

**-COUNTY OF MILWAUKEE-  
INTEROFFICE COMMUNICATION**

DATE : November 22, 2013

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

FROM : Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT : Request to Approve the Reimbursement of the the Estabrook Dam Rehabilitation capital project with Future General Obligation Bonds

**REQUEST**

The Office of the Comptroller is requesting approval of the attached resolution that expresses the County's intent to reimburse the Estabrook Dam Rehabilitation capital project with future general obligation bonds.

**BACKGROUND/ANALYSIS**

In April 2013, the Office of the Comptroller notified policymakers in the 2012 to 2013 Carryover Report that the County was not in compliance with IRS expenditure rules for bonds. This was due to a lack of expenditures during the IRS approved time period for bonds on specific projects.

The Office of the Comptroller with the assistance of the Department of Administrative Services – Fiscal Affairs Division met with various Departments to develop a plan to expend the bonds in accordance with IRS Rules. This plan consisted of a two phased approach to reallocate \$13.3 million of the unspent bond proceeds.

The first phase reallocated approximately \$5.8 million in unspent bond proceeds to finance projects in the 2013 Adopted Capital Improvements Budget. The County Board of Supervisors approved the first phase on June 20, 2013 (Resolution File No. 13-537). The second phase reallocated approximately \$7.5 million to continuing capital projects and projects in the Five Year Capital Improvements Plan (2014 Requests) and was approved on July 25, 2013 (Resolution File No. 13-633).

Resolution File No. 13-537, in addition to reallocating \$5.8 million in unspent bonds, directed the following:

- that the Department of Administrative Services process an appropriation transfer to establish a not-to-exceed amount of \$1,630,000 in expenditure authority and general obligation bond revenues for project WP063022 – Estabrook Dam Rehabilitation Project;
- that the Office of the Comptroller will submit a reimbursement resolution to the Committee on Finance, Personnel and Audit, to establish the County's intent to reimburse itself for expenditures incurred on the Estabrook Dam Rehabilitation Project prior to the issuance of the bonds

- that the Office of the Comptroller determine the appropriate time to issue the general obligation bonds to finance the Estabrook Dam Rehabilitation Project based on the funding needs of the project.

The Estabrook Dam Rehabilitation Project continued to incur minor expenditures of \$40,000 subsequent to approval of the reallocations in June and July. Until the final costs of these minor expenditures were known, the Comptroller office was unable to determine the amount to be reallocated for the project. Therefore, the Office of the Comptroller could not submit a reimbursement resolution to the Committee on Finance, Personnel and Audit in July 2013. The final reallocated amount for this project has now been determined to be \$1,589,708 and a transfer of this amount has been processed, thus completing the first step above.

The attached resolution will accomplish the second step: submittal of a reimbursement resolution to establish the County's intent to reimburse itself for expenditures it would incur in the future for Estabrook Dam Rehabilitation. The reimbursement resolution will be for \$1,600,000: a rounded dollar value of the fund transfer.

### **U.S. TREASURY REGULATION COMPLIANCE**

U.S. Treasury Regulation Section 1.150-2 describes the conditions under which the County may expend County funds on a project currently and later reimburse itself with bond proceeds. The first step in providing for such reimbursement to occur is an expression of intent by the County to reimburse itself for expenditures incurred prior to issuing the bonds. Therefore, the attached resolution expresses that intent.

Expressing this intent will allow the County to reimburse itself for expenditures incurred as far back as 60 days prior to the approval of the attached reimbursement resolution. Any work on the project that is done earlier than 60 days prior to the approval date would not be eligible for reimbursement.

### **Expenditure Rules**

The rules relating to expenditures are as follows:

- No expenditure made 60 days prior to the date of the adoption of the reimbursement resolution can be made (other than architectural and engineering fees and similar costs);
- Bonds must be issued within 18 months of the later of;
  - The first date that a reimbursed expenditure is made
  - The placed-in-service date of the project for which the reimbursed expenditure was made (or the date of abandonment of the project for which the reimbursed expenditure was made)
- Bonds must be issued within three years of the date of the first reimbursed expenditure in any event

### **Compliance Test**

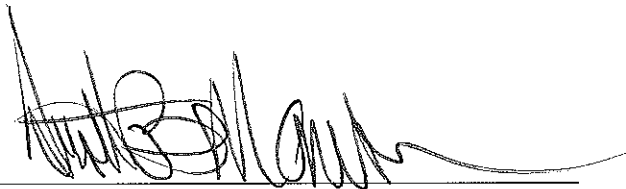
The U.S Treasury Internal Revenue Service has established various test for compliance with the requirements for reimbursement.

- 60-Day Reimbursement Test. All of the expenditures must be made no more than 60 days preceding the date of the adoption of the reimbursement resolution.
- Three-Year Reimbursement Test. The bonds must be issued within three years after the first expenditure
- Placed in Service Test. The asset must be placed in service no more than 18 months prior to the issuance of the bonds.

The \$1,600,000 reimbursement resolution will allow for the bonding equal to that amount starting with expenditures incurred sixty days prior to the approval of the resolution, which we believe will be October 19, 2013. No expenditures have been incurred since that date for the Estabrook Dam Rehabilitation Project.

### **RECOMMENDATION**

The Office of the Comptroller is requesting approval of the attached resolution that expresses the County's intent to reimburse with up to \$1.6 million of bond proceeds for the Estabrook Dam Rehabilitation capital project for expenditures incurred that meet the IRS rules.



Scott B. Manske  
Comptroller

pc: Chris Abele, County Executive  
Amber Moreen, Chief of Staff, County Executive's Office  
Willie Johnson, Jr., Co-Chair, Finance, Personnel, and Audit Committee  
David Cullen, Co-Chair, Finance, Personnel, and Audit Committee  
Kelly Bablitch, Chief of Staff, County Board  
Pamela Bryant, Capital Finance Manager, Office of the Comptroller  
Justin Rodriguez, Capital Finance Analyst, Office of the Comptroller