

COUNTY OF MILWAUKEE
Inter-Office Communication

DATE: August 16, 2024

TO: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

FROM: Joe Lamers, Director, Office of Strategy, Budget & Performance *JOSEPH LAMERS*

SUBJECT: From the Director, Office of Strategy, Budget & Performance, Requesting Authorization to Reallocate Tax Levy and Federal American Rescue Plan Act (ARPA) Revenue and Expenses

REQUEST

The Office of Strategy, Budget and Performance (SBP) requests authorization to reallocate any unobligated ARPA State and Local Fiscal Recovery Funds (SLFRF) as of the fourth quarter of 2024 to tax levy, and to reallocate an equal amount of Public Health and Safety operational expenses to ARPA-SLFRF, for a net \$0 tax levy impact. This reallocation of unobligated APRA SLFRF funds is proposed to ensure that the County meets all ARPA obligation and expenditure deadlines. This item also requests authorization to obligate all authorized ARPA SLFRF payroll expenses in fiscal years 2024, 2025 and 2026. ARPA funds must be fully obligated by the end of 2024 and fully spent by the end of 2026.

POLICY

Milwaukee County Board file 21-555: "A resolution to create a Task Force to review and recommend funding allocations to the Milwaukee County Board of Supervisors for monies received by the County in the Federal American Rescue Plan Act of 2021"

BACKGROUND

Milwaukee County directly received \$183.7 million in federal ARPA SLFRF. The Milwaukee County Board of Supervisors approved 73 projects and fully allocated 100% of its ARPA aid (\$183,696,190) in 2023. The U.S. Department of the Treasury (Treasury) requires Milwaukee County to obligate all ARPA funds by December 31, 2024 and fully expend funds by December 31, 2026.

The following Chart A shows the current and projected obligation status of the County's ARPA-SLFRF allocation:

Chart A: ARPA SLFRF Current & Projected Obligation Data:

Description	Amount	Detail
Obligations Reported to US Treasury (as of May 2024)	\$140.9	\$140.9 million or 77% of Milwaukee County's ARPA SLFRF allocation has been reported as obligated to the United States Department of Treasury, based on actual obligation data as of May 2024.

Description	Amount	Detail
Estimated Obligations Since May 2024	\$23.8	As of August 2024, based on updated financial data, an estimated total of \$164.7 million of ARPA SLFRF expenses have been obligated. This reflects a \$23.8 million increase compared to the most recent ARPA SLFRF claim, which was based on May 2024 obligation data. These additional obligations will be reported to U.S. Treasury in future federal claims. The actual amount is subject to change pending final reconciliations.
Public Health and Safety Operations - Pending Obligations	\$11.0	Approximately \$5.2 million of Public Health and Safety Operations costs, authorized for ARPA SLFRF funding, have not yet been obligated but are expected to be in 2024. In addition, the September cycle includes requests to reallocate \$5.8 million of ARPA SLFRF costs to Public Health and Safety Operations, and these expenses are also expected to be obligated in 2024, for a total of \$10.3 million.
Affordable Housing Remaining Obligations	\$5.0	There are approximately \$5.0 million of ARPA SLFRF funded Affordable Housing contracts in the process of becoming obligated, which is expected to occur in 2024.
Additional Contract Obligations	TBD	Additional ARPA SLFRF obligation activity is occurring on a daily basis and will continue to be monitored. The actual amount of pending ARPA contract obligations will be monitored throughout the remainder of the year.
Authorized Payroll Obligations	TBD	Recent updates to Treasury guidance indicate that authorized and projected payroll costs in 2025 and 2026 can be reflected as obligated in 2024. SBP is in the process of estimating authorized 2025 and 2026 payroll costs for future claims.
Total Current and Projected Obligations	\$180.7	
Total ARPA SLFRF Allocation	\$183.7	
Variance	\$3.0	This variance will be reduced by additional contract obligations and payroll obligation amounts which will occur in 2024, at amounts to be determined. Authorization to reallocate any remaining unobligated balances as of Q4 of 2024 to Public Health and Safety Operations will ensure all funds become obligated.

Project allocations have not yet been obligated for a variety of reasons which include, but are not limited to:

- A Request for Proposal process is underway but a contract has not yet been awarded; or

- Planning and design for a capital project is underway but construction contracts have not yet been awarded.
- Authorized 2025 and 2026 payroll costs have not yet been obligated but are in the process of being estimated and obligated in 2024

To ensure compliance and reach 100% obligation by the federal deadline, this report recommends that all unobligated ARPA SLFRF funds in the fourth quarter of 2024 be authorized to be converted to tax levy, for a net \$0 tax levy impact. Administration recommends that the ARPA SLFRF funds are reallocated to Public Health and Safety Operational costs, or other operational expenses that are eligible under ARPA SLFRF guidance.

The penalty for not meeting the obligation and expenditure requirements would include the return of unobligated and unexpended funds to the federal government. Administration recommends the remaining unobligated ARPA funds use tax levy expenditures to further obligated ARPA funds to reduce the risk of returning unobligated funds to Treasury. Utilizing tax levy funding for projects that are not fully obligated allows Milwaukee County to flexibly implement Board-approved projects as intended while meeting Treasury obligation deadlines with minimal risk, avoiding a reduction in funding. Projects that will utilize tax levy include capital projects in the planning and design phase or projects that need additional time to implement a contract.

In September 2023, this reallocation strategy was authorized by the Milwaukee County Board of Supervisors in File [23-808](#) and applied \$11.7 million in public health and safety payroll costs to ARPA revenue. Tax levy was applied to eight ARPA-enabled projects, which had a net total tax levy impact of \$0.

In June 2024, this reallocation strategy was replicated and authorized by the Milwaukee County Board of Supervisors in file [24-535](#) to transfer up to \$28 million in tax levy expenditures including public health and safety operation costs to federal ARPA State and Local Recovery Funds which also had a net total tax levy impact of \$0. This largely included capital projects in the planning and design phase, projects that needed additional time to implement a contract, or projects that had a fee-for service payment structure which can't obligate funds in Milwaukee County's internal accounting system in fiscal years 2024-2026.

SBP and the Office of the Comptroller (OoC) regularly collect program updates and obligation progress data to inform the recommendations for reallocating project funds. SBP and OoC will continue to monitor project obligation progress to ensure Milwaukee County's SLFRF funds are fully obligated by Treasury's deadline. If there are projects that are at-risk of obligating the remaining funds, SBP will submit a final reallocation recommendation in December 2024.

Digital Transformation Project Detail

The Digital Transformation Initiative project requires an update to the resolution approved by the Milwaukee County Board of Supervisors ([22-106](#)). Administration requests authorization to reallocate sub-project(s) budget authority within the Digital Transformation capital project WY0726.

RECOMMENDATION

The Administration recommends authorizing the transfer to convert any unobligated ARPA SLFRF fund as of the fourth quarter of 2024 to tax levy, and to reallocate an equal amount of Public Health and Safety operational expenses to ARPA-SLFRF (or other operational costs eligible for ARPA SLFRF claiming), for a net \$0 tax levy impact. Administration also recommends authorization to obligate all authorized ARPA SLFRF payroll costs in fiscal years 2025 and 2026.

FISCAL EFFECT

These actions will have a net total tax levy impact of \$0.

PREPARED BY:

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ALIGNMENT TO STRATEGIC PLAN

Describe how the item aligns to the objectives in the strategic plan:

- 3A: Invest “upstream” to address root causes of health disparities
- 3B: Enhance the County’s fiscal health and sustainability
- 3C: Dismantle barriers to diverse and inclusive communities