

**COUNTY OF MILWAUKEE  
INTER-OFFICE COMMUNICATION**

DATE: December 28, 2017

TO: Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors

FROM: Scott B. Manske, Comptroller

SUBJECT: **Authorizing Resolutions for the 2018 Bond and Note Issuances for Capital Projects**

**REQUEST**

The Office of the Comptroller is requesting the approval of the attached initial authorizing resolutions for the issuance of a not-to-exceed amount of \$53,580,000 of general obligation bonds or notes to finance capital projects. The resolution also authorizes the reimbursement of expenses related to projects that occur prior to the issuance of the bonds or notes.

**BACKGROUND**

The 2018 bonds or notes will finance projects contained in the 2018 Capital Improvements Budget ("2018 Budget") and other projects that have been approved, but not yet financed.

**2018 Capital Improvements Budget**

The 2018 Budget included \$39,642,309 of budgeted bond proceeds to finance various capital improvement projects. The table below provides a summary of the not-to exceed amount:

2018 Adopted Capital Project Financing	\$39,642,309
Previously Approved Projects	\$14,163,297
2018 Project Delayed to Future Financing	(\$2,838,064)
Cost of Issuance, Underwriter's Discount, Contingency	\$2,612,458
<b>Total Not to Exceed Amount</b>	<b>\$53,580,000</b>

**Prior Approved Projects Included in the Resolutions**

The resolutions include financing of approximately \$14 million for 14 projects that were previously approved, but not included in previous financings. In most cases, projects were not included in previous financings due to delays in the construction schedule for the projects.

**WO60201 Enterprise Platform Modernization (2017 Appropriation) — Approximately \$6.1 million**

The 2017 Adopted Capital Improvements Budget (“2017 Budget”) included an appropriation of \$8,034,125 for the Enterprise Platform Modernization Program (“ERP”). Financing was to be provided from \$6,139,784 in general obligation bonds, \$1,650,000 in sales tax revenue, and \$244,341 in property tax levy. Appropriations of \$250,000 (2013), \$300,000 (2015), and 480,000 (2016) were included in prior years to perform a needs assessment and a design plan.

The ERP project is business management software consisting of a set of integrated applications to consolidate common business operations.

In December 2017, the County Board approved a request (CB File 17-736) from the Executive Steering Committee on Enterprise Platform Modernization Project for authorization to enter into contracts with Infor, Inc.; MHC Software, Inc.; Emphasys Software; and N. Harris Computer Corporation for the implementation and licensing of certain software and hardware to replace Milwaukee County’s current legacy Financial and Human Resource Systems. The contracts included in the request required funding of \$7,934,319 in Year 1.

The project will begin with the implementation of the Finance modules and will be followed by the implementation of the Human Resource module. It is anticipated that the overall project costs will be \$22,000,000. The 2018 Budget includes an appropriation of \$5,781,106 with financing provided from \$3,000,000 in general obligation bonds/notes and \$2,781,106 in sales tax revenue. In addition the County’s Five Year Capital Improvements Plan includes a \$6,981,045 appropriation in 2019.

**WZ11901 Adventure Africa/African Plains Exhibit – Approximately \$2.7 million**

In December, 2013, the Milwaukee County Zoo and Zoological Society of Milwaukee completed a master plan that would guide redevelopment and development of the Zoo for the next 20 years. Adventure Africa was listed as the initial priority for implementation. To meet elephant exhibit accreditation standards required by the Association of Zoos & Aquariums, the replacement of the elephant exhibit was established as Phase 1 of Adventure Africa. The 2015 Budget, included an \$800,000 appropriation for the design of Phase I of the project (shared 50/50 between the County and the Zoological Society). The 2016 Budget included an appropriation of \$1,774,000 to continue the work on a new Elephant Exhibit and Barn in the African Plains Exhibit area project (shared 50/50 between the County and the Zoological Society).

In November 2016, the County Board approved the Adventure Africa Phase 1 Project Agreement between the Milwaukee County Zoo and the Zoological Society of Milwaukee for the construction of a new elephant exhibit at the Zoo. The total estimated cost for the project was \$16,600,000. The 2017 Budget included an appropriation of \$8,600,000 for the project. Financing was to be provided from \$4,300,000 of general obligation bonds and \$4,300,000 from the Zoological Society. According to the Agreement, the Zoological may contract with third parties to provide materials, services, and/or equipment related to the project and the County will accept this as an in-kind contribution.

In July 2017, the County Board approved a request (CB File 17-496) to advance the 2018 appropriation of \$5,426,000 so that contract commitments could be approved in 2017. Financing is to be provided from \$2,713,000 of general obligation bonds and \$2,713,000 of contributions from the Zoological Society. The County's share of \$2,713,000 is being included in the authorizing resolution.

The project is anticipated to be substantially complete by September 2018.

*WT08301 Bus Rapid Transit- Approximately \$1.3 million*

In July 2016, the County Board approved a request to submit an application for Federal Transit Administration ("FTA") Small Starts Grant funding in order to support the development of the East/West Bus Rapid Transit Project. Also in 2016, the Milwaukee County Department of Transportation submitted an application for Federal Section 5309 Small Starts funds.

The 2017 Adopted Capital Improvements Budget included an appropriation of \$21,225,000 for the development, design and construction of a Bus Rapid Transit ("BRT") project. Financing was anticipated to be provided from \$18,000,000 in Federal Section 5309 Small Starts funds, \$1,968,487 in vehicle registration fee ("VRF") revenue, and \$1,256,513 in general obligation bonds.

In Federal Fiscal Year 2018, the Bus Rapid Transit Project entered into the Project Development phase as determined by the FTA. The Milwaukee County Department of Transportation ("MCDOT") anticipates that a decision by the FTA will be made on the funding status of the BRT project in the first half of 2018 for the Federal Fiscal Year 2019. If the FTA approves the application, it is anticipated that construction on the project will begin in April 2019 and service would begin in 2020.

Bonds would only be issued in 2018 if the Federal Section 5309 Small Starts funds were approved for the project and if sufficient spending was anticipated to occur in 2018.

Other Delayed Projects from Prior Years (Individually less than \$1 million) —Approximately \$4.1 million

The balance of the projects that have been previously adopted, but not yet financed, represents approximately \$4.1 million. Each of the projects is listed below:

- WC05902 Courthouse/Safety Building Main Feeder Replacements (\$835,000)
- WH09501 W. Rawson Ave – S. 27<sup>th</sup> St. to S. 20<sup>th</sup> St. (\$30,000)
- WH24201 North Shop Improvements (\$325,000)
- WM02701 MPM – North Wing Air Handling Unit and Controls (\$524,000)
- WO51715 WMC Roof Replacement (\$730,000)
- WO51716 WMC Asphalt Paving – North Parking Lot (\$580,000)
- WP53001 Storage Sheds (\$37,000)
- WP32301 Menomonee River Streambank Stabilization (\$300,000)
- WP53101 Garden Home PIP Playground Resurfacing (\$120,000)
- WP53201 Holler Park Playground Improvements (\$275,000)
- WZ11401 Zoo Life Support Emergency Generators (\$298,000)

Adopted Projects Not Being Included in Financings

WO17501 Fleet Central Garage Roof Replacement—Approximately \$2.8 million

The 2018 Budget included an appropriation of \$2,838,064 for the replacement of two of the five sections of the Fleet Central Garage Roof.

Although the original plan was to use a phased construction schedule, it was later determined that it would be more prudent to bid out the entire roof under one construction contract. As a result, construction work on the project is being delayed to 2019 when the balance of the funding (\$3,311,414) is anticipated to be made available. The County's Five Year Capital Improvements includes \$3,311,414 in 2019 to finance the replacement of the balance of the roof.

WC06201 CJF Roof Replacement —Approximately \$2.5 million

The 2016 Budget included an appropriation of \$100,000 for the planning and design of the Criminal Justice Facility (CJF) Roof Replacement Project. The 2017 Budget included an appropriation of \$2,459,452 for the construction phase of the roof replacement at the CJF.

While design work on the project was ongoing, it was determined that prior to construction on the CJF roof replacement that repairs to the adjacent façade would be needed. Moisture penetration at joints of exterior walls (head, base and face of stone veneer) flows internally down to horizontal surfaces (roofs) – which would impact the efficacy of CJF roof replacement project. All joint sealant material requires replacement. The repairs to the façade have not yet been funded. Until the façade/joint work is completed, the construction on the CJF Roof Replacement has been put “on hold.”

WP62802 Brown Deer Park Roadway Phase 2—Approximately \$1.0 million

In July 2017, the County Board approved a request (CB File 17-483) to reallocate approximately \$1.8 million in unspent bond proceeds from the Debt Service Reserve. The allocation included \$1,033,796 that was allocated to Project WT026 – Bus Replacement Program in order to reduce the budgeted amount of 2017 Corporate Purpose Bonds necessary to finance the Bus Replacement Program and free up bonding capacity. CB File 17-483 also created expenditure authority and general obligation bond budget of \$1,033,796 for Project WP62802 Brown Deer Park Roadway Phase 2.

The scope of the Brown Deer Park Roadway Phase 2 project included reconstruction of the entire Brown Deer Park Roadway, the tennis court parking lot, the golf course parking lot, the driving range and the adjacent walkways. The CB File 17-483 also declared the County's intent to reimburse itself for any expenditures made in connection with the project prior to the issuance of the bond.

Currently, survey work is ongoing. It is anticipated that design work will be completed in 2018; however construction is not anticipated to begin until 2019. The project will require additional appropriations to complete the construction of the entire scope of the project.

WP48401 Lake Park Ravine Bridge—Approximately \$1.0 million

The 2017 Budget included an appropriation of \$2,500,000 for the reconstruction of Lake Park Ravine Bridge. The scope of work included the repair and/or replacement of the historic concrete arch pedestrian bridge in Lake Park. Financing was anticipated to be provided from \$2,000,000 in private contributions and \$500,000 in general obligation bonds. Construction work on the project shall not proceed until the \$2,000,000 in private contributions is secured and committed.

Subsequent to the adoption of the 2017 Budget, two resolutions were approved that increased the County's share of the project and reduced the budgeted amount/requirement of private contributions:

County Board File 16-728 eliminated the \$100,800 of funding for the design phase of Project WP52301 – Lake Park Steel Arch Bridge and reallocated the budget for general obligation bonds to Project WP48401 – Lake Park Ravine Bridge. The File also reduced the private contributions required for the Lake Park Ravine Bridge by \$100,800.

County Board File 17-117 allocated \$430,000 of unspent bond proceeds to Project WP29001 – Kinnickinnic Parkway Reconstruction – South 68<sup>th</sup> Street to West Cleveland Avenue and reallocated the budget for general obligation bonds to Project WP48401 – Lake Park Ravine Bridge. The File also reduced the private contributions required for the Lake Park Ravine Bridge by \$430,000.

The total modified amount of budgeted bond proceeds for the Lake Park Ravine Bridge project is \$1,030,800. The total modified amount of private contributions required for construction on the project to proceed is \$1,469,200. To date, the County has not yet received or secured private contributions for the project.

*WP290 Kinnickinnic Parkway (Various Sections/Subprojects)—Approximately \$0.5 million*

The 2016 Budget included an appropriation of \$847,500 for planning and design work of the Project WP290 Kinnickinnic Parkway Reconstruction. The project was broken up into seven separate sections (subprojects). The 2017 Budget provided an appropriation for the construction phase of the segment from 68<sup>th</sup> to Cleveland and the segment from 76<sup>th</sup> to 68<sup>th</sup>. These segments were substantially completed in September 2017.

The segment from 31<sup>st</sup> to 35<sup>th</sup> was determined to be owned by the City of Milwaukee and therefore the design appropriation will be lapsed at the end of 2017.

Finally, there are four segments that were put “on hold” due to the potential impacts from the Milwaukee Metropolitan Sewerage District’s (MMSD) plan to restore the Kinnickinnic Watershed. The plan identifies a system of improvements across the watershed to address the increased flood risk as well as other goals established by the Kinnickinnic River Watershed Advisory Committee. A final schedule for how MMSD’s work will affect these projects has not yet been developed, but is anticipated to be determined during 2018. As a result these sections are not being included in the 2018 bond issuances.

**Initial Authorizing Resolutions Not to Exceed \$53,580,000**

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$53,580,000 in bonds/notes. The amount is the sum of the 2018 Capital Improvements Projects (\$36,804,245), previously approved projects that are anticipated to be included in the 2018 financings (\$14,163,297), and Underwriter’s Discount/Cost of Issuance/Contingency (\$2,612,458). The estimated gross debt service from the not-to-exceed schedules is \$67,475,000, which includes \$13,895,000 of interest costs.

The Office of the Comptroller anticipates issuing separate series of bonds for Corporate Purpose Bonds (long-term), Promissory Notes (short-term/equipment), and Promissory Notes (short-term/ERP). The Office of the Comptroller will request approval of separate parameters resolutions prior to the issuance of the bonds/notes that are described in the previous sentence. These resolutions will provide the Office of the Comptroller with the authority to complete those transactions.

Below is a list of the various components of the not-to-exceed amount of \$53,580,000:

Project Number	Description	2018 Bond Issue
<b>2018 Budget</b>		<b>\$39,642,309</b>
<b>2018 Delayed Financing</b>		
WO17501	Fleet Central Garage Roof Replacement	(\$2,838,064)
<b>Net 2018 Budgeted Bond Financing</b>		<b>\$36,804,245</b>
<b>Previously Approved Projects</b>		
WO60201	Enterprise Platform Modernization (2017 Appropriation)	\$6,139,784
WZ11901	Adventure Africa - Elephant Exhibit	\$2,713,000
WT08301	Bus Rapid Transit	\$1,256,513
WC05902	Courthouse/Safety Building Main Feeder Replacements	\$835,000
WO51715	WMC Roof Replacement	\$730,000
WO51716	WMC Asphalt Paving - North Parking Lot	\$580,000
WM02701	MPM- North Wing Air Handling Unit and Controls	\$524,000
WH24201	North Shop Improvements	\$325,000
WP32301	Menomonee River Streambank Stabilization	\$300,000
WZ11401	Zoo Life Support Emergency Generators	\$298,000
WP53201	Holler Park Playground Improvements	\$275,000
WP53101	Garden Homes PIP Playground Resurfacing	\$120,000
WP53001	Storage Sheds	\$37,000
WH09501	W. Rawson Ave – S. 27th St. to S. 20th St	\$30,000
<b>Total Financing for Previously Approved Projects</b>		<b>\$14,163,297</b>
<b>Estimated Cost of Issuance (Federal Allowable Amount)/Underwriter's Discount) Contingency/Rounding</b>		<b>\$2,612,458</b>
<b>Total Not-To-Exceed Amount</b>		<b>\$53,580,000</b>

## **DEBT ISSUANCE CONDITIONS**

Wisconsin State Statute Section 67.045 outlines the conditions under which a county may issue debt. To comply with the referenced State Statute, approval of the attached initial authorizing resolution will require a  $\frac{3}{4}$  vote (14 votes) of the County Board of Supervisors.

The authorizing resolutions for the bonds and notes include initial resolutions and a resolution directing publication of notices to the electors. The authorizing resolutions also permit the County to reimburse itself for any expenditures made prior to the issuances. Each of the items in the resolution requires Finance and Audit Committee and County Board approval.

### **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 long as the expenditures comply with IRS rules summarized below:

- No expenditure made 60 days prior to the date of the adoption of the reimbursement resolution can be reimbursed with bond proceeds (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.



**PUBLIC HEARING REQUIREMENTS FOR PRIVATE ACTIVITY BONDS**

Some projects included in the 2018 bond issue are considered private activities within the meaning of the federal tax code. The issuance of tax-exempt bonds for these purposes requires that a public hearing be scheduled to allow citizens to comment on the issuance of the bonds. A public hearing will need to be scheduled to allow for public comment on the projects authorized for such entities as the Marcus Center, War Memorial/Art Museum, Milwaukee Public Museum, and the Zoological Society.

**RECOMMENDATION**

The Comptroller's Office requests that the Finance and Audit Committee approve and recommend approval by the full County Board of the attached resolutions. The resolutions authorize the issuance of a not-to-exceed amount of \$53,580,000 of bonds and notes. The resolutions also authorize the reimbursement of expenses related to projects that occur prior to the issuance of the bonds and notes.

The Comptroller will submit subsequent resolutions prior to the sales that will provide parameters for the issuances, delegate approval of the sales of the bonds/notes and authorize an administrative transfer to pay costs associated with the debt issuances. The subsequent resolutions will also delegate the bid opening and approval of the winning bidder for the sales of the issuances to the Comptroller. The Comptroller's approval will be limited to sale results that fall within the parameters outlined in the resolutions.



Scott B. Manske  
Comptroller

Attachment

pc: Chris Abele, County Executive  
Supervisor Peggy West, Chairperson, Finance and Audit Committee  
Scott B. Manske, Comptroller  
Raisa Koltun, Chief of Staff  
Kelly Bablitch, Chief of Staff, County Board  
Pamela Bryant, Capital Finance Manager  
Justin Rodriguez, Budget and Management Coordinator  
Vince Masterson, Capital Budget Coordinator  
Stephen Cady, Research Director  
Brian Lanser, Quarles and Brady  
Lafayette Crump, Crump Law Firm  
David Anderson, Public Financial Management  
Tionna Reed Pooler, Independent Public Advisors

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