

**COUNTY OF MILWAUKEE**  
**INTEROFFICE COMMUNICATION**

DATE : April 29, 2016

TO : Supervisor Theodore Lipscomb, Sr., Chairman Milwaukee County Board of Supervisors

FROM : Steven Kreklow, Director of Performance, Strategy and Budget, DAS  
Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT : **Report of 2015 Lapsed (Completed/Abandoned) Capital Project/Major Repairs**

**REQUEST**

The Department of Administrative Services (DAS) and the Office of the Comptroller (Comptroller) are requesting approval of the recommended expenditures and revenues to be lapsed that are associated with capital expenditures (operating 8500 accounting series) and capital projects that have been completed or abandoned in accordance with Section 32.91 of the Milwaukee County General Ordinances (Section 32.91).

Milwaukee County General Ordinances (Section 32.91)

*Every appropriation excepting an appropriation for a capital expenditure, or a major repair (operating 8500 accounting series), shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure or a major repair shall continue in force until the purpose for which it was made has been accomplished or abandoned. The purpose of such appropriation for any capital expenditure or a major repair shall be considered abandoned if three (3) years pass without any expenditure from, or encumbrance of, the appropriation concerned. A final comprehensive annual list of capital projects and major repairs identified as completed and/or recommended to be abandoned shall be submitted to the committee on finance and audit of the county board by the department of administrative services division of fiscal affairs no later than May 1st of each year. The committee shall review this report and submit its recommendations to the county board. Failure of the county board to take action prior to June 1 shall be deemed approval of the department of administrative services recommendations.*

The DAS and the Comptroller are requesting the movement of the lapsed funds to the County's reserves. The DAS and Comptroller are also requesting approval to process administrative fund transfers to allocate \$17,194 of cash to the Highway Division Traffic Signal project, \$109,000 of cash to the Facilities Management Division to perform an evaluation of the items included in the 2010 Graef façade assessment, and \$500,000 of unspent bond proceeds to Project WJ021 HOC (ACC North) HVAC System and Window Replacements.

## BACKGROUND

The attached resolution seeks approval from the County Board for the following actions:

- Approval to lapse capital expenditures within the 8500 accounting series of department operating budgets **(Schedule A)**
- Approval to lapse completed/abandoned non-airport capital projects **(Schedule B)**
- Approval to lapse completed/abandoned airport capital projects **(Schedule C)**
- Approval to contribute \$1,423,274 of unspent bonds to the debt service reserve and lapse a cash surplus of \$29,850 to the County's general fund.
- Approval to contribute funds from the appropriate airport balance sheet account to offset an airport cash deficit in the general fund of \$2,130,135 and approval to contribute \$372,263 of unspent bonds to the appropriate airport balance sheet account.
- Approval to process administrative fund transfers to allocate \$17,194 of cash to the Highway Division Traffic Signal project, \$109,000 of cash to the Facilities Management Division to perform an evaluation of the items included in the 2010 Graef façade assessment and \$500,000 of unspent bond proceeds to Project WJ021 HOC (ACC North) HVAC System and Window Replacements.

The following schedule relates to the automatic lapsing of capital expenditures and major repairs that do not have any expenses or encumbrances **for a period of three years** and are being provided for informational purposes only:

- Lapsing of capital expenditures or major repairs without any expenditure or encumbrance for a period of three years. **(Schedule D)**

The following schedules relate to capital items and related revenues that are being automatically carried over from 2015 to 2016, in accordance with Milwaukee County Ordinances and Wisconsin State Statutes, and are being provided for informational purposes only:

- Carryover of capital expenditures within department operating budgets. **(Schedule E)**
- Carryover of revenues related to operating carryovers/encumbrances **(Schedule F)**
- Carryover of capital improvement projects **(Schedule G)**

For several years, the DAS has limited operating carryovers to those that are offset with non-County revenue, those offset with department surpluses and/or for extenuating circumstances. This policy has been continued for 2015.

**REQUESTED LAPSING OF CAPITAL EXPENDITURES/MAJOR REPAIRS****Operating Lapsed Capital Expenditures (Detailed in Schedule A)**

Operating budget capital outlay, equipment and major maintenance appropriations that are recommended to be lapsed total \$1,150,039.

Of the items that are being lapsed, only one item (\$17,194) was included in the carryover requests from Departments. The \$17,194 relates to major maintenance appropriations that were requested to be carried over by the Highway Division of the Department of Transportation (MCDOT). The MCDOT informed the DAS and Comptroller's Office of major maintenance items that need to be financed, but were not related to the original purpose of the funds and therefore cannot be carried over. The attached resolution allows for funds to be allocated from the debt service reserve to finance these items. The items include \$17,194 to purchase and install special traffic signal push buttons and associated equipment to meet ADA requirements at two intersections of E. Layton Avenue (Packard Avenue, Nicholson Avenue).

**Lapsed Non-Airport Capital Improvement Projects (Detailed in Schedule B)**

The capital improvement appropriations and revenues not recommended for carryover is included in Schedule B. The financial impact of these lapsed projects along with adjustments to continuing projects is a cash surplus of \$29,850 and unspent bonds of \$1,423,274. The \$29,850 will be applied to the general fund and the unspent bonds are requested to be allocated to the County's debt service reserve.

**Projects with Significant Lapsed Cash Surpluses and Deficits**

Although the overall cash amount is close to break even, there are several projects that include large cash surpluses/deficits. These projects are identified below.

*Cash Surpluses***Project WC112 City Campus Demolition (+\$1,100,000)**

Surplus cash of \$1,100,000 is being lapsed from Project WC112 City Campus Demolition Project. The City Campus transaction between the County and Wiegand Investments has been completed. The remaining \$200,000 of expenditure authority will be transferred to projects at the Technology Innovation Center as described in the 2015 Adopted Capital Improvements Budget. It is recommended to request an appropriation transfer once a scope of work can be determined by the Department of Administrative Services- Facilities Management Division.

**Project WO631 Election Machines (+\$145,000)**

Surplus cash of approximately \$145,000 is being lapsed from Project WO631 Election Machines. The project was completed in 2015 and the machines are in use.

Project WO114 Countywide Infrastructure Improvements (+\$109,000)

Surplus cash of approximately \$109,000 is being lapsed from Project WO114 Countywide Infrastructure Improvements. The Countywide Infrastructure Improvement project was initially included as part of the 2011 Adopted Capital Improvements Budget. The total appropriation for the project was approximately \$11,900,000 and included approximately \$6,600,000 for repairs to the O'Donnell Park Parking Structure (O'Donnell Park). The \$5,300,000 of appropriations allocated to assets other than O'Donnell Park were to be used to finance Priority 1 maintenance repair items that were identified as part of the September 2010 Graef Report. Although the bulk of the work was completed and most of the funds were spent, documentation on the details of the repair of the Priority 1 items remain to be collected and confirmed. It is recommended to lapse approximately \$109,000 from the project and that an appropriation transfer be done to allocate the \$109,000 to Facilities Management in order to finance an evaluation of the items identified in the 2010 Graef Report to determine which of the Priority 1 items need to be completed and to repair items found to be incomplete.

The remaining balance of approximately \$530,000 will be used to finance work that was included in the original scope of the project related to the Courthouse Complex Improvements (WO11411). The scope of work consists of caulking of the Criminal Justice Facility facade, rebuilding of the parapet on the exterior of the Safety Building, and other façade related improvements. The current funds are insufficient and it is anticipated that a future appropriation request will be made to complete the scope of work.

*Cash Deficits*Project WO614 – Buildout Ten Sites to Digital (-\$500,000)

A cash deficit of approximately \$500,000 is being lapsed from Project WO614 – Buildout Ten Sites to Digital, to reclassify \$500,000 in bonds to cash. The 2015 Adopted Budget included \$2,009,183 in general obligation bonds. As a part of the County's overall effort to managed debt by aligning bond issuance with project spending, \$789,183 of the bonds were not issued in 2015. Therefore, the reclassification will decrease bond financing by \$500,000 and increase cash by the same amount.

The reclassification is necessary to provide flexibility for the final radio purchase, offset increases in consultant costs for project implementation and general increases in various work elements throughout the project.

Project WO150 Courthouse Fire (-\$430,000)

A cash deficit of approximately \$430,000 is being lapsed from Project WO150 Courthouse Fire Project. The \$430,000 is a net amount of an expenditure surplus of approximately \$570,000 and unrealized insurance proceeds of \$1,000,000. The final insurance payment of approximately \$910,000 has been significantly delayed. Full reimbursement was expected at the end of 2015. Representatives from the Local Property Insurance Fund have been providing assurances that a final estimated payment will be received; however, they have not been able to provide a definitive date. In order to alleviate the risk of a negative impact affecting the 2016 fiscal year, it is recommended to lapse the project for 2015. If the County receives the insurance proceeds in 2016, it is anticipated that an appropriation transfer will be submitted in order to transfer the funds to the Appropriations for Contingency Account.

Project WH091 Short Term County Trunk Highway Rehab/Maintenance (-\$400,000)

A cash deficit of approximately \$400,000 is being lapsed from Project WH091 Short Term County Trunk Highway Rehabilitation/Maintenance (Highway Rehab/Maintenance Project). The Highway Rehab/Maintenance project was included as part of the 2015 Adopted Capital Improvements Budget and financing was to be provided by general obligation bonds or notes. After work was completed on the project, the Comptroller's Office determined that general obligation bonds/notes were not an appropriate financing source due to the nature of the work. The bonds/notes were not issued in 2015 and it is recommended to lapse the budgeted bond/note revenue, which results in a cash deficit of approximately \$400,000 for 2015.

Project WO086 Milwaukee River Parkway Reconstruction (-\$155,000)

A cash deficit of approximately \$155,000 is being lapsed from Project WO086 Milwaukee River Parkway Reconstruction. The 2015 Adopted Capital Improvements Budget included an appropriation of \$3,024,000 for the reconstruction of Milwaukee River Parkway from W. Bender Rd. to W. Good Hope Road. Financing for the project included \$2,224,000 in general obligation bonds and \$790,000 in other governmental revenues. The \$790,000 was made up of budgeted revenue from the City of Glendale (\$600,000), the Milwaukee Metropolitan Sewerage District (MMSD) (\$100,000), the Focus on Energy (\$55,000) and the Wisconsin Department of Natural Resources (WDNR) (\$45,000).

The anticipated revenue from the MMSD and the Focus on Energy will not be received. The project did not include the green infrastructure that was originally envisioned that would have made it eligible for revenue from MMSD. The pre-approval necessary for the Focus on Energy grant was not received; therefore, the project will not be eligible for a grant from Focus on Energy.

Construction on the project is ongoing and anticipated to be substantially completed by June 2016. The total amount of outside revenues being lapsed as part of the carryover process is \$155,000. Outside revenues from the City of Glendale and the WDNR that total \$645,000 is anticipated to be received in 2016.

**Projects with Lapsed Bond Surpluses and Deficits**

Overall a net amount of \$1,423,274 of unspent bonds is requested to be lapsed to the Debt Service Reserve. Of the \$1,423,274, Qualified Energy Conservation Bonds (QECBs) in the amount of \$121,998 is restricted and can only be used to finance the Bus Replacement Program.

Reallocation of Unspent Bond Proceeds

There is \$1,301,276 of non-QECB bonds being requested to be lapsed to the Debt Service Reserve. The Office of the Comptroller was made aware by the DAS-Facilities Management Division that there is a shortfall in Project WJ021 HOC (ACC North) HVAC System and Window Replacements (HOC HVAC Project). The attached resolution authorizes an administrative transfer that increases project expenditure authority and reallocates \$500,000 of unspent bond proceeds to the HOC HVAC Project.

The Office of the Comptroller will work with the DAS to identify projects that could potentially be financed with the remaining \$801,276 in unspent bonds. Projects receiving the unspent bond must be able to spend the proceeds in a timely fashion. In most cases, this would mean that only ongoing projects with shortfalls would be considered. The Internal Revenue Service regulations dictate the expenditure of bond proceeds within three years. Other factors such as capitalization and private activity also limit which projects would be considered. An appropriation transfer request is anticipated to be submitted for the Finance Committee for the June cycle.

The projects identified below make up the primary sources of the unspent bonds that are requested to be lapsed to the Debt Service Reserve.

Project WZ107 Bear Service Area (+\$310,000)

Surplus bonds of approximately \$310,000 are being lapsed. Renovation of the Brown Bear Service Area was original included in the 2015 Adopted Capital Improvements project. The project is being abandoned since the Brown Bear Den is being incorporated into the new elephant exhibit. It may be removed or partially removed; however, the new elephant exhibit is in the design phased and exactly how the Brown Bear Den will be impacted is unknown at this time.

Project WO517 War Memorial Renovations – Capitalized Interest (+\$165,000)

The amount of capitalized interest budgeted in the project was more than the actual amount. Although the total surplus expenditure authority related to capitalized interest was approximately \$310,000, almost half of the balance was absorbed by deficits in project related costs. The surplus bonds related to capitalized interest of approximately \$165,000 is being lapsed.

Project WS058 McGovern Senior Center Chiller Replacement (+\$130,000)

Surplus bonds of approximately \$130,000 are being lapsed from Project WS058 McGovern Senior Center Chiller Replacement. The chiller has been installed and only testing and other punch list items remain to be completed.

Project WT026 Bus Replacement Program (+\$122,000)

Surplus bonds of approximately \$122,000 are being lapsed from Project WT026 Bus Replacement Program. The 2015 bus purchases were made and the buses are in service. The funds being lapsed are unspent QECCBs that are required to be spent on other bus purchases. It is anticipated that a 2016 appropriation transfer will be requested to reallocate the unspent QECCBs to the Bus Replacement Program so that they can be used to finance the 2016 bus purchases.

Project WP214 Honey Creek Parkway Lighting (+\$110,000)

Surplus bonds of approximately \$110,000 are being lapsed from Project WP214 Honey Creek Parkway. The project is substantially complete.

Project WT057 Fond du Lac Bus Wash System Replacement (+\$100,000)

Surplus bonds of approximately \$100,000 are being lapsed from Project WT057 Fond du Lac Bus Wash System Replacement. The system has been placed in service.

**Lapsed Airport Capital Improvement Projects (Detailed in Schedule C)**

The Airport capital improvement appropriations and revenues not recommended for carryover are included in Schedule C. The total amount of lapsed expenditure appropriations is \$22,885,620 and the total amount of lapsed revenues is \$24,643,493. The financial impact of these lapsed projects along with adjustments to continuing projects results in the Airport providing a net contribution from its reserves of \$1,757,872 from the lapsed capital projects. The deficit consists of a cash deficit of \$2,130,135 and unspent Airport bond proceeds of \$372,263.

The impact to the Airport's reserves is primarily a result of unrealized revenues in a few projects that are in the process of being closed out.

A cash deficit of approximately \$810,000 resulting from unrealized revenue associated with project WA094 GMIA Runway Safety Area Improvements is being lapsed. The project is completed and no additional revenues will be realized.

A cash deficit of approximately \$690,000 resulting from unrealized revenue associated with Project WA064 GMIA Phase II Mitigation Program and is being lapsed. The project is completed and no additional revenues will be realized.

A cash deficit of approximately \$370,000 resulting from unrealized revenue associated with Project WA122 GMIA Pavement Rehabilitation and is being lapsed. The project is completed and no additional revenues will be realized.

A cash deficit of approximately \$310,000 is a result of unrealized revenue associated with Project WA123 GMIA Runway Safety Improvements and is being lapsed. The project is completed and no additional revenues will be realized.

**INFORMATIONAL SCHEDULES RELATING TO CARRYOVERS****Capital Projects/Major Repairs Being Abandoned After Three Years without Spending or Encumbrance (Detailed in Schedule D)**

The 2013 Adopted Capital Improvements Budget included an appropriation of \$1,219,200 to rehabilitate the South Reservoir on the Milwaukee County Grounds (Project WG01401). The recommended improvements were to consist of cleaning and applying a coating system to the interior and exterior of the tank, repairing the spalling concrete, and filling cracks. In addition, various piping and drainage improvements will need to be addressed. This is the only source of water to directly feed the water towers.

This project was not started. If the County retains the water utility the South Reservoir project would need to be financed through a new appropriation request. If the County transfers the water utility the work may or may not need to be completed by the County and is dependent upon the negotiations of the transfer.

Since there was no spending after three years; the project is being abandoned. The general obligation bonds that were anticipated to finance the project were never issued; therefore, there is no fiscal impact associated with lapsing the project.

**Operating Carryovers (Detailed in Schedule E and Schedule F)**

Operating budget capital outlay, equipment and major maintenance appropriations being carried over from 2015 to 2016 total \$5,371,264 (Schedule E). Revenues being carried over relating to Capital Outlays and Encumbrances total \$4,546,682 (Schedule F). This compares to carryovers from 2014 to 2015 of \$3,852,960 and \$6,945,595 respectively.

**Capital Carryovers (Detailed in Schedule G)**

Schedule G is included to summarize capital expenditures and revenues being carried over to 2015. Capital project fund expenditure appropriation carryovers from 2015 to 2016 total \$75,404,258 for corporate purpose projects. Associated revenues to be carried over total \$48,551,780. This compares to appropriation carryovers of \$76,956,492 for 2014 to 2015. The associated capital improvement revenue carryovers from a year ago totaled \$41,929,446.

Airport capital improvement expenditure and revenue carryovers from 2015 to 2016 total \$15,514,994 and \$25,441,282, respectively. Revenues exceed expenditure carryovers due primarily to the carryover of revenues associated with expenditures already encumbered. This compares to carryovers of \$43,269,780 in expenditures and \$69,380,837 in revenues for the Airport from 2014 to 2015.



Recommendation

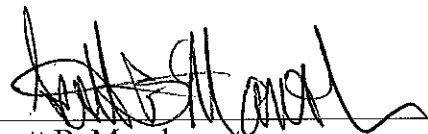
The DAS and the Comptroller recommend the lapsing of operating budget capital outlay, equipment and major maintenance appropriations that total \$1,150,039. It is also recommended that \$17,194 of cash is reallocated via administrative transfer from the Debt Service Reserve to the operating budget of the Highway Division of the Department of Transportation for the purpose of providing specialized pedestrian signal improvements on intersections of Layton Avenue.

It is also recommended to lapse \$9,838,558 of expenditure authority and \$8,385,434 of revenue budget for non-airport projects. The resulting cash surplus of \$29,850 will be applied to the general fund and the \$1,453,124 in unspent bond proceeds will be deposited to the Debt Service Reserve. It is also recommended to reallocate the \$109,000 of cash from the debt service reserve via administrative transfer to the Department of Administrative Services- Facilities Management budget in order to finance an evaluation of the items identified in the 2010 Graef Report to determine which of the Priority 1 items remain to be completed and to repair items found to be incomplete. It is also recommended to reallocate \$500,000 of lapsed unspent bond proceeds from the Debt Service Reserve via administrative transfer to Project WJ021 HOC (ACC North) HVAC System and Window Replacements.

Finally, it is recommended to lapse \$22,885,620 of expenditure authority and \$24,643,493 of revenue budget for airport projects. The resulting cash deficit of \$2,130,135 will be offset with a contribution from the Airport reserves and the \$372,263 in unspent bond proceeds will be deposited to the appropriate airport balance sheet account.



Steven Kreklow  
Director of PSB



Scott B. Manske  
Office of the Comptroller

Attachments

pc: Chris Abele, County Executive  
Co-Chair Finance, Personnel, and Audit Committee  
Co-Chair Finance, Personnel, and Audit Committee  
Raisa Koltun, Chief of Staff, Milwaukee County Executive  
Kelly Bablitch, Chief of Staff, Milwaukee County Board  
Stephen Cady, Comptroller, Research Director

