

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

Date: June 7, 2016

To: Supervisor Michael Mayo, Sr., Chairman, Transportation, Public Works, & Transit Committee;

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

Subject: Annual Capital Budget Funding/Capital Project Development & Inclusion in the Annual Budget Process

Issue

Pursuant to Supervisor Weishan’s referral request at the June 2, 2016 Transportation, Public Works, & Transit Committee agenda set meeting, the following report provides additional information regarding County funding and development of capital projects during the annual capital budget process.

County Funding of Capital Projects

The County finances capital projects primarily with general obligation bonds and notes (bonds), sales tax, tax levy, and reimbursement revenue (from Federal, State, and/or Local sources).¹ The 2016 Adopted Capital Improvement Budget includes 91 separate sub-projects with expenditures totaling just over \$80 million, which includes \$59.2 million of County funding and \$20.8 million of private contributions and Federal/State/Local revenue. The table below illustrates the 2016 Adopted Capital Budget funding sources:

Milwaukee County				Federal/State /Local	Private Contributions*	Adopted 2016 Total Funding
Bonds	Sales Tax	Tax Levy	PFC/ Airport Rsrv			
\$ 39,234,810	\$ 6,701,068	\$ 1,592,400	\$ 11,664,625	\$ 19,920,372	\$ 886,890	\$ 80,000,165

**Private contribution is related to the Zoo capital project WZ11901 - African Plain Exhibit*

Annual Bond Limit

The self-imposed annual bond limit is defined by County Board file number 03-263, and represents a 3% increase over the prior year’s Adopted bond base.

2017 Annual Bond Limit

Based on the 2016 adopted bonding amount of \$39.2 million, the estimated 3% bond increase results in a projected 2017 bonding limit of \$40.4 million.

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

Cash Financing

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 sales tax and tax levy for non-airport capital projects.

The annual cash goal is based off of 20% of the Net County Funding Contribution (which excludes Federal/State/Local revenue sources). Private contributions have historically been included as part of the Net County Funding Contribution.

2016 Cash Financing

Net County financing included in the 2016 Adopted Capital Improvement Budget totals \$60.1 million, including the Airport. Cash needed to meet the 20 percent financing goal is calculated at \$12.0 million. The 2016 budgeted cash financing of \$20.8 million represents 34.7 percent of net County financing. Excluding Airport projects, net County financing totals \$48.4 million. Cash needed to meet the 20 percent financing goal of non-airport projects is calculated at \$9.7 million. The 2016 budgeted cash financing of \$9.2 million represents 19.0 percent of net County financing.

	2016 Net County Contribution	<u>Sales Tax/ Tax Levy</u>	<u>Private Contribution</u>	<u>PFC Revenue/ Airport Reserve</u>	TOTAL CASH FINANCED	<u>% Cash Financed</u>
All Projects, Including Airport	\$60,079,793	\$8,293,468	\$886,890	\$11,664,625	\$20,844,983	34.7%
All Projects, Excluding Airport	\$48,415,168	\$8,293,468	\$886,890	\$0	\$9,180,358	19.0%

2017 Cash Financing

Based on the 2017 projected capital bonding amount of \$40.4 million, the estimated cash contribution of 20% of Net County Contributions results in a *2017 cash goal of \$10.1 million.*²

Use of Sales Tax to Fund Capital Projects

Sales Tax is used to fund the County’s general obligation bonding debt service. After funding debt service, surplus sales tax revenues are allocated to cash finance capital projects. The 2016 Adopted Capital Improvement Budget includes sales tax funding of \$6.7 million. Remaining sales tax revenue is available for operating purposes stated in Milwaukee County Ordinance 22.04.

Capital Projects Development via Annual Budget Process

General Capital Improvement Plan Overview

The County utilizes a 5-Year Capital Improvement Plan (CIP) to help plan and estimate future capital project needs. The first year of the CIP (which for this year’s budget development process is 2017) is the year in which capital projects scheduled in that particular year receive funding. Years two through five (2018 – 2021) are planning years for future projects and/or continuing phases of existing projects.

² The total estimated Net County Contribution for 2017 is \$50.5 million (\$40.4 million bond funding, or 80%; \$10.1 million cash funding, or 20%).

Departmental Request Phase

As part of the annual County budget development process, each department is responsible for updating its 5-Year CIP. This process typically begins in late winter/early spring with as departments develop/update cost estimates for each capital project. Departments submit their requested CIPs to the Department of Administrative Services (DAS) towards the end of June.³ Departmental requested budgets (Capital and Operating) are posted by the DAS on the County's website no later than August 15th of each year.⁴

Capital Improvement Committee (CIC)

The CIC is an advisory sub-committee that reviews and scores the requested departmental capital requests and provides an annual recommended 5-Year CIP to the County Executive and County Board typically in late August/early September.

The CIC is included in the Milwaukee County ordinances under chapter 36. Committee members include the following:

- (a) Director of the Department of Transportation or alternate;
- (b) Fiscal & Budget Administrator (DAS) or alternate;
- (c) Comptroller (committee chair as appointed by the Chair of the County Board), or alternate;
- (d) Chair of the Committee on Transportation, Public Works, and Transit, or alternate;
- (e) Co-Chair of the committee on finance, personnel and audit, or alternates;
- (f) Two (2) appointments of the County Executive who shall be mayors or village board presidents of municipalities located in Milwaukee County, or alternate

The CIC is staffed jointly by Office of the Comptroller and DAS-PSB.

County Executive Recommended Phase

Upon receipt of the departmental CIP requests, the DAS staff reviews the requested capital projects and assists the County Executive with the formulation of the Recommended Capital Improvement Budget. Requesting departments are consulted and site visits are performed relative to the departments' capital requests. This budget development phase usually extends from July through September. The Recommended Budget is submitted to the County Board no later than October 1st of each year.⁵

County Board Phase

Finance, Personnel and Audit Committee

After the County Executive submits the Recommended Budget, the Finance, Personnel and Audit Committee (FPAC) holds budget hearings. The review typically lasts through the month of

³ Per Wisconsin State Statute 59.60(2)(b), the Requested Budget Deadline is set annually by DAS Director (deadline can be no later than July 15).

⁴ Per Wisconsin State Statute 59.60(5), DAS Director submits a summary of the budget requests to the County Executive and County Board no later than August 15th. County website address: <http://county.milwaukee.gov/PSB/County-Budget.htm>

⁵ Per Wisconsin State Statute 59.60(6)(b) & 59.17(6), CEX submits recommended budget to the Board no later than October 1st.

October.⁶ Departmental staff is present at FPAC hearings to answers questions related to their capital projects.

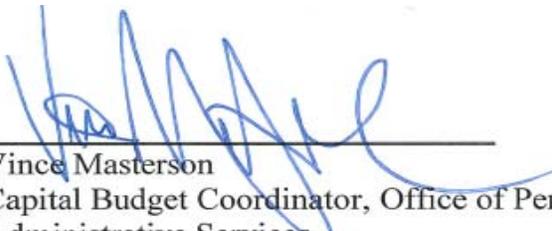
During this phase, members of the FPAC may introduce amendments to the Recommended Budget.

Upon close of the budget hearings, the FPAC submits the amended budgets to the County Board for review/adoption.

Full County Board Meeting / County Executive Veto

On the 1st Monday of November, the County Board holds a public hearing on the amended capital budget submitted by the FPAC. On the 1st Tuesday after 2nd Monday in November the County Board acts on the amendments and recommendations submitted by the FPAC as well as amendments submitted by individual County Board members.

The County Executive may then provide vetoes of the Adopted County Board Budget resolution to the County Board at its first meeting after its annual meeting (which occurs the 1st Tuesday after the 2nd Monday in November). The County Board then meets a final time to consider any possible vetoes by the County Executive and whether to sustain or override each veto.



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

⁶ The County Board establishes the budget hearing calendar for this committee annually.