

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Date: August 12, 2019
To: Members of the Milwaukee County Capital Improvements Committee
From: Capital Improvements Subcommittee
Subject: Milwaukee County Capital Cash Financing

Cash Financing Policy and Cash Financing Methods

Beginning with the 1995 Adopted Capital Improvement Budget, Milwaukee County (County) established a cash financing goal of 20 percent.¹ For 2020, the County's cash financing goal for capital improvement projects is estimated at \$11.2 million.

The County cash finances capital improvement projects through the following methods:

- Sales Tax;
- Vehicle Registration Fees;
- Property Tax Levy

The following information outlines each method and recent use by the County.

Sales Tax

Allowable Sales Tax Use

Chapter 22 of the Milwaukee County Code of Ordinances was enacted in 1990 and authorizes the imposition of the 0.5 percent sales tax in accordance with Wisconsin statutes. The ordinance states that sales and use tax revenues shall be applied to county expenditures in the following manner:

1. Payment of general obligation debt service costs;
2. Any surplus sales tax revenues shall be used to:
 - a. Cash-finance capital improvement projects;
 - b. Prepay outstanding bonds;
 - c. Prefund employee benefit costs or fund unanticipated or extraordinary annual increases within such costs or;
 - d. Supplement the Appropriation for Contingencies

¹ Twenty percent cash financing for capital projects is a policy goal. This goal has not always been achieved in adopted budgets. The 2018 adopted capital cash financing was only 12% (\$5.9 million)

2020 Capital Requests/Debt Service and Sales Tax Break-Out

The 2020 Requested Operating Budget includes estimated net sales tax revenue of \$82.4 million and net estimated debt service payments of \$38.1 million.² After meeting the capital cash financing goal of \$11.2 million, approximately \$46.3 million remains available for either general fund or capital fund purposes.

Vehicle Registration Fee

Wisconsin State Statute §341.35 allows municipalities and counties to enact an annual flat Vehicle Registration Fee (VRF) which may only be used for transportation related purposes (operating and capital). The Adopted Operating and Capital Improvements Budget(s) included implementation of a \$30 VRF. The table below details the allocation(s) between the Operating and Capital Budgets.

Year	Project	VRF
<u>Operating</u>		
2017	Transit	\$ 11,497,964
2017	Hwy	\$ -
2018	Transit	\$ 14,659,727
2018	Hwy	\$ 1,025,273
2019	Transit	\$ 15,731,243
2019	Hwy	\$ 1,062,266
2020 REQ	Transit	\$ 15,731,243
2020 REQ	Hwy	\$ 1,062,266
TOTAL Operating:		\$ 60,769,982
<u>Capital</u>		
2017	WT0803-Bus Rapid Transit	\$ 1,968,487
2018	WH10901-Signal Install @ W. Good Hope Rd. & Pierron	\$ 315,000
2019	-	\$ -
2020 REQ	-	\$ -
TOTAL Capital:		\$ 2,283,487

Property Tax

Property tax has been used in varying amounts to cash finance capital improvement projects. Unlike VRF, property tax financing has no restrictions related to project scope but is limited in volume due to levy limit caps established by the state. Funding of capital projects through property tax within the last five adopted budgets range from \$250,000 to \$1,592,000.

² County sales tax revenues are dedicated primarily to the payment of general obligation debt service costs. For budgetary purposes, the County's pledge to levy property (ad valorem) taxes for the payment of debt service payments treats sales tax revenues and property tax revenues as interchangeable. The \$38.1 million debt service payment is the net result of \$48.3 million of expense and \$10.2 million of revenue.

Property Tax Funding of Capital Improvements	
<u>Budget Year</u>	
2014	\$512,760
2015	\$475,500
2016	\$1,592,400
2017	\$1,475,000
2018	\$250,000
2019	\$125,000
2020 REQ	\$0
	\$4,430,660

Funding from property tax and sales tax are related and often interchangeable within the Operating and Capital Budgets. For instance, if a portion of the sales tax used to fund debt service payments (in the Operating Budget) is reallocated to fund more of the Capital (Budget) projects, then a reduction in operating expenses or a property tax levy increase would be needed to make whole the debt service payments. Conversely, additional property tax funding dedicated to the Capital Improvement Budget results in a reduced amount of available funding for the Operating Budget.

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