

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : May 21, 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 a reallocation of \$241,758 from the Debt Service Reserve (“DSR”). This reallocation includes a transfer of \$12,323 of unspent General Obligation Bonds, Series 2022C (“2022C Bonds”) and \$183,480 of cash from the DSR to pay eligible debt service expenses. The resolution also allocates \$6,961 of General Obligation Corporate Purpose Bonds, Series 2021D (“2021D Bonds”) and \$38,995 of General Obligation Transit Promissory Notes, Series 2024F (“2024F Notes”) from the DSR to Project WT015601- Bus Lift Replacement Fond du Lac Station Garage (“Project WT015601”).

The resolution also allocates \$195,803 of levy financed expenditure authority from Org. Unit 9960 General County Debt Service to two previously approved projects with anticipated shortfalls. Expenditure authority of \$110,000 would be allocated to Project WT014101 – Kinnickinnic (“KK”) Washhouse Building Exhaust System Renewal and \$85,803 of expenditure authority would be reallocated to Project WP078201 Oak Leaf Trail Hampshire Access.

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 \$45,956 and \$12,323 of bonds/notes from the DSR to finance Project WT015601 and debt service expenses, respectively. 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 bonds or notes to pay interest expenses to the extent possible.

The expenditure deadlines for the tax-exempt bonds and notes 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
2021D	\$6,961	11/23/2021	11/23/2023
2022C	\$12,323	11/3/2022	11/3/2024
2024F	\$38,995	11/7/2024	11/7/2026
Total	\$58,279		

BACKGROUND

In May 2026, County Board Resolution 26-400 authorized the lapsing of an estimated amount of \$241,758 from closed capital projects to the DSR. The Office of the Comptroller reviewed the funding sources for the \$241,758 and determined that \$183,480 is cash and \$58,278 is bonds or notes. Of the \$58,278, \$45,956 are bonds and notes that are recommended to be reallocated to Project WT015601 Bus Lift Replacement Fond du Lac Station Garage and \$12,323 are 2022C Bonds that can be used to pay 2026 interest expenses.

An appropriation of \$1,038,400 for Project WT015601 Bus Lift Replacement Fond du Lac Station Garage was included in the 2025 Adopted Capital Improvements Budget. Financing is being provided by general obligation bonds or notes. A portion of the project was financed with General Obligation Capital Improvement Promissory Notes, Series 2025A (“2025A Notes”). The balance of financing needed for the project will be included in the 2026 financings. Allocating \$45,956 of unspent bonds and notes to WT015601 will reduce the amount of financing that’s needed for the project. The reduction in financing for WT015601 is estimated to save the County \$60,806.

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.

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

Since \$183,480 of cash and \$12,323 of Bonds reallocated from the DSR will be used to pay 2026 debt service, \$195,803 of levy financed expenditure authority in Org. Unit 9960 General County Debt Service is freed up and can be reallocated.

The Architecture, Engineering and Environmental Services Section of the Department of Administrative Services (DAS-AEES) informed the Office of the Comptroller of a shortfall for Project WT014101 – Kinnickinnic (“KK”) Washhouse Building Exhaust System Renewal. The project requires additional funding due to inflationary pressure and regulatory changes in the field since construction funds were appropriated in 2022. The total project budget is \$455,724. Financing was provided by a federal grant and the local match is provided by general obligation bonds. Over the past several years, material and labor costs have risen considerably, outpacing the original budget assumptions. These inflationary pressures have directly affected construction, engineering, and procurement expenses. In addition, updated regulations related to HVAC equipment were put into place. The City of Milwaukee has now approved the plans which were held up by unrelated work in the facility that was completed last year.

The remaining \$85,803 is recommended to be reallocated to Project WP078201 Oak Leaf Trail Hampshire Access. The Department of Parks, Recreation and Culture (“Parks”) informed the Comptroller’s Office that additional funding is required for the project. The 2025 Adopted Capital Improvements Budget included an appropriation of \$1,848,570 for the project. Financing was provided from \$1,305,244 of State of Wisconsin Transportation Alternative Program revenue (“TAP”) and \$543,326 and general obligation bonds or notes. Additional funding is needed to mitigate construction risks related to probable contaminated soils. Parks is also working with the existing grantor on the project to ask if additional funds may be available since construction needs to occur soon to comply with the TAP grant.

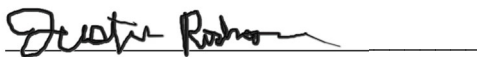
Table 2: Allocation of Funds from Debt Service to Projects

<u>Project Description</u>	<u>Amount</u>
WT014101 - KK Washhouse Bldg Exhaust System Renewal	\$110,000
WP078201 - Oak Leaf Trail Hampshire Access	\$85,803
Total	\$195,803

RECOMMENDATION

The Office of the Comptroller recommends adoption of the attached resolution. The resolution authorizes the reallocation (via administrative transfers) of \$183,480 of cash and \$58,278 of bonds and notes from the Debt Service Reserve (“DSR”). A total of \$195,803 from the DSR consisting of \$12,323 of unspent General Obligation Bonds, Series 2022C (“2022C Bonds”) and \$183,480 will be used to pay eligible debt service expenses. A total of \$45,956 consisting of \$6,961 of General Obligation Corporate Purpose Bonds, Series 2021D (“2021D Bonds”) and \$38,995 of General Obligation Transit Promissory Notes, Series 2024F (“2024F Notes”) from the DSR will be used to reduce the amount of new financing needed for Project WT015601- Bus Lift Replacement Fond du Lac Station Garage.

The resolution also authorizes the transfer of \$195,803 from Org. Unit 9960 Debt Service to the provide additional expenditure authority for Project WT014101 – Kinnickinnic (“KK”) Washhouse Building Exhaust System Renewal System Renewal and Project WP078201 – Oak Leaf Trail Hampshire Access.



Justin Rodriguez
Capital Project Manager

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