

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 05/24/13

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Unspent Bond Proceeds

FISCAL EFFECT:

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

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
Operating Budget	Expenditure	\$0	
	Revenue	\$0	
	Net Cost	\$0	See explanation
Capital Improvement Budget	Expenditure	\$0	
	Revenue	\$0	
	Net Cost	\$0	

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.¹ 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. In April 2013, the Office of the Comptroller included language in the 2012 to 2013 Carryover Report informing policymakers that the County was not in compliance with IRS expenditure rules for bonds. At year-end 2012, the estimated total unspent bond balance was \$44,239,151 for 219 capital projects. The Office of the Comptroller and Department of Administrative Services – Fiscal Affairs met with departments to determine the status of the projects and timeline for project completion for each project that was financed with the unspent bond proceeds. The initial \$44 million in unspent bond proceeds has been reduced to \$36.9 million. Approximately \$23.6 million in projects financed with the unspent bond proceeds will be able to be completed in 2013. Of the remaining \$13.3 million, \$5.8 million will be reallocated to finance 2013 adopted capital projects and \$7.5 million will be reallocated to projects in the Five Year Capital Improvements Plan.

In addition, the County is limited in terms of the type of investments of bond proceeds that are beyond the IRS expenditure timeline. The bonds must be yield restricted. In other words, the County cannot invest the unspent bond proceeds in investments having a rate greater than the interest rate on the bonds. The Office of the Comptroller will work with the Treasurer's Office to establish separate accounts for all of the bond issues to insure compliance.

The IRS expectation is that the County will proceed or demonstrate a consistent pattern of spending to reflect a commitment to implementing the projects. Therefore, projects where the County will not be able to demonstrate this consistent pattern or commitment shall have the bond proceeds reallocated to an existing project or new project that can. Since the bonds have to be yield restricted or cannot invest the unspent bond proceeds in investments having a rate greater than the interest rate on the bonds, the Office of the Comptroller will work with the Treasurer's Office to establish separate accounts for all of the bond issues.

¹ 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.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

- B. Reallocating the \$5.8 million in unspent bond proceeds to finance selected projects in the 2013 Capital Improvements Budget will allow the County to decrease its debt service costs for the 2013 Corporate Purpose Bond Issue.
- C. The estimated debt service costs for the 2013 Corporate Purpose Issue would be reduced by \$11.9 million. This is a result of using \$5.8 million in unspent bond proceeds to finance 2013 Adopted Capital projects. The reduction was utilized by removing the last 4 years from the projected debt service schedule for the 2013 Corporate Purpose Bond Issue. The estimated principal amount would be \$27 million.
- D. In addition, as a part of the analysis for reallocating the unspent bond proceeds, the Office of the Comptroller reviewed the 2013 Adopted Capital Improvements Budget with departments, which decreased the bond amount by an additional \$3 million. This was due to partial funding due to project implementation for 2013 for the War Memorial Renovation project (\$571,341) and the delay of the Estabrook Dam Impoundment Sediment Remediation project (\$1.2 million) and Grounds South Reservoir Rehabilitation project (\$1,219,200).

There are no adjustments to the budgets for these projects. The projects would not be included in the 2013 Corporate Purpose Issue since project implementation for these amounts are anticipated to occur in 2014 for the War Memorial Renovation project and the Estabrook Dam Impoundment Sediment Remediation project. The Grounds South Reservoir Rehabilitation project is delayed until the Water Utility Initiative is addressed. A Memorandum of Understanding between Milwaukee County and the City of Wauwatosa, relating to the Milwaukee County water utilities, has been submitted by the Department of Administrative Services to the Finance, Personnel and Audit Committee for the June cycle.

Excluding these projects from the 2013 Corporate Purpose Bond Issue will allow the County to assist with minimizing future violations of the IRS rules regarding tax-exempt bond proceeds.

Department/Prepared By Pamela Bryant

Authorized Signature



Did DAS-Fiscal Staff Review? Yes No

Did CDBP Review?² Yes No Not Required