

**COUNTY OF MILWAUKEE  
INTEROFFICE COMMUNICATION**

**DATE** : April 15, 2021

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

**FROM** : Scott B. Manske, Comptroller, Office of the Comptroller  
Joe Lamers, Director, Office of Performance, Strategy and Budget - DAS

**SUBJECT** : **Report of 2020 Lapsed (Completed/Abandoned) Capital Project/Major Repairs**

**REQUEST**

The Department of Administrative Services (“DAS”) and the Office of the Comptroller (“Comptroller”) are requesting approval of the recommended expenditures and revenues to be lapsed that are associated with capital expenditures (operating 8500 accounting series) and capital projects that have been completed or abandoned in accordance with Section 32.91 of the Milwaukee County General Ordinances (Section 32.91).

Milwaukee County General Ordinances (Section 32.91)

*Every appropriation excepting an appropriation for a capital expenditure, or a major repair (operating 8500 accounting series), shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure or a major repair shall continue in force until the purpose for which it was made has been accomplished or abandoned. The purpose of such appropriation for any capital expenditure or a major repair shall be considered abandoned if three (3) years pass without any expenditure from, or encumbrance of, the appropriation concerned. A final comprehensive annual list of capital projects and major repairs identified as completed and/or recommended to be abandoned shall be submitted to the committee on finance and audit of the county board by the department of administrative services division of fiscal affairs no later than May 1st of each year. The committee shall review this report and submit its recommendations to the county board. Failure of the county board to take action prior to June 1 shall be deemed approval of the department of administrative services recommendations.*

The DAS and the Comptroller are requesting the movement of the lapsed funds to the County’s reserves.

## BACKGROUND

The attached resolution seeks approval from the County Board for the following actions:

- Approval to lapse capital expenditures within the 8500 accounting series of department operating budgets (**Schedule A**)
- Approval to lapse completed/abandoned non-airport capital projects (**Schedule B**)
- Approval to lapse completed/abandoned airport capital projects (**Schedule C**)
- Approval to contribute \$1,799,607 of unspent bonds to the Debt Service Reserve (“DSR”) and lapse a cash surplus of \$828,510 to the County’s general fund.
- Approval to make entries from the appropriate airport balance sheet account to the general fund for an airport cash surplus of \$41,069.
- Approval to process an administrative transfer to allocate \$35,000 of cash from the Debt Service Reserve to pay 2021 debt service costs and allocate \$35,000 of levy from Org. 9960 Debt Service to Parks major maintenance to make repairs to the South Shore Parking Lot and surrounding area. Project WP29802 South Shore Improvements – Phase 2 is being closed out; however the \$35,000 of surplus bond funds cannot be used for the repairs being contemplated and the repairs are outside the scope of the project.

The following schedule relates to the automatic lapsing of capital expenditures and major repairs that do not have any expenses or encumbrances **for a period of three years** and are being provided for informational purposes only:

- Lapsing of capital expenditures or major repairs without any expenditure or encumbrance for a period of three years. (**Schedule D**).
  - Project WZ16301 Zoo Aquatic and Reptile Center Exhibit Heating System Rehabilitation (“ARC Heating”) was included in the 2016 Adopted Capital Improvements Budget and has not had any spending or encumbrances. Surplus 2016A Bonds of \$102,000 are being lapsed to the DSR.

The following schedules relate to capital items and related revenues that are being automatically carried over from 2020 to 2021, in accordance with Milwaukee County Ordinances and Wisconsin State Statutes, and are being provided for informational purposes only:

- Carryover of capital expenditures within department operating budgets. (**Schedule E**)
- Carryover of revenues related to operating carryovers/encumbrances (**Schedule F**)
- Carryover of capital improvement projects (**Schedule G**)

For several years, the DAS and the Comptroller has limited operating carryovers (Schedule E) to those that are offset with non-County revenue, those offset with department surpluses and/or for extenuating circumstances. This policy has been continued for 2020.

**REQUESTED LAPSING OF CAPITAL EXPENDITURES/MAJOR REPAIRS****Operating Lapsed Capital Expenditures (Detailed in Schedule A)**

Operating budget capital outlay, equipment and major maintenance appropriations that are recommended to be lapsed within departments total \$3,083,972<sup>1</sup>. The lapsed amounts have been included in the County's 2020 year end surplus projection.

Of the operating capital funds being lapsed, there was \$40,000 of funds lapsed that were requested to be carried over by departments. In accordance with past practice, carryover requests were denied if a department did not have sufficient funding in their overall budget. In addition, carryovers were not permitted if the request did not reflect the purpose that the 2020 appropriation was made.

**Agency 430 – House of Corrections (+\$25,000)**

The following item was requested by the House of Corrections but not recommended to be carried over:

- Org. 4372 ACC Dormitories – The request did not relate to a specific ongoing purpose that was appropriated from a prior budget.

**Agency 115 – Department of Administrative Services (+15,000)**

The following item was requested by the Department of Administrative Services but not recommended to be carried over:

- Org. 5741 Environmental & Energy – The request related to the **2021** contribution to BPC County Land LLC. The 2021 contribution to BPC County Land LLC has already been made with funds appropriated in the 2021 Adopted Budget.

**Lapsed Non-Airport Capital Improvement Projects (Detailed in Schedule B)**

The capital improvement appropriations and revenues not recommended for carryover is included in Schedule B. The financial impact of these lapsed projects along with adjustments to continuing projects is a cash surplus of \$828,510 and unspent bonds of \$1,799,607. The cash surplus will be applied to the general fund and the unspent bonds are requested to be allocated to the DSR.

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<sup>1</sup> The total lapsed appropriations are \$15,344,736; however, the overall amount includes \$12,260,764, which relates to the Countywide Budget Abatement Account.

### **Projects with Significant Lapsed Cash Surpluses and Deficits**

The total lapsed cash amount from capital projects is \$828,510. The significant (greater than \$100,000) surpluses and deficits are specifically identified on page 4. There were two projects that had significant cash surpluses. No projects had significant cash deficits. These projects included Project WO61401 Build Out Ten Sites to Digital and Project WT08101 Wisconsin Avenue Corridor Transit Signal.

#### *Cash Surpluses (Greater Than \$100,000)*

##### *WT08101 Wisconsin Avenue Corridor Transit Signal (+\$425,000)*

In 2015, the County Board and County Executive approved File 15-526. The file included a resolution that reinvested surplus funding to Transit Signal Technology, Parks Infrastructure Improvements, and Employee Compensation. The resolution appropriated \$1.5 million of cash financing to Project WT08101 for the implementation of Transit Signal Priority Along the Wisconsin Avenue corridor from downtown Milwaukee to the Medical Complex in Wauwatosa.

Milwaukee Transport Services (“MTS”) managed the Transit Signal Priority Project. The project is part of the overall East-West Bus Rapid Transit effort. MTS is being reimbursed for project related expenses. In January 2020, approximately \$425,000 of expenses were recorded to Project WT08101 for the 2019 that had already been reimbursed to MTS for project expenses. The duplication of reimbursements was noticed after the close of the 2019 fiscal year and a credit entry was made to the project during the 2020 close. The impact of the credit entry is a cash surplus to the bottom line for 2020 since the project has been completed.

##### *Project WO61401 Build Out Ten Sites to Digital (+\$193,000)*

Capital Project WO614 Radio Project-Build Out Ten Sites to Digital was first included in the 2010 Capital Improvements Budget. The project had a phased implementation over multiple years. The scope of work included the build out of both core infrastructure and radio site infrastructure, along with supporting hardware. The project is now complete. Of the remaining \$360,000 included in the project, \$193,000 is being lapsed. A January 2021 appropriation transfer reallocated \$167,000 from the project to the Office of Emergency Management to finance year one of a three-year contract to provide Motorola Critical Connect core infrastructure services.

#### *Cash Deficits (Greater Than \$100,000)*

*No projects meet this definition.*

**Projects with Lapsed Bond Surpluses and Deficits**

Overall a net amount of \$1,799,607 of unspent bonds are requested to be lapsed to the DSR. The projects identified on pages 5-6 make up the primary sources of the unspent bonds that are requested to be lapsed to the DSR.

*Bond Surpluses (Greater Than \$100,000)*WO03801/02 Marcus Center HVAC Upgrade (+\$442,000)

The 2017 Capital Improvements Budget included an appropriation of \$4,094,000 for the final phase of the project to upgrade the HVAC at the Marcus Center. The scope of the project included replacement of seven (7) air handling units with ductwork, VAV boxes, piping & DDC controls and (4) heat exchangers. The existing pneumatic controls were upgraded to DDC controls. Financing for the project was provided by Series 2017D Notes, which were refinanced by the Series 2018C Taxable Notes. The project is complete and is ready to close out. There are approximately \$442,000 of surplus bonds requested to be allocated to the DSR.

WC15401 CJF Public Elevators 1 and 2 Upgrades (+\$266,000)

The 2018 Capital Improvements Budget included an appropriation of \$794,420 for the upgrades to the CJF Public Elevators 1 and 2. The project included removal of existing elevator equipment and installation of a new MRL traction elevator within the existing hoistway enclosure. Financing for the project was provided from unspent Series 2017A Bonds that were reallocated from other projects. The project was substantially completed in July 2020. Surplus bonds of approximately \$266,000 are requested to be allocated to the DSR.

WC16601 Slab Replacement MPM/Pioneer Village (+\$200,000)

In July 2017, the County Board provided authorization (File 17-427) to execute an Intergovernmental Cooperation Agreement between Milwaukee County and the City of Milwaukee regarding replacement, maintenance, and use of improvements with the MacArthur Square easement area. The resolution included an agreement to have the County cover 50% of the cost of the slab replacement project.

The 2018 Capital Improvements Budget included an appropriation of \$1,301,347 for the County's share of the replacement of the slab. The 2018 appropriation was financed by 2018F Taxable Notes. The work on the project was substantially complete in October 2019. The project will be closed after the final invoicing from the City of Milwaukee is complete. Surplus notes of approximately \$200,000 are requested to be allocated to the DSR.

*WT07701 FDL Garage Roof Replacement (+\$179,000)*

The 2017 Adopted Capital Improvements Budget included an appropriation of \$2,700,000 for the replacement of the FDL Garage Roof. The pre-bid cost estimate was submitted by the design consultant in late 2017 and was significantly over the budgeted construction dollar amount. The project was divided into five (5) buildings, four (4) of which have roofs deteriorated to the point of needing to be replaced and are part of this roof replacement project. Two (2) of the buildings roofs to be replaced make up the base bid of this project; Building 107 and Building 104. Alternate Bid-A represented the cost of replacing the roof on Building 105 and Alternate Bid-B is the cost of roof replacement on Building 106.

The 2018 Adopted Capital Improvements Budget included an additional \$502,468 to allow the project to be bid. Competitive bids were received in April of 2018 and the Administrative Contract Award for the project was made in May of 2018, which included the Base Bid and Alternate Bid-B. At the time, there were insufficient funds to award Alternate Bid-A.

A July 2018 appropriation transfer was approved that reallocated approximately \$616,000 of funding to the project so that Alternate Bid-A could be awarded.

The project was completed in August 2019 and is ready to be closed out. Surplus bonds of approximately \$179,000 are requested to be allocated to the DSR.

*Bond Deficits (Greater Than \$100,000)*

*No projects meets this definition*

**Reallocation of Unspent Bond Proceeds**

There is \$1,799,607 of bonds being requested to be lapsed to the DSR. Some bonds may be allocated to capital projects. Capital projects receiving the unspent bonds 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. Other factors such as capitalization and private activity also limit which projects are considered.

The Internal Revenue Service regulations dictate the expenditure of bond proceeds within three years. Bonds that were issued prior to 2019 will be out of compliance before the end of the year. It is anticipated that bonds issued prior to 2019 will be used to pay interest costs associated with outstanding debt.

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 final list will be submitted to the County Executive and County Board for approval.

**Lapsed Airport Capital Improvement Projects (Detailed in Schedule C)**

The Airport capital improvement appropriations and revenues not recommended for carryover are included in Schedule C. The total amount of lapsed expenditure appropriations is \$5,791,229 and the total amount of lapsed revenues is \$5,750,160.

The large total lapsed amounts were primarily driven by the cancellation of two projects. An appropriation of approximately \$2.1 million was included in the 2020 Capital Improvements Budget for Project WA31201 GMIA Office Area Remodeling. The project was anticipated to be financed by the airport development fund reserve. An appropriation of approximately \$1.7 million was included in the 2020 Capital Improvements Budget for Project WA33301 GMIA Elevators L & N Replacement. The project was anticipated to be financed by the airport development fund reserve. The majority of remaining lapsed expenditure and revenue budgets relate to budget estimates that varied from the actual costs.

The financial impact of these lapsed projects along with adjustments to continuing projects results in the Airport receiving a contribution of \$41,069 to its reserve. The contribution will reconcile a surplus of \$41,069 for cash financed projects.

*Bond Surplus/Deficits (Greater Than \$100,000)*

*No projects meet this definition.*

*Cash Surplus/Deficits (Greater Than \$100,000)*

*No projects meet this definition*

**INFORMATIONAL SCHEDULES RELATING TO CARRYOVERS****Capital Projects/Major Repairs Being Abandoned After Three Years without Spending or Encumbrance (Detailed in Schedule D)****WZ16301 ARC Heating (+\$102,000)**

The 2016 Adopted Capital Improvement Budget included an appropriation of \$102,000 to rehabilitate the underfloor heating systems in the Aquatic and Reptile Center. The project has not had any spending or encumbrances. Surplus 2016A Bonds of \$102,000 are being lapsed to the DSR.

**Operating Carryovers (Detailed in Schedule E and Schedule F)**

Operating budget capital outlay, equipment and major maintenance appropriations being carried over from 2020 to 2021 total \$1,871,791 (Schedule E).

Revenues being carried over relating to Capital Outlays and Encumbrances total \$4,558,709 (Schedule F). The total non-airport related revenues being carried over total \$2,603,765.

**Capital Carryovers (Detailed in Schedule G)**

Schedule G is included to summarize capital expenditures and revenues being carried over to 2021. Capital project fund expenditure appropriation carryovers from 2020 to 2021 total \$123,814,306 for corporate purpose projects. Associated revenues to be carried over total \$103,905,444. This compares to appropriation carryovers of \$104,739,650 and revenue carryovers of \$98,905,591 for 2019 to 2020.

Airport capital improvement expenditure and revenue carryovers from 2020 to 2021 total \$68,987,345 and \$90,778,320 respectively. Revenues exceed expenditure carryovers due primarily to the carryover of revenues associated with expenditures already encumbered. This compares to carryovers of \$49,386,566 in expenditures and \$68,220,400 in revenues for the Airport from 2019 to 2020.



Recommendation

The DAS and the Comptroller recommend the lapsing of operating budget capital outlay, equipment and major maintenance appropriations that total \$3,083,972<sup>2</sup>.

It is also recommended to lapse \$3,225,745 of expenditure authority and \$597,629 of revenue budget for non-airport projects. The resulting cash surplus of \$828,510 will be applied to the general fund and the \$1,799,607 in unspent bond proceeds will be deposited to the Debt Service Reserve.

It is recommended to lapse \$5,791,229 of expenditure authority and \$5,750,160 of revenue budget for airport projects. The resulting cash surplus of \$41,069 will be reflected in the appropriate airport balance sheet account.

Finally, it is recommended that \$35,000 is transferred from the Debt Service Reserve to pay 2021 debt service expenses and allocate \$35,000 of levy from Org. 9960 Debt Service to Parks major maintenance in order to make repairs to the South Shore Parking Lot and surrounding area.

*SCOTT MANSKE*

Scott B. Manske  
Comptroller  
Office of the Comptroller

*Joe Lamers*

Joe Lamers  
Director  
Performance, Strategy and Budget - DAS

Attachments

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<sup>2</sup> The total lapsed appropriations are \$15,344,736; however, the overall amount includes \$12,260,764, which relates to the Countywide Budget Abatement Account.

Report of Lapsed Expenditures and 2020 Carryovers to 2021 Fiscal Year

4/15/21

Page 10

pc: David Crowley, County Executive  
Jason Haas, Chairman, Committee on Finance  
Supervisor Willie Johnson, Jr., Vice-Chairman, Committee on Finance  
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Vince Masterson, DAS-PSB  
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