

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : December 23, 2024

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

FROM : Liz Sumner, Comptroller

SUBJECT : Reallocation of Unspent Bond Proceeds from the Debt Service Reserve

REQUEST

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 \$1.1 million of 2018-2022 unspent bonds and notes (“Bonds”) from the Debt Service Reserve (“DSR”) to finance debt service expenses. Tax-exempt Bonds issued in 2018-2021 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. For tax-exempt Bonds issued prior to 2023, it is recommended to use the bonds to pay interest expenses to the extent possible.

The resolution authorizes the transfer of \$1,104,211 of unspent Bonds to pay debt service expenses. The resolution also allocates \$1,104,211 of levy financed expenditure authority from Org. Unit 9960 General County Debt Service to projects with shortfalls and the balance to the unallocated contingency account. Finally, the resolution increases the scope of Project WH024201- North Shop Improvements to include the demolishing of an old garage on the property and repaving of the entrance to the facility.

The expenditure deadlines for the tax-exempt Bonds issued in 2018-2022 are listed on *Table 1*.

Table 1: Unspent Bonds by Bond Issue Year/Series

Bond Issue	Amount Unspent	Closing Date	Expenditure Deadline
2018D	\$25,909	11/15/2018	11/15/2021
2020A	\$103,957	10/28/2020	10/28/2023
2020D	\$102,502	10/28/2020	10/28/2023
2021B	\$9,894	11/23/2021	11/23/2024
2021D	\$378,475	11/23/2021	11/23/2024
2022A	\$14,904	11/3/2022	11/3/2025
2022B	\$425,131	11/3/2022	N/A
2022C	\$23,230	11/3/2022	11/3/2025
2022D	\$10,100	11/3/2022	N/A
2022E	\$10,109	11/3/2022	11/3/2025
Total	\$1,104,211		

BACKGROUND

IRS Expenditure Rules for Tax Exempt Bonds

To comply with IRS regulations, at the time the County issues tax-exempt bonds, the County states 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 Unspent Bond Proceeds

Since the IRS expectation is that the County will proceed or demonstrate a consistent pattern of spending to demonstrate a commitment to implementation, approximately \$1.1 million is recommended to be reallocated from the Debt Service Reserve to Org. Unit 9960 General County Debt Service to pay eligible debt service expenses.

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

Since \$1,104,211 of unspent bonds is will be used to pay 2025 debt service, a like amount of levy financed expenditure authority in Org. Unit 9960 General County Debt Service is freed up and can be reallocated.

The Office of the Comptroller recommends \$507,560 be reallocated to ongoing capital projects with shortfalls and the balance of \$596,651 is allocated to the countywide unallocated contingency account as indicated in *Table 3*, which is on page 3 of the report.

Project WH024201 - North Shop Improvements requires an additional \$400,000 to complete the project and will add two items to the scope of the project. The scope of the project is requested to be increased to include the demolishing of an old garage on the property (\$250,000) and repaving of the entrance to the facility (\$50,000). Highway Maintenance Division anticipates that demolishing the old garage will reduce future operating costs associated with the upkeep of the old garage masonry, roof and other systems. The repaving of the entrance payment is needed since the existing pavement is in poor condition. Finally, \$100,000 is needed to address soil stabilization for unsuitable soils that was not anticipated. The project is anticipated to be substantially completed by the end of the 3rd quarter 2025.

Project WP069501 – Washington Park Bridge Replacements requires an additional \$100,000 to complete the project. Additional funds are needed to finance additional granular backfill required to replace the unsuitable material that had to be hauled off-site and to finance completion of the final structural concrete of the bridges in cold weather. The steel pile cofferdams needed to isolate the bridge work areas from high water levels in the lagoon caused a roughly one-month delay in the project pushing concrete work later into the year.

Project WH027601 - W Layton Bridge B-40-0163 over W Forest Ave (STH 24) requires an additional \$7,560 for local match funding for design work. Federal grant revenue budget and expenditure authority of \$30,240 is also being added to the project. A State/Municipal Agreement that provided authority for the grant revenue was executed in 2024.

Table 3: Allocation of Funds from Debt Service to Projects and Contingency

<u>Project Description</u>	<u>Amount</u>
<i>Provide Funding for Projects with Shortfalls</i>	
WH024201 - North Shop Improvements	\$400,000
WP069501 - Washington Park Bridge Replacements	\$100,000
WH027601 - W Layton Bridge B-40-0163 over W Forest Ave (STH 24)	\$7,560
Subtotal	\$507,560
Org Unit 1945 - Appropriation for Contingencies (Unallocated)	\$596,651
Subtotal	\$596,651
Total	\$1,104,211

RECOMMENDATION

The Office of the Comptroller recommends adoption of the attached resolution. The resolution authorizes the reallocation (via administrative transfers) of \$1,104,211 of unspent bonds from the Debt Service Reserve to pay eligible 2025 debt service. The resolution also authorizes the transfer of \$1,104,211 from Org. Unit 9960 Debt Service to ongoing projects with shortfalls and to the countywide unallocated contingency account. Finally, the resolution increases the scope of Project WH024201 North Shop Improvements to include the demolishing of an old garage on the property and repaving of the entrance to the facility.



Liz Sumner
Comptroller

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