

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2015 total \$2.1 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$85 million or 4%. Governmental activities' capital assets increased \$46 million or a 4% increase from 2014. Business-type activities' capital assets increased \$39 million or 4% at the end of 2015. A schedule comparing the assets by type for 2014 and 2015 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$61 million and deletions were \$15 million for 2015 for governmental activities. The two largest business-type activities are the Sewer Maintenance Fund and the Water Works Fund. The Sewer Maintenance Fund had a net change in capital assets that resulted in a net increase of \$28 million. Of the Sewer Maintenance Fund's net assets at year end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 61% of its total net assets with 29% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of \$13 million.

Table 5
Capital Assets
 (net of depreciation)
 (Thousands of Dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u> <u>Primary Government</u>	
	2014	2015	2014	2015	2014	2015
Capital assets not being depreciated:						
Land	\$ 165,730	\$ 165,730	\$ 19,096	\$ 19,034	\$ 184,826	\$ 184,764
Construction in progress	76,391	89,103	27,731	30,863	104,122	119,966
Intangible right of ways	1,342	1,342	-	-	1,342	1,342
Capital assets being depreciated:.....						
Buildings	307,965	312,660	97,699	97,158	405,664	409,818
Infrastructure	1,605,990	1,662,239	1,002,751	1,042,185	2,608,741	2,704,424
Improvements other than buildings	11,909	11,997	8,150	8,173	20,059	20,170
Machinery and equipment	193,790	207,303	253,901	270,620	447,691	477,923
Intangible software.....	2,605	2,605	-	-	2,605	2,605
Nonutility property	-	-	3,654	3,654	3,654	3,654
Accumulated depreciation	<u>(1,270,401)</u>	<u>(1,312,049)</u>	<u>(450,689)</u>	<u>(470,237)</u>	<u>(1,721,090)</u>	<u>(1,782,286)</u>
Total	<u>\$ 1,095,321</u>	<u>\$1,140,930</u>	<u>\$ 962,293</u>	<u>\$ 1,001,450</u>	<u>\$ 2,057,614</u>	<u>\$ 2,142,380</u>

Debt

At year-end, the City had \$880 million in general obligation bonds and notes, \$108 million in State loans, \$95 million in revenue bonds, and \$166 million in extendable municipal commercial paper outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled \$285 million of which \$283 million is related to governmental activities.

The City continues to maintain high investment grade ratings from the two major rating agencies. A rating of "AA" from Standard and Poor's Corporation, and "AA" from Fitch's Rating Agency, Inc, were received on the City's general obligation bonds.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,074 at the end of 2014 and \$1,130 at the end of 2015; a 5% increase from the prior year. As of December 31, 2015, the City's outstanding net general obligation debt for governmental activities was 2.58% of the City's total taxable value of property (Statistical Section - Table 9). The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has used about 50% of this limit. The City issues