

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : April 27, 2022

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); lapse the remaining estimated net surplus funds of \$2,378,157 from Corporate Purpose projects to the Debt Service Reserve; and make entries to the appropriate airport balance sheet account(s) to reflect the estimated \$159,283 shortfall from airport projects.

New for 2021 Year End Close

The County has transitioned from its former financial system (Advantage) to Infor CloudSuite Financials (“Infor”). A benefit of the Infor is that capital projects are budgeted on a life to date basis rather than an annual basis. This change alleviates the need for the County to perform the year-end task of manually carrying over individual appropriations and revenue budgets for its capital projects.

Infor handles capital project budgets in the same manner that is described in 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”.

The Office of the Comptroller will submit periodic requests to the County Board and County Executive to close out groups completed/abandoned projects and lapse the remaining funds.

Background

There are 26 non-airport (“Corporate Purpose”) posting projects and 97 Airport posting projects that are being closed. Closing these projects will result in lapsing estimated surplus funds of \$2,378,157 from Corporate Purpose projects and result in an estimated shortfall \$159,283 from 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 \$2,378,157. The total net surplus funds are requested to be lapsed to the Debt Service Reserve. Most 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 2020 will be out of compliance before the end of the year. It is anticipated that bonds issued prior to 2020 will be used to pay interest costs associated with outstanding debt. Bonds issued in 2020 or 2021 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 surplus and deficits in projects that will be closed (listed on Attachment A and Attachment B); lapses remaining estimated net surplus funds of \$2,378,157 from Corporate Purpose projects to the Debt Service Reserve; and make entries to the appropriate airport balance sheet account(s) to reflect an estimated shortfall of \$159,283.

Scott B. Manske _____

Scott B. Manske
Comptroller
Office of the Comptroller

cc: David Crowley, County Executive
Chairperson, Committee on Finance
Joe Lamers, Director, Office of Performance, Strategy and Budget
Vince Masterson, DAS-PSB
James Martin, Deputy-Director Milwaukee Mitchell International Airport
Vera Westphal, Deputy Zoo Director
Mary Jo Meyers, Chief of Staff, County Executive’s Office
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Office of the Comptroller
Justin Rodriguez, Office of the Comptroller
Stephen Cady, Office of the Comptroller