

**COUNTY OF MILWAUKEE  
INTEROFFICE COMMUNICATION**

DATE : July 6, 2015

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

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

SUBJECT : **Request to Reallocate Unspent Airport Revenue Bond Proceeds**

**REQUEST**

The Office of the Comptroller (Comptroller) is requesting approval to reallocate unspent Airport Revenue Bond ("GARB") proceeds of approximately \$5.5 million.

A request of \$4.0 million would finance the balance of the improvements for Project WA096 GMIA Parking Structure Relighting and a request of approximately \$330,000 would finance Project WA108 HVAC Replacement. The Comptroller is also requesting approval to transfer approximately \$1.2 million of unspent bond proceeds from the Airport Revenue Bond, Series 2009A (Series 2009A Bonds) to an escrow account so that a portion of the Series 2009A Bonds can be defeased now and redeemed on the call date of December 1, 2019.

**BACKGROUND**

**Identification of 2010 and Prior Unspent Revenue Bond Proceeds**

In October of 2013, the County Board approved a resolution (File No. 13-707) submitted by the Comptroller that authorized the reallocation of \$1,482,928 in 2010 GARB proceeds from the baggage claim renovation project to an escrow account with US Bank for the purpose of paying down the 2010 bond issue.

Subsequent to the 2013 resolution, the Airport Division of the Milwaukee County Department of Transportation (MCDOT) performed a more comprehensive reconciliation of project costs and unspent GARB proceeds. Based on that analysis there was \$5,462,724 in unspent Airport Bond proceeds (including the proceeds identified in File 13-707). After numerous meetings with the Office of the Comptroller regarding the use of the unspent bonds, it was determined, with assistance from the County's Bond Counsel that the bond proceeds would be allocated to eligible Airport capital projects and that the balance would be used to defease and redeem certain Series 2009A Bonds.

Airport Unspent Bonds by Bond Year							
Project Number	Description	2004	2006	2007	2009	2010	Total
WA006	C Concourse Expansion	\$372,870	\$1,443,204				\$1,816,074
WA089	Air Cargo Roof Replacement			\$334,971			\$334,971
WA133	Concourse D Restrooms				\$1,003,059		\$1,003,059
WA140	Parking 6th Floor Membrane				\$183,218		\$183,218
WA144	Terminal Escalator Reorientation				\$642,473		\$642,473
WA149	Snow Equipment Facility					\$1,482,928	\$1,482,928
	Total	\$372,870	\$1,443,204	\$334,971	\$1,828,750	\$1,482,928	\$5,462,724

**Allocation of Unspent Bonds to Existing Capital Projects**

Approximately \$4.3 million of the \$5.5 million in unspent GARB proceeds will be allocated to existing capital projects. The remaining approximately \$1.2 million of Series 2009A Bond proceeds will be deposited in an escrow account to defease and redeem certain Series 2009A Bonds on their earliest call date. The detail for each item is provided in the table below and on the following pages.

Airport Unspent Bonds by Bond Year							
Project Number	Description	2004	2006	2007	2009	2010	Total
WA096	Parking Structure Lighting	\$372,870	\$1,443,204		\$649,426	\$1,482,928	\$3,948,428
WA108	HVAC Replacement			\$334,971			\$334,971
	Total	\$372,870	\$1,443,204	\$334,971	\$649,426	\$1,482,928	\$4,283,399
Escrow Account					\$1,179,325		\$1,179,325
Total		\$372,870	\$1,443,204	\$334,971	\$1,828,750	\$1,482,928	\$5,462,724

Project WA096 GMLA Parking Structure Relighting

The 2010 Adopted Capital Improvements Budget included \$1.6 million for relighting the original parking structure and the 1990 addition. Phase one of the project also consisted of the following components:

- Construction of Room 14 to house electrical switch gear, which allowed for the reconfiguration of primary and emergency power to the parking structure.
- Installation of an emergency generator in the new electrical distribution building.
- Installation of new electrical sub panels in the north and south stairwell basements.
- Refeed of the electrical panel that serves the rental car companies.

Phase two of the project is underway and will consist of the following:

- Replace and upgrade the existing electrical infrastructure not completed in phase one.
- Replace the existing HID luminaires with energy efficient LED fixtures.
- Providing additional LED fixtures where lighting is inadequate.
- Provide lighting controls to reduce the amount of lighting during daylight hours.
- Add additional electrical and telecom rooms.
- Remodel the west building elevator lobbies as electrical/telecom rooms.
- Replace fixture heads for 6th floor pole lights.

The remaining work on the Parking Structure Relighting project is estimated to cost approximately \$4 million. This request to reallocate unspent Airport Revenue Bond proceeds of approximately \$4 million is being made so that the proceeds can be spent in an expedited manner. In addition, it will allow Airport staff to use the remainder of 2015 to prepare the bidding documents and issue bids for one contract for the remaining work. Approving the reallocation of the unspent Airport Revenue Bond proceeds for the July cycle of the Finance, Personnel and Audit Committee will allow project construction to be bid by September 2015. The single contract would likely extend to mid-2017 for completion of the entire project.

It is anticipated that approximately \$50,000 may be necessary to finance the balance of the project. Since all of the eligible unspent bonds would be allocated, the estimated \$50,000 in project costs would be financed with major maintenance funds in the Airport's operating budget.

Project WA108 HVAC Replacement

In May 2010, an appropriation transfer of \$500,000 was approved by the County Board and County Executive that expanded the scope of the final phase of the HVAC replacement project. Financing was to be provided by 2010 GARB proceeds. Upon further review, the Airport Division decided not to bond finance the \$500,000 in improvements. The actual amount needed, as determined by the Airport Division, is approximately \$330,000.

This request will reallocate unspent airport revenue bonds (2007A Series) to finance the amount required to close out the HVAC System project. The funds were actually reallocated in 2013/2014. This will formally recognize the transaction. Construction was completed in 2013 and final completion was accomplished in 2014.

**Defeasance of a Portion of the Airport Revenue Bonds, Series 2009A**

The Airport Revenue Bonds are exempt facility bonds which allows such bonds to be exempt from Federal taxes. In order to issue exempt facility bonds the County is required to hold a public hearing and have an elected body (the County Board) approve the issue in accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. The County is permitted to issue bonds only to finance the projects included on the public notice for the TEFRA hearing in an amount equal to no more than five (5) percent more than the amount included in the public notice. TEFRA does not require a detailed listing of each project with the amount to be borrowed to be included in the public notice, but if a detailed listing is provided the County cannot spend more than the amount listed on the notice plus five (5) percent for such project. The Series 2009A Bonds were the only issue of Airport Revenue Bonds with unspent bond proceeds that exceeded the amounts included in the public hearing notice for the Parking Structure Lighting project.

2009 Unspent Bond Amount	\$1,828,750
5 Percent Public Hearing Total Amount	\$601,614
Unused Public Hearing Amount for WA096 Parking Structure Lighting	\$47,811
Total 2009 Proceeds Eligible for This Transfer	\$649,426
Total Unspent Bonds Not Eligible for This Transfer*	\$1,179,325

\*Calculation results may vary due to rounding.

In addition to the bond proceeds spending limitation associated with the public notice, the County must comply with additional IRS regulations for exempt facility bonds that require the County to either spend bond proceeds on qualifying projects or use any unspent proceeds to defease outstanding bonds.

The County has approximately \$1.8 million proceeds remaining from the Series 2009A Bonds. A portion of the proceeds (\$649,426) is proposed to be used to partially finance the Parking Structure Lighting project, which is the maximum amount of Series 2009A Bond proceeds the County can spend on the Parking Structure Lighting project. As stated above, IRS Regulations limit the amount of bond proceeds the County can use on a project to an amount equal to the amount stated in the public hearing notice plus five (5) percent. The remaining \$1,179,325 of the Series 2009A Bond proceeds ( $\$1,828,750 - \$649,426 = \$1,179,325$ ) cannot be spent on any current Airport capital projects. In order to protect the tax-exempt status of the Series 2009A Bonds, IRS regulations

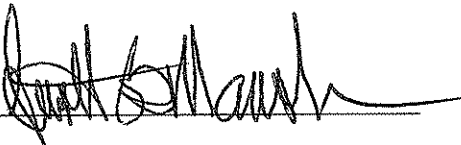
require the County to use such unspent proceeds to defease a portion of the outstanding Series 2009A Bonds by depositing the \$1,179,325 into an escrow account. US Bank is the Trustee for all of the Airport Revenue Bonds, including the Series 2009A Bonds. Therefore, the County will contact US Bank to serve as the escrow agent for the \$1,179,325 in Series 2009A Bond proceeds. The draft Escrow Agreement is attached to this file as Exhibit A. Costs associated with the transaction will be absorbed within the Airport's operating budget.

In addition to the escrow agent the Comptroller's Office, on behalf of the County, will use the professional services of the County's financial advisors and co-bond counsels to assist in processing the transaction. The Comptroller's Office will be soliciting bids for a Bidding Agent and a certified public accountant firm to provide mathematical verification and related services in connection to the transaction

**Recommendation**

The Comptroller recommends the adoption of the attached resolution that will direct the Comptroller to take all necessary steps to reallocate unspent general airport revenue bond proceeds in the following manner:

- An amount of \$3,948,428 will be allocated to Project WA096 Parking Structure Relighting to provide additional expenditure authority for the project.
- An amount of \$334,971 will be allocated to Project WA108 HVAC System so that the project can be closed.
- An amount of \$1,179,325 will be transferred to an escrow agent so that a portion of the general airport revenue bonds, Series 2009A can be defeased.



Scott B. Manske  
Comptroller

Attachments

pc: Chris Abele, County Executive  
Raisa Koltun, Chief of Staff, Milwaukee County Executive  
Kelly Bablitch, Chief of Staff, Milwaukee County Board  
Brian Dranzik, Director, MCDOT  
Karen Freiberg, GMIA  
Stephen Cady, Comptroller, Research Director