

Public Policy Forum: Report on City and County Buildings

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A new report released today by the Public Policy Forum finds that buildings owned by the City of Milwaukee and Milwaukee County face “substantial and expensive” repair and replacement needs that will need to be accommodated in increasingly tight capital budgets. The report also suggests that while there is hope that the City’s building challenges will be “manageable going forward,” the County “is facing a far more dire set of circumstances that currently appear unmanageable.”

The report is the third in a five-part series by the Forum on local government infrastructure in metro Milwaukee. Previously released installments include a September 2016 report on local roads, bridges, and buses owned by the City and County; and a May 2017 report on water, sewer, and wastewater treatment infrastructure owned by the City and the Milwaukee Metropolitan Sewerage District.

The new report covers iconic buildings like Milwaukee City Hall and the Milwaukee County Courthouse; high-profile public safety and social service facilities like the Milwaukee Police

Administration building, the County's Criminal Justice Facility, and the County's Mental Health Complex; and lesser-known but significant structures that house the vital equipment that maintains and plows City and County streets and highways.

"These buildings are important not only for the public services they house, but also because their proper care and improvement impacts the ability of each government to spend capital dollars on quality-of-life assets like museums and parks, and on the transportation, water, and wastewater assets that are critical to our region's economy and public health," says the report.

The report cites ongoing repairs to City Hall and the Police Administration Building as the City's most pressing building projects, though it notes those projects already are underway with funding plans largely in place. The County, on the other hand, still must find a way to secure more than \$200 million to build a new criminal courthouse to replace its decaying Safety Building. Meeting that challenge will be exceedingly difficult in light of a wide range of capital needs for its other buildings, as well as for its parks, cultural institutions, and transit system. The Safety Building replacement project currently is in the planning phase and financing has yet to be determined.

The Safety Building project "could exhaust virtually all of the County's borrowing capacity for several consecutive years," says the report. "While County officials hope to identify alternative means of financing the project, it is difficult to see how that can happen in a manner that will not require the County either to borrow more than it can reasonably afford, or to exacerbate its decades-long practice of deferring other capital improvement needs."

The report also notes that the City has had little choice but to accommodate the \$60 million foundation repair project at City Hall in its capital budget during the past two years, and that "the consequences have included deferral of work on other capital needs and higher-than-desired" tax levy-supported borrowing.

Specific key findings emanating from the Forum's review of buildings owned by Milwaukee

County and the City of Milwaukee include the following:

- **Three of the County's most mission-critical buildings - the Safety Building, Mental Health Complex, and Medical Examiner's Office - should be fully replaced as soon as possible.**

The three buildings are similar in that the need for full replacement has been known for

some time, and that planning for new buildings is proceeding, but decisions have been

delayed because of financial constraints and uncertainty as to whether and how

replacement should occur. In the meantime, necessary repair work on the existing

buildings has been deferred pending decisions on replacement, thus creating an even

more urgent need to act.

- **City buildings are in acceptable condition overall, though only because major renovation projects are underway.** City Hall and the Police Administration Building are in "poor" and "fair" condition respectively, but that picture will improve once the existing projects are completed. On the whole, other major City buildings appear to be in reasonable condition, with the exception of the Municipal Services Building in the Menomonee Valley and two Department of Public Works garages.
- **Milwaukee County lacks the capacity to finance the capital needs of its buildings if it wishes to stay within its self-imposed bonding and cash financing limits.** Even if the need to replace the Safety Building did not exist, the report finds that the County should more than double its spending on building-related projects in 2018 based on existing requests (from \$12 million to \$24 million) and almost quadruple it to \$45 million in 2019. Doing so likely would cause it to substantially exceed its bonding limits, and/or to focus mainly on financing building needs while deferring capital needs in other areas.
- **The City of Milwaukee's capital finance environment is growing more difficult as major building projects are completed.** The City already has struggled to secure the capital resources needed to complete the City Hall and PAB projects. A concern is whether the City can appropriately keep on top of its other building needs - and its capital needs in general - while those projects

are running their course. For now, the prospects look reasonable, but the emergence of expensive new projects in the next five years and continued deferral of basic repair needs could modify that assessment.

The report notes that the capital financing challenges facing both governments are “inextricably linked” to their operating budget challenges, which include the need to spend increasing amounts of local tax dollars on pension and retiree health care obligations in the face of stagnant revenue streams.

“Simply put, both governments face a pressing need to keep tight control over (capital-related) debt for operating budget purposes, yet maintaining such controls precludes them from appropriately investing in their capital assets,” concludes the report.

The full report – as well as the first two installments of the Forum’s infrastructure series – can be downloaded at the Forum’s web site, www.publicpolicyforum.org.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.