

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE: December 20, 2024

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

FROM: Liz Sumner, Comptroller, Office of the Comptroller

SUBJECT: **Initial Authorizing Resolution for the 2025 General Obligation Bond and Note Issuances for Capital Projects**

REQUEST

The Office of the Comptroller is requesting the approval of the attached initial authorizing resolution for the issuance of a not-to-exceed amount of \$195,780,000 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 2025 bonds or notes will finance projects contained in the 2025 Capital Improvements Budget¹ (“2025 Budget”) and other projects that have been approved, but not yet financed.

2025 Capital Improvements Budget²

The 2025 Budget included \$46,229,795 of budgeted bond/note proceeds to finance various capital improvement projects. The table below provides a summary of the not-to exceed amount.

Table 1: Not-to-Exceed Amount Summary

2025 Adopted Capital Project Financings	\$46,229,795
Previously Apporved - Forensic Science Center	\$49,739,069
Previously Approved - New MPM Building	\$45,000,000
Previously Approved - Balance of Projects	\$46,097,383
Inflationary Factor/Contingency	\$5,610,000
Cost of Issuance, Underwriter's Discount, Rounding	\$3,103,753
Total Not-to-Exceed Amount	\$195,780,000

1 2025 Capital Improvements Budget Summary is attached.

2026 Debt Service Projection

The County has authorized significant bonding amounts beyond the annual bonding limit³. In 2022, the County authorized the issuance of \$45,000,000 of general obligation bonds or notes for the relocation of the Milwaukee Public Museum⁴. The 2023 Adopted Capital Improvements Budget included \$62.9 million of budgeted bond/note financing for the new Forensic Science Center. The 2024 bond financings included \$27.5 million of the \$62.9 million for the Forensic Science Center.

The Office of the Comptroller estimates that debt service costs for the 2026 budget will increase by as much as \$17.4 million compared to the 2025 Budget. The increase is driven by the debt service costs for the new Museum building (\$4.5 million), the new Forensic Science building (\$5.0 million) and the balance of adopted/previously approved projects (\$7.9 million). The 2026 debt service estimate is subject to change based on the progress of projects that have been approved. To manage debt service cost the County issues bonds based on the cash flow needs of the projects. Therefore, the bonding will be deferred to a future year for adopted bond financed projects that do not proceed in 2025.

Initial Authorizing Resolutions Not to Exceed \$195,780,000

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$195,780,000 in bonds/notes. The amount is the sum of the 2025 Capital Improvements Projects (\$46,229,795) previously approved projects that may be included in the 2025 financings (\$140,836,452), an inflationary factor (\$5,610,000), and Underwriter's Discount/Cost of Issuance (\$3,103,753). The estimated gross debt service from the not-to-exceed schedules is \$282,172,000 which includes \$86,392,000 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), promissory notes (transit), promissory notes (taxable), a stand-alone issue for the South Shore Breakwater project, a stand-alone bond issue for the Forensic Science Center, a stand-alone issue for the new Milwaukee Public Museum building. The Office of the Comptroller will request approval of separate parameters resolutions prior to the issuance of the bonds/notes. These resolutions will provide the Office of the Comptroller with the authority to complete those transactions.

Table 2, on page three of the report, includes a list of the various components of the not-to-exceed amount of \$195,780,000.

³ The annual bonding limit was established by County Board Resolution 03-263. Since 2008, the annual bond amount was to increase by no more than 3% annually.

⁴ County Board Resolution 22-454

Authorizing Resolutions for 2025 Debt Issuances for Capital Projects

Table 2: Projects Included in the Not-to-Exceed Amount

Project Number	Description	2025 Bond/Note Amount
2025 Budget		\$46,229,795
<u>Previously Approved Projects</u>		
WC0209012	Forensic Science Center - Phase 2	\$49,739,069
WM0123012	New MPM Building	\$45,000,000
WZ014101	Adventure Africa - Rhinos	\$15,246,531
WY0456063	New DHHS Admin Coggs Building	\$7,529,256
WC022701	CH - Elevator Modernization	\$5,000,000
WP0372012	McKinley Park Flushing Channel	\$2,977,900
WP0372012	McKinley Park Flushing Channel	\$2,895,441
WT0148012	FDL Garage Fire Alarm and Sprinkler System Repl	\$2,565,721
WC0062012	CJF - Building Roof Replacement	\$2,049,500
WZ0119012	Zoo Adventure Africa-Elephants Exhibit	\$1,933,195
WJ0113014	Disaster Recovery Back Up Power	\$1,100,000
WV0041012	Oak Creek Skate Lift Station	\$1,033,440
WH0263011	W. Beloit Rd. (CTH T)-S. 108th St. to W. Oklahoma Ave.	\$700,000
WP0732012	South Shore Playground	\$593,605
WH0256012	Signal at Rawson Ave Intrscns 68th, 51st, 31st	\$392,787
WP0748012	Oak Leaf Trail Connectivity – Bender Park	\$373,110
WH0263013	W. Beloit Rd. (CTH T)-S. 108th St. to W. Oklahoma Ave.	\$300,000
WP0749012	Oak Leaf Trail Extension – Kohl Park Connection	\$297,190
WH0260013	S 76th St. (CTH U)-S. County Line Rd. to S. Creekview Ct.	\$200,000
WH0267011	W. Silver Spring Dr (CTH EE)-N. 124th St. to W. Appleton Ave	\$160,000
WH0262013	N. Teutonia Ave (CTH D)/N. 43rd St. (CTH G)-W. Bradley Rd to	\$100,000
WH0265011	W. College Ave. (CTH ZZ)-S. 26th St. to W. Howell Ave.	\$100,000
WZ0119011	Zoo Adventure Africa-Elephants Exhibit	\$86,841
WH0255012	Signal at Forest Home Ave & Speedway Dr Intersec	\$80,866
WH0268011	S. 76th St. (CTH U)-W. Layton Ave. to W. Howard Ave. Reconst	\$80,000
WH0266011	W. Forest Home Ave. (CTH OO)-W. Speedway Dr. to S. 108th St.	\$70,000
WH0267013	W. Silver Spring Dr (CTH EE)-N. 124th St. to W. Appleton Ave	\$50,000
WH0276011	W Layton Bridge B-40-0163 over W Forest Ave (STH 24)	\$40,000
WH0277011	Honey Creek Bridge P-40-0570 over Honey Creek	\$40,000
WD020201	Wil-O-Way Underwood - New Splash Pad	\$31,000
WD020301	Wil-O-Way Grant - New Splash Pad	\$31,000
WH0257013	Signal at College Ave & 20th St Intersection	\$20,000
WH0117013	Signals CTH PP (Good Hope Rd)-99th St & 60th St	\$10,000
WH0118013	Signals CTH PP (Good Hope Rd)-CTH W (Prt Wsh Rd)	\$10,000
	Financing for Previously Approved Projects	\$140,836,452
	Inflationary Factor	\$5,610,000
	Cost of Issuance, Underwriter's Discount, Rounding	\$3,103,753
	Total Not-to-Exceed	\$195,780,000

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 an initial resolution 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 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.

RECOMMENDATION

The Office of the Comptroller requests that the Finance Committee approve and recommend the attached resolution. The resolution authorizes the issuance of a not-to-exceed amount of \$195,780,000 of bonds and notes. The resolution also authorizes 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.



Liz Sumner
Comptroller

cc: David Crowley, County Executive
Supervisor Willie Johnson, Jr., Chairman, Finance Committee
Mary Jo Meyers, Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Director of Finance, Office of the Comptroller
Justin Rodriguez, Capital Project Manager, Office of the Comptroller
Joe Lamers, Director, Office of Strategy, Budget, and Performance
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