget process, with updates being made upon inclusion of Racial Equity, Building Mission, and Climate Action categories. The Departmental ranking acts as a multiplier to account for high priority projects assigned by each department. Additionally, the departmental ranking plays a significant role in determining the overall composite score. Lastly, the Points, as scored by the CIC sub-committee, are applied against the dept ranking multiplier in order to calculate a (baseline) composite score for each requested project.

Annual County Funding

The CIC adheres to the County's Bond and Cash funding policies as follows:

- Bonding (general obligation, non-airport projects)²
 - 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.³
- Cash
 - Beginning with the 1995 capital budget, the County established a cash-financing goal of 20 percent to be implemented over a ten-year period. County cash financing primarily consists of tax levy for non-airport capital projects. 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 property tax levy for non-airport capital projects.

The funding policies are used in relation with scoring criteria to establish a baseline list of project priorities that can be evaluated by the CIC members. The baseline report includes a listing of projects with A1 reflecting the highest scored project(s) and F3 representing the lowest scored project(s). To note, mandated, contractual, or continuing/on-going projects receive the highest score possible.⁴

Alpha-Numeric Scoring											
A1	60.8 - 51.9	B1	40.5 - 32.9	C1	22.7 - 19	D1	15.2 - 14	F1	11.3 - 7.5		
A2	51.9 - 46.9	B2	32.9 - 27.9	C2	19 - 16.5	D2	14 - 12.7	F2	7.5 - 4.4		
A3	46.9 - 40.5	B3	27.9 - 22.7	C3	16.5 - 15.2	D3	12.7 - 11.3	F3	4.4 - 0		

² 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 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 tax levy) and/or other financing sources (i.e. private contributions, federal- state- locals funds, etc.).

³ Airport capital projects are typically funded with general airport revenue bonds, airport reserve revenue, passenger facility charge revenue, and federal and state revenue. As a result, Airport capital projects do not use general obligation bonds/notes to fund capital projects.

⁴ Mandated projects help the County meet federal, state, local, or court ordered requirements and mandates. Contractual projects are those that the County has been obligated to provide via legal instrument(s). Continuing/on-going include those with previously adopted appropriations and require additional appropriations to begin the construction phase, expand scope, or cover deficits to complete the project (in general, the construction phase appropriation request must be based on a completed design).

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CIC Project Evaluation

In general, the purpose of the scoring criteria is not to serve as the sole determinant for project prioritization, but rather to provide a structured framework to assess the relative importance of projects based on predefined metrics.

Additional aspects, such as resource availability, external dependencies, or other qualitative factors must also be considered when evaluating capital project requests as they may not be readily applicable to the scoring criteria. These additional factors are often considered by the CIC with projects evaluated, prioritized, and (possibly modified) accordingly. This typically results in changes made from the initial scoring report (as presented by the CIC sub-committee).

This approach has been utilized by the CIC over the past several budget evaluations and allows for discussion of bus and fleet replacement projects in relation to other high priority projects and available County funding. Adjustments to projects are generally recommended by the CIC in order to accommodate these replacement projects.

In general, bus and fleet replacement projects score within a number of criteria categories (i.e. programmatic, deferred maintenance, net operations costs, racial equity, compliance) each year. However, mandated, contractual, and continuing/on-going projects absorb a significant amount of the annual County funding. As a result, there is limited funding available for other projects, including bus and fleet replacements. Typically, the CIC members include the bus and fleet replacements (in full or partial) by delaying other higher scored projects and/or reducing the number of bus and fleet vehicles being replaced. These adjustments are made in consultation with the requesting department(s).

Capital Project Capacity

Project Management

As of January 2025, there are approximately 285 adopted (non-Airport, non-ARPA) capital projects at various stages of completion. Approximately 27 of these projects are in design and/or phased construction and will require additional funding over the next 1 - 4 budget cycles (excluding the Investing in Justice: Courthouse Complex project). Based on the adopted 2025 - 2029 Capital Improvement Plan (CIP), the estimated County funding required to complete these projects is \$69.9 million.⁵ Including the Courthouse Complex project requires an additional \$474.3 million funding need.

Additionally, an estimated 50 - 60 new capital project requests are anticipated annually over the next few years based on previous years' capital requests.⁶ Given the large extent of the current (adopted) capital project portfolio, there may be project management capacity issues if the pipeline is significantly increased. This may lead to project delays and increased costs.

(General Obligation) Bonds/Debt Service

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 County has been able to effectively manage the annual debt service.

However, in recent years the County has adopted (or may adopt) major capital projects over and above the normal bonding cap.

⁵ In general, out-year construction estimates (such as the ones reflected in the CIP) are conceptual in nature and are intended to provide a high level cost projection for planning purposes. Overall, these projects will likely experience changes in costs once the full design process has been completed.

⁶ New capital projects are those that have not received appropriations in previous years. These projects may be newly requested or were requested in previous budgets but were not adopted.

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Adopted bonding cap overages-

- (Adopted County Board file #22-454) Milwaukee County Contribution towards the new museum (replacement of the existing Milwaukee Public Museum): \$45.0 million⁷
- (2023 Adopted Budget) Forensic Science Center: \$62.9 million
- (2024 Adopted Budget) Various projects: \$6.4 million

Possible bonding cap overages (not yet adopted)-

- Investing In Justice: Courthouse Complex: (up to) \$450.0 million over 3 years
- Mitchell Park Domes: \$30.0 million over 5 years⁸

If Bus and Fleet replacement projects were to be excluded from the bonding cap, it would add an additional estimated \$18.0 - \$20.0 million to the annual bonding cap over the next few years. However, this action may increase annual debt service costs by approximately \$99.1 million (over the life of repayment period).⁹

Taking into account project management capacity, anticipated large-scale projects, and estimated increased debt service costs, it is recommended that annual bus and fleet capital project requests be absorbed within the existing annual bonding cap pursuant to the options cited below.

Bus and Fleet Replacement Prioritization Options

Option 1-

Establish an annual “carve-out” for bus and fleet replacements as part of the CIC sub-committee’s initial scoring report (similar to mandated, contractual, and continuing projects). This option, in essence, earmarks a portion of the County’s annual (bond and cash) funding to support these recurring replacement programs. The “carve-out” would only apply to critical replacements required to support existing service. Remaining County funding would then be applied to all other projects based on scoring priorities and other factors pursuant to the CIC’s review, evaluation, and final recommendation. The CIC maintains flexibility to adjust bus and fleet replacement projects, if needed.

Example:

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Est. County Funding (Bond and Cash):	\$ 71,014,653	\$ 73,145,093	\$ 75,339,445	\$ 77,599,629
Bus Replacements:	\$ 3,990,000	\$ 4,080,000	\$ 4,170,000	\$ 4,350,000
Fleet Replacements:	\$ 14,000,000	\$ 15,000,000	\$ 15,000,000	\$ 16,000,000
Bus + Fleet Subtotal:	\$ 17,990,000	\$ 19,080,000	\$ 19,170,000	\$ 20,350,000

Est. County Funding for remaining projects:	\$ 53,024,653	\$ 54,065,093	\$ 56,169,445	\$ 57,249,629
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Annual capital requests that expand the existing bus and fleet vehicles would be submitted separately (from the critical replacements) and not be part of the “carve-out.” These projects would be evaluated as part of the broader project CIC scoring process along with the other non-bus/fleet replacement capital requests.

The CIC may vote to update its scoring criteria to include Option 1 accordingly.

⁷ County will issue general obligation bonds to help pay for the construction of a new museum facility once MPM, Inc. has met specified funding requirements. The bond issue is estimated to be in 2025 (assuming all agreement conditions are met by MPM, Inc.).

⁸ 2025 Adopted Operating budget included amendment #6 to provide for \$30.0M in County funding for the Mitchell Park Domes pursuant to various Agreement conditions with non-County organization(s) and related non-County funding requirements.

⁹ The total debt service repayment amount shown is an estimate that assumes a 6% interest rate on bonds issued over a 4-year period to support the annual bus and Fleet vehicle replacement projects from 2026 through 2029. The actual amount is subject to change based on market conditions and actual interest charged when the bonds are issued (which may be higher, or lower, than the assumed 6% used in this report).

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Option 2-

Status Quo: Allows continued practice of annual evaluation of bus and fleet replacement projects in relation to other project requests, allowing for adjustments to be made accordingly. As an example, a portion of either the bus and/or fleet replacements vehicles may be adjusted annually to meet available County funding resources; other higher scored or continuing projects may be delayed in order to accommodate all or a portion of the bus/fleet replacement projects.

CIC scoring criteria updates are not required for Option 2.

Update(s) to MCO-36 are not required for either option.

ALIGNMENT TO STRATEGIC PLAN

3B: Enhance the County's fiscal health and sustainability.

FISCAL EFFECT

The report has no fiscal impact.

VIRTUAL MEETING INVITES

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APPROVED BY

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ATTACHMENTS

Attachment 1 CIC Scoring Detail

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CC:

David Crowley, County Executive
Marcelia Nicholson, Chairperson, Milwaukee County Board of Supervisors
Willie Johnson, Jr., Chairperson, Finance Committee
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Liz Sumner, Comptroller, Office of the Comptroller
Mary Jo Meyers, Chief of Staff, County Executive
Janelle Jensen, Sr. Committee Coordinator, Office of the County Clerk
Steve Cady, Research & Policy Director, Office of the Comptroller
Pamela Bryant, Capital Finance Manager, Office of the Comptroller