

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

DATE : February 13, 2026

TO : Supervisor Marcelia Nicholson-Bovell, Chairwoman, County Board of Supervisors

FROM : Justin Rodriguez, Capital Project Manager, Office of the Comptroller

SUBJECT : Reallocation of Lapsed Project Funds from the Debt Service Reserve

**REQUEST**

The attached resolution authorizes the transfer of \$247,397 of unspent bonds and notes (“Bonds”) and \$408,943 of cash from the Debt Service Reserve (“DSR”) to pay debt service expenses. The resolution also allocates \$408,943 of levy financed expenditure authority from Org. Unit 9960 General County Debt Service to the unallocated contingency account in Org. 1945 Appropriations for Contingencies. The resolution also allocates \$247,367 of levy financed expenditure authority from Org. Unit 9960 General County Debt to various projects with shortfalls. These projects include soil testing related to Project WT010601 – Bus Lift Replacement at MCTS Kinnickinnic Station, Project WV004601 – Warnimont Gun Club Remediation, and WV005901 – Sanitary Sewer Repairs – 2024.

To comply with the Internal Revenue Service (“IRS”) expenditure rules for tax-exempt bonds, the Office of the Comptroller is seeking approval to reallocate approximately \$244,803 of 2020-2024 Bonds from the DSR to finance debt service expenses. Tax-exempt Bonds issued prior to 2024 are not compliant with IRS expenditure rules because the County has not been able to demonstrate a consistent pattern of spending that reflects a commitment to implementation. To spend the Bonds quickly, it is recommended to use the Bonds to pay interest expenses to the extent possible.

The expenditure deadlines for the tax-exempt Bonds being reallocated are listed on *Table 1*. Taxable Bonds do not have an expenditure deadline.

*Table 1: Unspent Bonds by Bond Issue Year/Series*

Bond Issue	Amount Unspent	Closing Date	Expenditure Deadline
2018F	\$1,936	11/15/2018	N/A
2020A	\$106,681	10/28/2020	10/28/2022
2020C	\$71	10/28/2020	10/28/2022
2022D	\$658	11/3/2022	N/A
2023A	\$1	11/8/2023	11/8/2025
2024A	\$37,650	11/7/2024	11/7/2026
2024F	\$100,400	11/7/2024	11/7/2026
<b>Total</b>	<b>\$247,397</b>		

**BACKGROUND**

In December 2025, County Board Resolution 25-723 authorized the lapsing of \$2,187,277 from closed capital projects to the DSR. The Office of the Comptroller reviewed the funding sources for the \$2,187,277 and determined that \$408,943 is cash and \$1,778,334 is Bonds. Of the \$1,778,334, \$247,397 are bonds/notes that can be used to pay 2026 interest expenses. These funds are being reallocated as part of the resolution included in this file.

The remaining \$1,530,937 of bonds and notes must be used on projects that can spend the funds in a timely manner. The Office of the Comptroller will come back to the County Board in a future cycle once projects that are spending quickly can be identified based on 2026 financial activity. The unspent bonds will be used to replace bonds/notes that haven't been issued or to provide additional expenditure authority for projects with shortfalls.

**IRS Expenditure Rules for Tax Exempt Bonds**

To comply with IRS regulations, at the time the County issues tax-exempt bonds, the County states that it expects to spend all the bond proceeds within three years and proceed with due diligence to complete the projects being financed and spend all the bond proceeds. If the bond proceeds have not been spent within three years, the County must restrict the investment yield that can be earned on the unspent proceeds to a yield not greater than the yield on the Bonds and must take action to demonstrate a consistent pattern of spending to reflect a commitment to completing and implementing the projects.

The penalty for not complying with the investment rate restriction could be monetary or could be a loss of the subsidy payments on the Qualified Energy Conservation Bonds. *Table 2* shows the penalties that the County has paid in 2025 and 2026.

*Table 2*

<b>2025/2026 Penalties Paid to IRS</b>		
<b>Date</b>	<b>Series</b>	<b>Amount</b>
8/6/2025	2019D,2019F and 2019G	\$ 1,314.54
8/6/2025	2019A and 2019C	\$ 4,307.93
8/6/2025	2020A and 2020B	\$ 42,681.17
2/4/2026	2022C and 2022E	\$103,968.59

**Allocation of Unspent Bond Proceeds**

Since the IRS expectation is that the County will proceed or demonstrate a consistent pattern of spending to demonstrate a commitment to implementation, \$247,397 is recommended to be reallocated from the Debt Service Reserve to Org. Unit 9960 General County Debt Service to pay eligible debt service expenses.

**Allocation of Levy from Org. Unit 9960 General County Debt Service**

Since \$408,943 of cash and \$247,397 of Bonds will be used to pay 2026 debt service, a like amount of levy financed expenditure authority in Org. Unit 9960 General County Debt Service is freed up and can be reallocated.

In January 2026, the Office of Strategy, Budget and Performance (“SBP”) and the Department of Administrative Services (“DAS”) notified the Office of the Comptroller that there is a projected operating budget deficit of approximately \$800,000 in DAS-Facilities Management (“DAS-FM”) for the operation of the Center for Forensic Science and Protective Medicine (“CFSPM”). The Office of the Comptroller recommends \$408,943 be reallocated to the unallocated contingency account in Org. Unit 1945 Appropriation for Contingencies that may be used to offset the projected deficit. An informational report has been submitted by DAS for the March Cycle that identifies the current estimated shortfall and options for offsetting it.

The remaining \$247,397 is recommended to be reallocated to the soil testing related to Project WT010601 – Bus Lift Replacement at MCTS Kinnickinnic Station, Project WV004601 – Warnimont Gun Club Remediation, and WV005901 – Sanitary Sewer Repairs – 2024.

*Table 3: Allocation of Funds from Debt Service to Projects and Contingency*

<u>Project Description</u>	<u>Amount</u>
Org Unit 1945 - Appropriation for Contingencies (Unallocated)	\$408,943
Subtotal	\$408,943
<i>Provide Funding for Items with Shortfalls</i>	
Org. 5600 Soil Testing at Kinnickinnic Facility (Formerly in Project WT010601)	\$125,000
WV004601 - Warnimont Gun Club Remdiation	\$50,000
WV005901 - Countywide Sanitary Sewer Repairs - 2024	\$72,397
Subtotal	\$247,397
Total	\$656,340

**RECOMMENDATION**

The Office of the Comptroller recommends adoption of the attached resolution. The resolution authorizes the reallocation (via administrative transfers) of \$247,397 of unspent bonds and notes and \$408,943 of cash from the Debt Service Reserve (“DSR”) to pay debt service expenses. The resolution also authorizes the transfer of \$656,340 from Org. Unit 9960 Debt Service to the countywide unallocated contingency account and to ongoing projects with shortfalls.



Justin Rodriguez  
Capital Project Manager

cc: David Crowley, County Executive  
Supervisor Willie Johnson, Jr., Chairman, Committee on Finance  
Mary Jo Meyers, Chief of Staff, County Executive’s Office  
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