

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE : August 30, 2013

TO :Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors

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

SUBJECT : **Courthouse Improvements Bond Reimbursement Resolution**

Request

The Office of the Comptroller is requesting the approval of the attached reimbursement resolution to express the County's intent to reimburse itself for expenditures relating to infrastructure improvements for the Milwaukee County Courthouse Complex that are incurred prior to the next issuance of General Obligation Corporate Purpose Bonds or Notes or any future bond issues. The resolution also creates the capital project Courthouse Infrastructure Improvements Relating to Courthouse Fire.

The County is not aware of any costs that would require the use of the attached reimbursement resolution. Due to the number of improvements being made related to the Courthouse Complex fire, certain improvements may not be reimbursable by insurance. While the Office of the Comptroller, and the Department of Administrative Services is not aware of any costs that currently are eligible for the reimbursement resolution, the resolution is being proposed as an alternative funding source. The County could still make the decision to fund these certain costs through tax levy or other funding sources. The rules of bond funding require the County to adopt the attached reimbursement resolution for the certain costs to be reimbursable from bond proceeds. However, it is our belief that the upper limit on expenditures that would require the use of this funding source would not exceed \$2.0 million.

Background

On July 6, 2013, a fire occurred in the Courthouse basement utility room causing electrical and smoke damage to the Courthouse and the Safety Building (Courthouse Complex). The Department of Administrative Services Risk Management Division and Facilities Management Division are working with the County's insurance provider and coordinating the various improvements. As the Department continues to make improvements and investigate the buildings for issues, there may be improvements that need to be addressed that may not be eligible to be financed with insurance proceeds. Therefore, the Office of the Comptroller is requesting the approval of the attached reimbursement resolution which expresses the County's intent to reimburse itself for a not-to-exceed amount of \$2 million for improvements to the Courthouse Complex.

The resolution also creates capital project Courthouse Infrastructure Improvement Relating to Courthouse Fire. The capital project provides a budget and financing mechanism for any expenditures that the County believes are related to the Courthouse Complex firebut are not reimbursable by insurance. These costs however, must be eligible for bond financing to be

covered by the reimbursement resolution. The County is not aware of any costs at present, which would be covered by the reimbursement resolution.

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 far back as 60 days prior to the approval of the attached reimbursement resolution. Any work on the project that is done earlier than 60 days prior to the approval date would not be eligible for reimbursement (other than architectural and engineering fees and similar costs). After consultation with the Risk Management Division, it is anticipated that all costs that occurred as of the date of the fire, July 6, 2013, but prior to the 60 day eligibility window, estimated to be July 26, 2013, for the bonds will be covered by insurance proceeds.

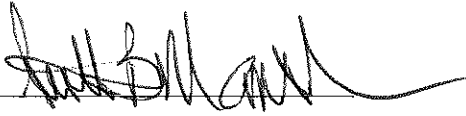
The Bonds must be issued within eighteen months of the placed-in-service dates or dates of the financed facilities and, in any event, within three years of first reimbursed expenditures. Due to the fact that many of the costs incurred will be placed in service immediately upon repair, the County will look to the eighteen month rule for purposes of issuing bonds.

In summary, the following tax rules need to be observed in connection with the reimbursement approved by the attached reimbursement resolution:

- No expenditure made 60 days prior to the date of the adoption of the reimbursement resolution can be made (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 recommends that the Finance, Personnel, and Audit Committee approve the accompanying resolution that expresses the County's intent, in accordance with U.S. Treasury Regulation Section 1.150-2, to reimburse itself for expenditures that will occur prior to the issuance of the bonds or notes and creates capital project Courthouse Infrastructure Improvement Relating to Courthouse Fire. It is unknown at this time what the amount that may be requested for reimbursement or capital expenditures. At this time, the resolution includes a not-to-exceed amount of \$2.0 million.



Scott B. Manske
Comptroller

pc: Chris Abele, County Executive
Willie Johnson Jr., Co-Chair, Finance, Personnel, and Audit Committee
David Cullen, Co-Chair, Finance, Personnel, and Audit Committee
Joe Czarnecki, County Clerk
Dan Diliberti, County Treasurer
Pamela Bryant, Capital Finance Manager, Office of the Comptroller
Justin Rodriguez, Capital Finance Analyst, Office of the Comptroller
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