

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : May 3, 2012

TO : Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors

FROM : Pamela Bryant, Capital Finance Manager, Department of Administrative Services

SUBJECT : **Report of 2011 Carryovers to 2012 Fiscal Year**

REQUEST

The Department of Administrative Services (DAS) is requesting approval of the recommended expenditures and revenues to be carried over from 2011 to 2012 in accordance with Section 32.91(7) of the Milwaukee County General Ordinances (Section 32.91(7)). The Department of Administrative Services is required by Section 32.91(7) to prepare an annual report on operating and capital carryovers.

DISCUSSION

For several years, the DAS has limited operating carryovers to those that are offset with non-County revenue or for extenuating circumstances. This policy has been continued for the 2011 carryover process.

Operating Carryovers

Operating budget capital outlay, equipment and major maintenance appropriations recommended to be carried over from 2011 to 2012 total \$4,291,150.00. (See attachment Schedule A: Appropriations – Capital Outlay/Equipment/Major Maintenance Carried Over From 2011-2012 for details). Revenues (Schedule B) recommended to be carried over total \$8,163,101.00. This compares to carryovers from 2010 to 2011 of \$5,727,891.70 and \$11,561,894.00, respectively.

The recommended operating carryover amount includes \$116,682.00 for the DTPW- Architecture and Engineering and Environmental Services Division and \$164,449.00 for the DTPW- Transportation Services Division. Since these divisions were reorganized during the 2012 Adopted Budget, the DAS will perform an administrative funds transfer after approval of the carryovers to ensure that the funds are in the appropriate account.

The majority of the operating expenditure and revenue carryover amounts are for Community Development Block Grant projects within the HOME Grant, Community Development Block Grant and Revolving Loan Program projects within the Department of Health and Human Services – Housing Division.

Historically, the Housing Division has not budgeted the expenditure and revenues in the appropriate objects and accounts. This practice has continued without any direction toward correction. The DAS is recommending that the Housing Division through an administrative transfer allocate the budgeted authority from the 2011 carryover as well as the 2012 Adopted Budget to the appropriate expenditure object and revenue account.

Attachment Schedule A: Appropriations – Capital Outlay/Equipment/Major Maintenance Carryovers Not Recommended for 2011 - 2012 reflects total operating major maintenance items of \$3,090,899.63 that have been lapsed to the general fund for 2011. This amount will be included in the year-end 2011 results.

Capital Carryovers

Schedule C is included to summarize capital expenditures and revenues recommended to be carried over to 2011. Capital project fund expenditure appropriation carryovers from 2011 to 2012 total 108,109,865.18 for corporate purpose projects. Associated revenues to be carried over total \$84,195,139.00. Generally, carryover revenues are less than expenditure authority since realized bond proceeds are excluded from carryover revenues. This compares to appropriation carryovers of \$127,941,566.00 for 2010 to 2011. The associated capital improvement revenue carryovers from a year ago totaled \$66,785,787.00.

Airport capital improvement expenditure and revenue carryovers from 2011 to 2012 total \$97,731,455.00 and \$128,136,862.55, respectively. Revenues exceed expenditure carryovers due primarily to the carryover of revenues associated with expenditures already encumbered. This compares to carryovers of \$122,801,092.00 in expenditures and \$153,342,267.00 in revenues for the Airport from 2010 to 2011.

General Fund Impact from Capital Program

A schedule of capital improvement appropriations and revenues not recommended for carryover is also attached. Excluding Airport appropriations and revenues, \$4,349,490.00 of cash is required from the County's general fund in 2011 to offset deficits in various capital projects. The deficits are primarily a result of unrealized revenue from the University of Wisconsin- Milwaukee land sale transaction, Historical Society Renovation project and O'Donnell Park Renovation expenses.

The DAS in an April 2011 report to the Finance and Audit Committee indicated the projects originally financed with proceeds from UW-Milwaukee land sale that would require an alternative funding source in order to proceed. This has resulted in a deficit of \$2.7 million from the revenue shortfall.

In September 2011 report, the DAS indicated a deficit in the Historical Society Renovation project. After reconciling the project budget, the deficit is \$664,401.47.

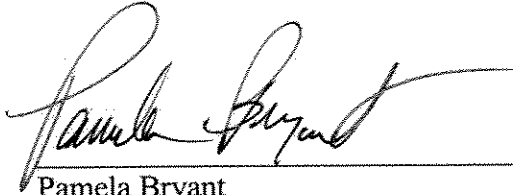
In October 2011, the DAS indicated a cash deficit of \$890,346 and a bond surplus of between \$1.5 million and \$1.8 million in the O'Donnell Park Parking Structure Project. The cash deficit included \$663,646 for expenses (net of recycling credits) related to the metal panels and the specialty glazed structure. Since the \$663,846 expenses are related to assets that were recycled, they are not eligible to be financed with bond proceeds. After final project closeout, the cash deficit remains at \$890,346 and the surplus bonds total \$1,557,969.73.

Unspent Bond Proceeds

Unspent bond proceeds of \$1,844,901.85 from the lapsed capital projects will be deposited into the County's debt service reserve. The majority of the bond proceeds are Build America Bonds and must be applied towards capital improvement projects. The DAS is in the process of determining the Build America Bond amount. In addition, the DAS will work with departments to develop an appropriation transfer to utilize the lapsed Build America Bonds.

Airport Capital Results

Net expenditures and revenues from lapsed Airport projects total \$1,117,136.69, which reflects the lapsing of project expenditure deficits or unrealized revenues to the Airport's reserve. In addition, \$1,236,056.26 will be deposited in the Airport's Capital Improvements Reserve and \$118,919.57 in cash will be allocated to the County.



Pamela Bryant
Capital Finance Manager

Attachments

pc: Chris Abele, County Executive
Scott Manske, Comptroller
Amber Moreen, Chief of Staff, Milwaukee County Executive
Kelly Bablitch, Chief of Staff, Milwaukee County Board
Craig Kammholz, Fiscal and Budget Administrator
Stephen Cady, County Board Fiscal and Budget Analyst