

**-COUNTY OF MILWAUKEE-  
INTEROFFICE COMMUNICATION**

DATE : June 10, 2011

TO : Supervisor Lee Holloway, Chairman, County Board of Supervisors

FROM : Pamela Bryant, Capital Finance Manager, Department of Administrative Services

SUBJECT : Lapsed Bond Proceeds From 2010 Carryover Process

**REQUEST**

The Department of Administrative Services (DAS) is requesting approval to apply bond proceeds that were lapsed at year-end 2010 toward the 2011 debt service payments for the individual bond issues. This action entails the reallocation of 2009 and 2010 Build America Bonds to projects that are financed with bonds issued in years 2005 through 2008 (prior year bonds) for currently active projects.

The Build America Bonds (BABs) must be used to finance capital projects and therefore cannot be used to pay debt service. However, if the County reallocates the BABs to projects that were financed with prior year bonds and then applies the prior year bonds toward the debt service for the individual bond issues that make up the prior year bonds, the County will be able to use the sales tax revenue that is budgeted to pay debt service for other purposes.

**BACKGROUND/ANALYSIS**

In May 2011, the County Board of Supervisors approved the 2010 carryovers, which allocated budgeted operating and capital expenditure authority and revenues into fiscal year 2011. Wisconsin State Statutes limit carryovers to 8500 accounts (major maintenance) in the operating budgets and capital improvement projects that have not accomplished the purpose for which they were intended. Cash items that are not carried over are lapsed to the general fund and bond proceeds that are not carried over are lapsed to the debt service reserve.

The results of the carryover process for 2010 yielded \$43,913 in cash that will be applied towards the bottom line of the County's general fund for 2010 and \$1,777,782 in lapsed bond proceeds that will be deposited in the debt service reserve. The lapsed bond amount of \$1,777,782 consists of \$693,245 in prior year bonds and \$1,084,537 in BABs.

As of June 8, 2011, there is approximately \$873,271 in prior year bonds in currently active projects. This would allow for \$873,271 of the \$1,084,537 in BABs to be transferred to the capital projects that were originally financed with prior year bonds. If the attached resolution is approved, the \$693,245 in prior year bonds from the carryover process and the \$873,271 in prior year bonds that will be reallocated from current capital projects will be applied towards the debt service payments for the individual bond issue. This will result in a total of \$1,566,516 in lapsed prior year bond proceeds that can be applied towards the 2011 debt service payment for the bonds and therefore, \$1,566,516 sales tax revenue will be available for other purposes.

The \$1,777,782 in lapsed bond proceeds will be allocated as follows: \$693,245 will be applied directly towards the debt service payment for the individual bond issues, \$873,271 will be transferred to current projects that were originally financed with prior year bonds, and \$211,266 will be reallocated to other bond eligible capital projects at a later date.

## **INFRASTRUCTURE IMPROVEMENTS**

The 2011 Adopted Capital Improvements Budget included \$5,000,000 in projects to be financed with proceeds from the sale of land to the University of Wisconsin-Milwaukee Innovation Park LLC. The County will not receive any funds from the land sale for the 2011 Budget. Therefore, the DAS, in conjunction with the Department of Transportation and Public Works, prepared a report for the County Board that identified \$3.5 million in projects that needed to proceed in 2011. The \$3.5 million includes improvements that were identified in the recent inspection of various County facilities presented in the GRAEF report. The \$1,015,441 in sales tax revenue will be used to address as many of the identified improvements from the GRAEF report as possible. The DAS will work with the DTPW to compile a list of improvements. The DTPW will submit the list to the Committee on Mass Transit, Transportation and Public Works and the Committee on Finance and Audit.

In addition, inspections were performed on the courthouse. The inspection report identified work that was insured and work that was not insured. The County budgeted \$138,000 for the improvements that were covered by the insurance in December 2010. There is \$551,075 in improvements that was not covered by insurance. The work is proceeding but no financing source has been identified. The remaining amount of \$551,075 in sales tax revenue will be used to finance the Courthouse improvements that were not covered by insurance.

The process of replacing the prior year bonds with the BABs will assist the County with expending the bonds issued in the years 2005 through 2008 and minimizing the chances that the County will incur arbitrage penalties. Although bond revenue will be exchanged, no expenditure budgets will be reduced.

The reallocation of sales tax revenue will result in an administrative transfer that establishes expenditure authority and revenues for the Courthouse improvements of \$551,075 that were not covered by the insurance proceeds and the change of revenue source for the projects that were financed with land sale revenue.

## **RECOMMENDATION**

The DAS is recommending that the available \$1,566,516 in sales tax revenue be used to finance some of the infrastructure improvements budgeted in the Countywide Infrastructure Improvements that were originally financed with land sale proceeds as well as the improvements identified in the inspection of the courthouse that were not eligible to be financed with insurance proceeds.



Pamela Bryant  
Capital Finance Manager

pc: Chris Abele, County Executive  
Terry Cooley, Chief of Staff, County Executive's Office  
E. Marie Broussard, County Executive's Office  
Cynthia Pahl, Interim Assistant Fiscal and Budget Administrator  
Stephen Cady, Fiscal and Budget Analyst, County Board  
Scott Manske, Controller

(ITEM ) Request to lapse surplus bond proceeds to be used towards  
the 2011 debt service payments for the individual bond issues

**A RESOLUTION**

WHEREAS, in May 2011 the County Board approved the 2010 year end  
carryovers, and

WHEREAS, the 2010 carryover process lapsed \$43,913 in cash and  
\$1,777,782 in bond proceeds, and

WHEREAS, \$1,084,537 of the total bond proceeds included Build America  
Bonds (BABs) and \$693,245 in prior year bonds, and

WHEREAS, BABs must be used to finance capital projects and may not be  
used towards the debt service payment, and

WHEREAS, the County Board may reallocate the BABs to projects that  
were financed with prior year bonds and applies the prior year bonds toward  
the debt service payments for the individual bond issue, and

WHEREAS, once the BABs are reallocated, then the County will be able to  
use the sales tax revenue that had been allocated for debt service for other  
purposes, and

WHEREAS, as of June 10, 2011 there were approximately \$873,271 in prior  
year bonds that are available in current projects, and

WHEREAS, including the \$873,271 in prior year bonds that will be  
reallocated from current year projects and the \$693,245 in prior year bonds that  
were lapsed during the carryover process, the County will have \$1,566,516 in  
sales tax revenue available for other purposes; now therefore,

BE IT RESOLVED, that \$693,245 in prior year bonds that were lapsed during  
the 2010 carryover process, and \$873,271 in prior year bonds that will be  
reallocated from current capital projects be applied towards the 2011 debt  
service payment for the individual bond issue and \$211,266 will be reallocated  
to other bond eligible capital projects at a later date; and,

BE IT FURTHER RESOLVED, that the Department of Administrative Services  
will, through an administrative appropriation transfer that will be reviewed by  
County Board Staff and the Department of Audit, allocate \$551,075 of the  
\$1,566,516 in sales tax revenue to a newly created capital project for the

37 improvements identified in the inspection of the courthouse that were not  
38 eligible to be financed with insurance proceeds and change the revenue  
39 source for the projects that were financed with University of Wisconsin-  
40 Milwaukee Innovation Park, LLC land sale proceeds; and,

41

42 BE IT FURTHER RESOLVED, that the Department of Administrative Services work  
43 with the Department of Transportation and Public Works to compile a list of  
44 projects budgeted in 2011 in the Countywide Infrastructure Improvements  
45 project that were financed with University of Wisconsin-Milwaukee Innovation  
46 Park, LLC land sale proceeds, to be financed with the remaining \$1,015,441 of  
47 the \$1,566,516 in sales tax revenue; and,

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49 BE IT FURTHER RESOLVED, that the Department of Transportation and Public  
50 Works will provide the list to the Committees on Finance and Audit and  
51 Transportation and Public Works.

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## MILWAUKEE COUNTY FISCAL NOTE FORM

**DATE:** 6/8/11

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** Lapsed Bond Proceeds From 2010 Carryover Process

**FISCAL EFFECT:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact<br><input type="checkbox"/> Existing Staff Time Required<br><input type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below)<br><input type="checkbox"/> Absorbed Within Agency's Budget<br><input type="checkbox"/> Not Absorbed Within Agency's Budget<br><input type="checkbox"/> Decrease Operating Expenditures<br><input type="checkbox"/> Increase Operating Revenues<br><input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures<br><input type="checkbox"/> Decrease Capital Expenditures<br><input type="checkbox"/> Increase Capital Revenues<br><input type="checkbox"/> Decrease Capital Revenues<br><input type="checkbox"/> Use of contingent funds |
|---|--|

*Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.*

	Expenditure or Revenue Category	Current Year	Subsequent Year
<b>Operating Budget</b>	Expenditure		
	Revenue		
	Net Cost		
<b>Capital Improvement Budget</b>	Expenditure		
	Revenue		
	Net Cost	See explanation.	t

## DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. The Department of Administrative Services (DAS) is requesting approval to apply bond proceeds that were lapsed at year-end 2010 toward the 2011 debt service payments for the individual bond issues. This action entails the reallocation of 2009 and 2010 Build America Bonds to projects that are financed with bonds issued in years 2005 through 2008 (prior year bonds) for currently active projects.

The Build America Bonds (BABs) must be used to finance capital projects and therefore cannot be used to pay debt service. However, if the County reallocates the BABs to projects that were financed with prior year bonds and then applies the prior year bonds toward the debt service for the individual bond issues that make up the prior year bonds, the County will be able to use the sales tax revenue that is budgeted to pay debt service for other purposes.

B. In May 2011, the County lapsed \$1,777,782 in bond proceeds as a part of the year-end carryover process. In most cases, the County applies lapsed bond proceeds to the previous year's debt service payment. The amounts would appear in the budget for the following fiscal year. The Build America Bonds are not eligible to be used for any purpose other than to finance capital improvement projects.

C. There is the potential for a \$5 million shortfall in the capital improvements budget due to the loss of revenue in 2011 from the sale of the University of Wisconsin-Milwaukee Innovation Park LLC. The allocation of \$873,271 in BAB proceeds to projects financed with prior year bonds (bonds issued in 2005-2008) and the subsequent application of the prior year bonds to the debt service payments for the individual bond issues and the \$693,245 in lapsed prior year bonds will provide \$1,566,516 in sales tax revenue to be used for other purposes. The sales tax revenue will be used to finance some of the projects that were budgeted to be financed with UniversityWM land sale revenue and Courthouse improvements that were not eligible to be financed with insurance proceeds.

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<sup>1</sup> If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Therefore, the \$1,777,782 in lapsed bond proceeds will be allocated as follows: \$693,245 will be applied directly towards the debt service payment for the individual bond issues, \$873,271 will be transferred to current projects that were originally financed with prior year bonds, and \$211,266 will be reallocated to other bond eligible capital projects at a later date.

The process of replacing the prior year bonds with the BABs will assist the County with expending the bonds issued in the years 2005 through 2008 and minimizing the chances that the County will incur arbitrage penalties. Although bond revenue will be exchanged, no expenditure budgets will be reduced.

The reallocation of sales tax revenue will result in an administrative transfer that establishes expenditure authority and revenues for the Courthouse improvements of \$551,075 that were not covered by the insurance proceeds and the change of revenue source for the projects that were financed with land sale revenue.

Department/Prepared By Pamela Bryant

Authorized Signature 

Did DAS-Fiscal Staff Review?  Yes  No