

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

DATE : April 24, 2017

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 2016 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 cash from the debt service reserve to two projects that were lapsed as part of the 2016-2017 carryover process.

## 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 process a 2017 administrative fund transfer to replace \$500,000 of operating major maintenance funds in Org. Unit 8938 DHHS- Delinquency and Court Services Division that are being lapsed since the purpose of the appropriation has changed.
- Approval to contribute \$1,850,313 of unspent bonds to the debt service reserve and lapse a cash surplus of \$2,606,212 to the County's general fund.
- Approval to contribute funds to the appropriate airport balance sheet account to account for an airport cash surplus in the general fund of \$1,824,473 and approval to lapse a deficit of \$967,188 from bond financed projects to the appropriate airport balance sheet account.
- Approval to process a 2017 administrative transfer to replace the lapsed 2010 Build America Bond proceeds with cash for Project WP28402 Clarke Square Park Pavilion.

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 2016 to 2017, 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 2016.

#### **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 within departments total \$3,210,364.<sup>1</sup>

Of the operating capital funds being lapsed, there were approximately \$1.6 million of funds lapsed that were requested by departments. In accordance with past practice, Carryover requests were denied if departments did not have sufficient funding in their overall budget without resulting in a deficit.

##### **Department of Administrative Services (Agency 115) (+\$254,000)**

The following items related to the Department of Administrative Services- Org. 1168 IMSD Central Spend were requested but not carried over:

- Camera Upgrades related to the HOC Master Control Project (+\$66,000)
- Computer Equipment, Security Cameras (DCSD/DHHS), Laptops, Tablets (+\$188,000)

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<sup>1</sup> The total lapsed appropriations are \$8,919,320; however, the overall amount includes \$5,708,956, which relates to the Countywide Budget Abatement Account.



Office of the Sheriff (Agency 400) (+\$293,000)

The following items related to the Office of the Sheriff were requested but not carried over:

- Org. 4002 Administration - Parks Security Camera System (+\$100,000)
- Org. 4021 Expressway Patrol - License Plate Readers (+\$93,000)
- Org. 4038 Criminal Justice Facility - SCBA Suits "Hazmat Suits" (+\$78,000)
- Org. 4077 Training – AV Equipment (+\$22,000)
- Org. 4086 Civil Process – Mobile Data Terminals (+\$30,000)

Department of Transportation- MCTS (Agency 560) (+\$505,000)

The following items related to the Department of Transportation - Transit were requested but not carried over:

- Org. 5605 Transit – MTS Phone System Replacement (+\$505,000)

Department of Health and Human Services (Agency 800) (+\$500,000)

The following items related to the Department of Health and Human Services- Org. 8598 Delinquency and Court Services Division (DCSD) were requested but not carried over:

- Alternative Housing for DCSD Youth - CATC (+\$500,000)

The Department of Health and Human Services has sufficient funds to carryover the appropriation, but the purpose for the appropriation has changed. An October 2015, an appropriation transfer allocated \$500,000 of surplus youth aids to DCSD for the purpose of renovating the vacant CATC outbuilding into a Type II secure residential facility in order to expand the capacity of the Milwaukee County Accountability Program (MCAP). Since the County is in the process of selling the CATC facility, DHHS is pursuing development of a Type II Residential Treatment Center (RTC) for youth. Therefore, the original appropriation is being lapsed. The attached resolution authorizes a 2017 administrative transfer that would provide \$500,000 from the debt service reserve related to start-up costs for the RTC, and does not limit the expansion to a specific facility.

**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 \$2,606,212 and unspent bonds of \$1,850,313. The surplus of \$2,606,212 includes \$1,250,000 that is being lapsed for two projects (WZ120 Hippopotamus Renovations and WO237 Public Art) that are part of "Schedule D - Capital Expenditures or Major Repairs Without Any Expenditure or Encumbrance for a Period of Three Years." The \$2,606,212 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**

The total lapsed cash amount from capital projects is \$2,606,212. The significant (greater than \$50,000) surpluses and deficits are listed below.

*Cash Surpluses (Greater Than \$50,000)*Project WO114 Countywide Infrastructure Improvements (+\$530,000)

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.

A vast majority of the remaining balance of approximately \$530,000 was related to 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 to complete either of the two major components of the project; therefore it is recommended that these funds are lapsed to the general fund. It is anticipated that a future appropriation request will be made to complete the scope of work.

Project WG027 CATC Parking Lot and WO224 Zoo Interchange Utilities Relocation (+\$394,800)

County Board resolutions approved in 2013 created Project WG027 CATC Parking Lot and Project WO224 Zoo Interchange Utilities Relocation in order to mitigate changes made by the State Department of Transportation that would occur during the Zoo Interchange Reconstruction.



In November 2016, the County received additional settlement funds totaling \$383,400 that related to additional cost to cure settlement funds since the actual costs associated with the items exceeded the original estimates. Since there are no revenue budgets in these two projects, the receipt of the funds results in over realized revenues that are requested to be lapsed to the County's general fund.

Project WC112 City Campus Demolition (+\$200,000)

Surplus cash of \$200,000 is being lapsed from Project WC112 City Campus Demolition Project. The City Campus transaction between the County and Wiegand Investments has been completed. The 2015 Adopted Capital Improvements Budget indicated that the remaining \$200,000 of expenditure authority would be transferred to projects at the Technology Innovation Center. Since the transfer did not occur and the County has sold the Research Park, these funds are requested to be lapsed to the County's general fund.

*Cash Deficits (Greater Than \$50,000)*

WP192 Parks FEMA Mitigation Projects (-\$55,000)

In July of 2010 substantial flooding occurred that resulted in damage to various parks, parkways, and trails. In 2011, 2012, and 2014 appropriation transfers were approved that provided appropriations for the areas that were impacted by the 2010 floods. All of the areas with exception of the Honey Creek Parkway/ Portland Avenue area are substantially complete. Expenditure authority of \$242,000 is requested to be carried over to complete Honey Creek Parkway/ Portland Avenue and punch list for other areas. A revenue budget of \$2,200,000 is requested to be carried over to realize FEMA revenue related to the projects. A deficit of \$55,000 is requested to be lapsed to the general fund in order to reconcile the available expenditure authority and the anticipated revenues.

**Projects with Lapsed Bond Surpluses and Deficits**

Overall a net amount of \$1,850,313 of unspent bonds is requested to be lapsed to the debt service reserve. The projects identified below make up the primary sources of the unspent bonds that are requested to be lapsed to the debt service reserve.

*Bond Surpluses (Greater Than \$50,000)*

WO113 Fleet Storm-water Reconfiguration (+\$583,000)

The 2014 Adopted Capital Improvements Budget included an appropriation of \$1,476,694 for design and construction related to the reconfiguration of the Fleet Management Storm-water system. The work on the project is nearing completion and surplus funds of \$583,000 are available and are requested to be lapsed to the debt service reserve. A total amount of \$150,000 is being carried over to complete the project.

WJ022 Upgrade HOC Fire Alarms (+\$184,000)

The 2015 Adopted Capital Improvements Budget included an appropriation of \$450,000 to replace the fire alarm system and panels at the House of Correction. The former system was over fifteen years old and no longer in compliance with applicable industry standards and governing codes. The replacement of the system was substantially completed in 2016 and surplus bonds are requested to be lapsed to the debt service reserve.

WP39903 Pulaski Pool Improvements and WP39904 Noyes Pool Improvements (+\$133,000)

The 2014 Adopted Capital Improvements Budget included total appropriations of \$1,962,000 for improvements to Pulaski Pool and Noyes Pool. These projects are in the process of being closed out and there are surplus bonds that are requested to be lapsed to the debt service reserve.

WG019 CATC Fire Protection (+\$128,000)

This project was included in the 2014 Adopted Capital Improvement Budget with an appropriation of \$203,740 to replace the existing fire protection monitoring system at the CATC facility. An additional appropriation transfer of approximately \$105,000 was made in 2015 to cover additional project shortfalls.

In 2016, appropriation transfers that totaled \$175,000 were approved that allocated funds from the CATC Fire Protection System to the Vel Philips Juvenile Justice Center Fire Protection System (\$133,000) and the Research Park Fire Protection System (\$42,000).

The CATC is in the process of being sold; therefore, the Fire Protection Monitoring System Project is not necessary at this time and will be abandoned. Surplus bonds are requested to be lapsed to the debt service reserve.

Project WJ064 HOC Upgrade Security Doors on Cells (+\$127,000)

The 2015 Adopted Capital Improvements Budget included an appropriation of \$535,265 to finance the repairs and upgrades to security doors at the House of Corrections. The project has been completed and surplus bonds are requested to be lapsed to the debt service reserve.

WE050 BHD Panic Alarm System (+\$113,000)

The 2015 Adopted Capital Improvements Budget included an appropriation of \$205,750 to replace the panic alarm system in the Psychiatric Hospital and 9201 Watertown Plank Road Building. The project has been completed and surplus bonds are requested to be lapsed to the debt service reserve.



WP28402 Clarke Square Pavilion Improvements (+\$91,000)

A 2014 appropriation transfer reallocated surplus 2010 Build America Bond proceeds from Project WP28401 Clarke Square Playground to Project WP28402 Clarke Square Pavilion.

Also in 2014, the Zilber Family Foundation awarded a \$50,000 grant to support the revitalization of Clarke Square Park as a safe and open space for children and families to gather. Journey House spent \$1,237 of the \$50,000 Zilber Grant on three alternative design layouts and preliminary cost estimates.

In 2016, the Clarke Square Neighborhood Initiative applied and received approval for a Parks Amenities Matching Fund (PAMF) award of \$50,000.

A May 2017 appropriation transfer request is being submitted that would recognize the PAMF award and the balance of the grant from the Zilber Foundation.

The scope of the project is anticipated to include replacement of existing windows, lighting, and the roof. The scope will also include repainting of the facility (except restrooms), masonry repair (interior south wall), and replacement of the north entrance door to provide an accessible entrance. Finally, two new glazed overhead doors in the pavilions west elevation are proposed.

Since the project includes many repairs that would not be capitalized and since the facility may be leased in the future to outside entities, the Office of the Comptroller is recommending changing the County financing source for the project from Build America Bonds to cash. The bond proceeds are being lapsed to the debt service reserve and the attached resolution will authorize a 2017 administrative transfer to allocate an identical amount of cash from the debt service reserve to finance the project.

WO445 911 Answering System (+\$75,000)

The 2014 Adopted Capital Improvements Budget included an appropriation of \$579,200 for replacement of the Positron Life Line System (911 Answering System). The former system was purchased in 2005 and was nearing the end of its useful life. The replacement was completed in 2016 and the surplus bonds are requested to be lapsed to the debt service reserve.



WO215 Storage Expansion (+\$72,000)

The 2013 Adopted Capital Improvements Budget included an appropriation of \$400,000 to increase data storage capacity. The capital project was to provide for the purchase of the hardware necessary for storage expansion, including increased capacity for growth in Milwaukee County's disk to disk system.

A 2015 County Board Resolution (15-644) authorized the reallocation of \$125,000 from Project WO215 Storage Expansion to Project WO61902 – Critical Data Protection and Backup Services. Subsequent to the appropriation transfer, no funds have been spent on the Storage Expansion project. These bonds are requested to be lapsed to the debt service reserve.

**Reallocation of Unspent Bond Proceeds**

There is \$1,850,313 of bonds being requested to be lapsed to the debt service reserve. Some of the unspent bonds may be able to be used to pay interest costs associated with outstanding debt. Other bonds may have to be allocated to other capital projects. Capital projects receiving the unspent bonds 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 are considered.

The Office of the Comptroller will work with the Department of Administrative Services and other departments to identify projects that would meet the criteria above. A final list will be submitted through an appropriation transfer request to the County Executive and County Board.

**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 \$10,961,555 and the total amount of lapsed revenues is \$10,104,270. The financial impact of these lapsed projects along with adjustments to continuing projects results in the Airport providing a net contribution to its reserves of \$857,285 from the lapsed capital projects. The net surplus consists of a cash surplus of \$1,824,473 and a deficit in bond financed projects of \$967,188. The impact to the Airport's reserves is primarily a result of unrealized revenues in a few projects.

*Bond Deficits (Greater Than \$50,000)*

A bond deficit of \$967,189 is being lapsed from Project WA042 Baggage Claim Remodeling, this is largely due to lapsing a similar amount of revenue surplus from 2015. The project is completed and no additional revenues will be realized.

*Cash Surpluses (Greater Than \$50,000)*

A cash surplus of approximately \$680,000 resulting from expenditure authority associated with Project WA064 GMIA Phase II Mitigation Program is being lapsed. The project is completed. The cash surplus is a result of a timing difference. The previous year's carryover lapsed a cash deficit.

A cash surplus of approximately \$283,000 is a result of over realized revenue associated with Project WA123 GMIA Runway Safety Improvements. The cash surplus is a result of a timing difference. The previous year's carryover lapsed a cash deficit.

A cash surplus of approximately \$321,000 is a result of over realized revenue associated with Project WA185 GMIA Surveillance System. This project is anticipated to be completed by the end of 2017.

A cash surplus of approximately \$217,000 is a result of over realized revenue associated with Project WA180 GMIA 7L-25R Resurfacing. This project has been completed.

A cash surplus of approximately \$84,000 is a result of over realized revenue associated with Project WA176 Airport Master Plan – AGIS/eALP.

A cash surplus of approximately \$60,000 is a result of over realized revenue associated with Project WA135 GMIA 1L-19R and 7R-25L Repaving.. This project has been completed.

A cash surplus of approximately \$50,000 is a result of a higher amount of lapsed appropriations than lapsed revenues associated with Project WA096 Parking Structure Repairs.



**INFORMATIONAL SCHEDULES RELATING TO CARRYOVERS**

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

WZ120 Hippopotamus Exhibit Renovations (+\$1,200,000)

The 2014 Adopted Capital Improvements Budget included an appropriation of \$4,800,000 to renovate the Hippopotamus Exhibit at the Milwaukee County Zoo. Financing was to be provided from a private contribution (\$2,400,000), a contribution from the Zoo Society (\$1,200,000), and County sales tax revenue (\$1,200,000). The total estimated costs of the project at the time was \$9,600,000 and it was anticipated that a 2015 appropriation would be included in the 2015 Capital Improvements Budget.

Although, previous donations were used to complete the first phase of the project, which included designing all the project components to the construction document phase, there have been no expenses charged to the project during 2014-2016.

Since there was no spending after three years; the project is being abandoned in accordance with State Statutes. The sales tax revenue will be lapsed to the County's general fund.

It is anticipated that the project will be requested again in order to reestablish the project.

WO237 Public Art (\$50,000)

The 2013 Adopted Budget directed the first \$50,000 of land sales received, above the amount budgeted in Real Estate Services to cover operating expenditures, to be used to establish a Public Art capital project. In August 2013, an administrative transfer was processed to create capital project WO237 Public Art.

Since there was no spending after three years; the project is being abandoned. The land sales revenue will be lapsed to the County's general fund.

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

Operating budget capital outlay, equipment and major maintenance appropriations being carried over from 2016 to 2017 total \$2,720,918 (Schedule E). Revenues being carried over relating to Capital Outlays and Encumbrances total \$5,860,084 (Schedule F). This compares to carryovers from 2015 to 2016 of \$5,371,264 and \$4,546,682 respectively.

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

Schedule G is included to summarize capital expenditures and revenues being carried over to 2017. Capital project fund expenditure appropriation carryovers from 2016 to 2017 total \$74,961,909 for corporate purpose projects. Associated revenues to be carried over total \$48,739,749. This compares to appropriation carryovers of \$75,404,258 for 2015 to 2016. The associated capital improvement revenue carryovers from a year ago totaled \$48,551,780.

Airport capital improvement expenditure and revenue carryovers from 2016 to 2017 total \$23,663,600 and \$29,627,459, respectively. Revenues exceed expenditure carryovers due primarily to the carryover of revenues associated with expenditures already encumbered. This compares to carryovers of 15,514,994 in expenditures and \$25,441,282 in revenues for the Airport from 2015 to 2016.



Recommendation

The DAS and the Comptroller recommend the lapsing of operating budget capital outlay, equipment and major maintenance appropriations that total \$3,210,364<sup>2</sup>. A 2017 administrative transfer is recommended to offset the \$500,000 that was lapsed from Org. Unit 8938 DHHS – Delinquency and Court Services Division in order to provide funding for start-up costs for a residential treatment center.

It is also recommended to lapse \$11,163,230 of expenditure authority and \$6,706,705 of revenue budget for non-airport projects. The resulting cash surplus of \$2,606,212 will be applied to the general fund and the \$1,850,313 in unspent bond proceeds will be deposited to the debt service reserve. It is also recommended that \$91,146 of cash is reallocated via a 2017 administrative transfer from the debt service reserve to Project WP28402 Clarke Square Pavilion in order to offset the 2010A Build America Bonds that are being lapsed to the debt service reserve through the 2016-2017 carryover process.

Finally, it is recommended to lapse \$10,961,555 of expenditure authority and \$10,104,270 of revenue budget for airport projects. The resulting cash surplus of \$1,824,473 will be deposited to the Airport reserves and the \$967,188 in deficit from bond financed projects will be accounted for in the appropriate airport balance sheet account.



Steven Kreklow  
Director of PSB



Scott B. Manske  
Office of the Comptroller

Attachments

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

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<sup>2</sup> The total lapsed appropriations are \$8,919,320; however, the overall amount includes \$5,708,956, which relates to the Countywide Budget Abatement Account.

