

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : November 8, 2023

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

FROM : Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT : **Closing of Completed/Canceled Capital Projects and Lapsing of Funds**

REQUEST

The Office of the Comptroller requests approval of the attached resolution that will authorize the Office of the Comptroller to process an administrative appropriation transfer to reconcile surplus and deficits in projects that can be closed (listed on Attachments A and B) and lapse the remaining estimated net surplus funds of \$2,933,005 from Corporate Purpose projects to the Debt Service Reserve.

Milwaukee County Ordinance 32.91

Section 32.91 of the Milwaukee County General Ordinances states that “appropriations for capital expenditures or major repair (“Appropriations”) shall remain in force until the purpose for which the appropriation was made has been accomplished or abandoned”.

Since the Appropriations for capital continue until projects are completed or abandoned, the Office of the Comptroller periodically submits requests to the County Executive and County Board to inform them of which projects can be closed and the appropriations can be lapsed.

These projects that can be closed do not have open job authorizations, do not have any open purchase orders, do not have open contracts, and have been confirmed with the project manager that the project has been completed or canceled. In addition, all available revenue related to the project has been realized.

Background

There are 22 non-airport (“Corporate Purpose”) projects (44 posting projects) and 4 Airport projects (8 posting projects) that are being closed. Closing these projects will result in lapsing estimated surplus funds of \$2,933,005 from Corporate Purpose projects and result in reconciling a shortfall of \$50,326 in Airport projects.

There are some Corporate Purpose projects being closed that have deficits. These deficits will be offset with surplus funds from other projects that are being closed or with cash from the Debt Service Reserve.

Process for Reallocating Surplus Funds

The total net surplus funds from lapsing Corporate Purpose projects are estimated to be \$2,933,005. The total net surplus funds are requested to be lapsed to the Debt Service Reserve. A significant portion of the surplus funds are general obligation bonds or notes (“Bonds and Notes”). Bonds and Notes have rules about private activity and capitalization that limit the uses of the funds.

In addition, the Internal Revenue Service regulations dictate the expenditure of bond proceeds within three years. Bonds that were issued prior to 2021 are out of compliance. It is anticipated that bonds issued prior to 2021 will be used to pay interest costs associated with outstanding debt. Bonds issued in 2022 will be reallocated to eligible projects. Capital projects receiving the unspent Bonds or Notes must be able to spend the proceeds in a timely fashion. In most cases, this would mean that only ongoing projects with shortfalls would be considered.

The Office of the Comptroller will work with the Department of Administrative Services and other departments to identify projects that would meet the criteria above. A list will be submitted to the County Executive and County Board for approval.

Recommendation

The Office of the Comptroller recommends approval of the attached resolution that authorizes the Office of the Comptroller to process an administrative appropriation transfer to reconcile surpluses and deficits in projects that will be closed (listed on Attachment A and Attachment B) and to lapse the remaining estimated net surplus funds of \$2,933,005 from Corporate Purpose projects to the Debt Service Reserve.

Scott B. Manske _____

Scott B. Manske
Comptroller
Office of the Comptroller

cc: David Crowley, County Executive
Liz Sumner, Chairwoman, Committee on Finance
Kelly Bablitch, Chief of Staff, County Board
Mary Jo Meyers, Chief of Staff, County Executive's Office
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