

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE : May 28, 2014

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

FROM : Scott B. Manske, Comptroller

SUBJECT : Resolution Authorizing the Allocation of \$3 Million from the Debt Service Reserve to Pay 2014 Debt Service Costs and to Change the Source of Financing for Project WO614014 Build Out Ten Sites to Digital from General Obligation Bonds or Notes to Property Tax Levy

REQUEST

The Office of the Comptroller is requesting the approval to allocate \$3 million from the Debt Service Reserve (DSR) to finance 2014 debt service payments thus “freeing up” \$3 million of levy which will then be available to fund Project WO614014 Build Out Ten Sites to Digital.

The resolution (**Option 1 Attachment**) authorizes the allocation of \$3 million from the DSR to Org. Unit 9960 Debt Service (debt service budget) in order to pay 2014 debt service. The resolution also directs the Department of Administrative Services (DAS) to perform an administrative fund transfer that increases the reserve contribution to the debt service budget and changes the financing for the Build Out Ten Sites to Digital project from general obligation bonds/notes to property tax levy.

Should the Finance, Personnel and Audit Committee, decide **not** to recommend allocation of funds from the DSR, and proceed with increasing the 2014 corporate purpose issuance, the Office of the Comptroller then requests approval of the Reimbursement Resolution included in **Option 2 Attachment**. The passage of the Reimbursement Resolution for the June Cycle is critical since IMSD will be purchasing the radio units prior to May 31, 2014 and the County can only reimburse itself with bond proceeds if the passage of the Reimbursement Resolution occurs within 60 days of the expenditures.

Only one of the resolutions should be recommended to the full board, the two resolutions are mutually exclusive.

BACKGROUND

Milwaukee County operates an analog 800MHz trunked radio system that provides support to the Milwaukee County Sheriff's Department, Milwaukee County Transit System, Department of Public Works, Zoo, Parks and first responder agencies (police/fire/EMS) of seventeen municipalities throughout the region. The system began as a single site, 8-channel, analog trunked system. Between 1993 and 2000, the system ultimately grew to its current state, which includes nine sites, and a 14-channel system with over 4,200 subscriber radios. Due to

the fact that many system components of the current trunked radio system are no longer manufactured nor supported, Milwaukee County is at a critical point requiring that the radio system, dispatch consoles and radios be replaced.

Approximately \$11 million has been budgeted for the multi-phase, Build Out Ten Sites to Digital project, including \$7.1 million in the 2014 Adopted Budget (2014 Budget). The scope of the project involves the replacement of the analog, public safety 800MHz trunk radio system, consoles and radios to newer digital technology. The vendor for the purchase of the equipment, selected through a request for proposal, is Motorola.

In May 2014, the County Board and County Executive approved an appropriation transfer that increased expenditure authority and revenue budget by \$3,000,000. The increased funding for 2014 will allow the County to take advantage of lower unit costs for the hand-held radios. By accelerating financing of the project, the County was able to reduce project costs by \$538,665. The source of financing identified in the appropriation transfer was general obligation bonds/notes.

The Office of the Comptroller had initially planned to submit authorizing, parameters, and reimbursement resolutions that would increase the size of the 2014 corporate purpose issuance by \$3 million in order to finance the project; however, due to the size of the balance in the DSR, the Office of the Comptroller is instead proposing to allocate \$3 million from the DSR to pay 2014 debt service expenses and utilize the levy “freed up” from the allocation to finance the Build Out Ten Sites to Digital project.

The Office of the Comptroller submitted a 2013 fiscal projection for the May 2014 Finance, Personnel, and Audit Committee (FPAC) that identified an estimated \$22.5 million surplus for 2013. The report also anticipated that a deposit of \$17.5 million would be made to the DSR.

Assuming that a deposit of \$17.5 million is made to the DSR the year end 2013 balance of the DSR is anticipated to be \$36.0 million. The 2014 Budget included a contribution from the DSR of \$12.1 million. The current estimated balance of the DSR as of May 2014 is \$23.9 million.

The 2014 Budget states that, “the County will seek to build and maintain a minimum balance of \$10 million in the DSR.” If the attached resolution is approved the current estimated balance of the DSR would be \$20.9 million, which is greater than the \$10 million minimum balance that was stated in the 2014 Budget.

RECOMMENDATION

Option 1 (Preferred Option) – Allocation of \$3.0 Million from the Debt Service Reserve

The Office of the Comptroller requests that the Finance, Personnel and Audit Committee approve and recommend approval by the full County Board of the **(Option 1 Attachment)** resolution. The resolution authorizes the allocation of \$3 million from the DSR to finance 2014 debt service payments thus “freeing up” \$3 million of levy that is available to finance Project WO614014 Build Out Ten Sites to Digital. The resolution also directs the DAS to perform an administrative fund transfer that reflects the reserve contribution to the debt service budget and change in financing for the Build Out Ten Sites to Digital project from general obligation bonds/notes to property tax levy. Since the resolution will allocate \$3 million from the DSR, a 2/3 vote by the County Board is required for passage.

Option 2 – Increase the 2014 Corporate Purpose Issuance by \$3.065 Million (Includes Estimated Cost of Issuance)

If the Finance, Personnel and Audit Committee, decides not to recommend the allocation of funds from the DSR, and proceed with increasing the 2014 corporate purpose issuance, the Office of the Comptroller then requests approval of the Reimbursement Resolution included in the **Option 2 Attachment**. The passage of the Reimbursement Resolution for the June Cycle is critical since IMSD will be purchasing the radio units prior to May 31, 2014 and the County can only reimburse itself with bond proceeds if the passage of the Reimbursement Resolution occurs within 60 days of the expenditures.



Scott B. Manske
Comptroller

Attachment

pc: Chris Abele, County Executive
Supervisor Willie Johnson, Co-Chairman, Finance and Audit Committee
Supervisor David Cullen, Co-Chairman, Finance and Audit Committee
Pamela Bryant, Capital Finance Manager
Don Tyler, Director, Department of Administrative Services
Raisa Koltun, Deputy Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
Josh Fudge, Fiscal and Budget Administrator
Stephen Cady, Research Director
Joseph Czarnecki, County Clerk
Justin Rodriguez, Budget and Management Coordinator
Janelle Jensen, Finance, Personnel, and Audit Committee Clerk

