

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE: January 8, 2016

TO: Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors

FROM: Scott B. Manske, Comptroller

SUBJECT: **Authorizing Resolutions for the 2016 Bonds or Notes Issuances for Capital Projects**

REQUEST

The Office of the Comptroller is requesting the approval of the attached initial authorizing resolutions for the issuance of a not-to-exceed amount of \$54,750,000 of general obligation bonds or notes to finance capital projects. The resolution also authorizes the reimbursement of expenses related to projects that occur prior to the issuance of the bonds or notes.

BACKGROUND

The 2016 bonds or notes will finance projects contained in the 2016 Capital Improvements Budget ("2016 Budget") and other projects that have been approved, but not yet financed.

2016 Capital Improvements Budget

The 2016 Budget included \$39,234,810 of budgeted bond proceeds to finance various capital improvement projects. The table provides a summary of the not-to exceed amount:

| | |
|---|---------------------|
| 2016 Adopted Capital Project Financing | \$39,234,810 |
| Previously Approved Projects | \$12,896,571 |
| Cost of Issuance, Underwriter's Discount, Contingency | \$2,618,619 |
| Total Not to Exceed Amount | \$54,750,000 |

The 2016 Budget includes \$12,150,000 of bond proceeds for the local share of the bus replacement project. Of the \$12,150,000, the Comptroller intends finance at least \$1.6 million with Qualified Energy Conservation Bonds (QECCBs), which is the County's remaining QECCB allocation. The Office of the Comptroller will reach out to the Wisconsin Economic Development Corporation (WEDC) and local governments that have unused QECCB allocations to seek out additional QECCB capacity to finance as much of the local share (\$12,150,000) as possible. The anticipated amount of bonds being issued will be reduced, should additional QECCB capacity be available.

Prior Approved Projects Included in the Resolutions

The resolutions include financing of approximately \$13 million for 16 projects that were previously approved, but not included in previous financings. In most cases, projects were not included in previous financings due to delays in the construction schedule for the projects. Three projects were delayed since they involved improvements to the Marcus Center for Performing Arts (Marcus Center).

Parks Infrastructure Improvements—Approximately \$5.5 million

The 2015 Adopted Capital Improvements Budget (“2015 Budget”) included approximately \$9.1 million for infrastructure improvements to the County parks system. Financing was to be provided by general obligation bonds or notes. The specific improvements related to the \$9.1 million were not included in the 2015 Budget. Instead the Parks Director was to submit a list of recommendations to the Capital Improvements Committee, which was then to submit final recommendations to the County Board.

In March 2015 and April 2015 respectively, County Board Resolution 15-242 and County Board Resolution 15-348 together provided the specific list of projects that were to be financed with the \$9.1 million of general obligation bonds or notes.

Of the \$13 million in delayed project financing, approximately \$5.5 million relates to the \$9.1 million Parks Improvement items that were part of resolutions 15-242 and 15-348. The remaining \$3.6 million of projects were included as part of the 2015 financings.

Marcus Center for the Performing Arts—Approximately \$2.7 million

The 2015 Budget included three capital projects for the Marcus Center. Financing of approximately \$2.7 million was to be provided by general obligation bonds or notes.

Prior to the 2015 corporate purpose financings, Wisconsin Act 60 (“Act 60”) became law. Act 60 provides the terms of financing a sports arena in downtown Milwaukee. Section 115 of Act 60 also provides for the County to transfer ownership of the Marcus Center to the Wisconsin Center District (WCD). Due to the uncertainty with the transfer of ownership to the WCD and the County’s relationship with the Marcus Center, the financing for the 2015 Marcus Center Projects was delayed.

Construction on the 2015 projects has been ongoing. The Office of the Comptroller anticipates submitting a parameters resolution that would finance the 2015 Marcus Center projects with short term debt since the ownership change of the Marcus Center is not likely to occur until 2020 in accordance with a resolution approved by the WCD. The resolution would give discretion to the Comptroller to issue the Marcus Center notes as a separate series and to issue these notes as taxable rather than tax-exempt. Issuing the debt as a separate series would make it easier to defease the debt if it becomes necessary. Issuing taxable debt, while increasing finance costs to the County, would decrease the amount of monitoring that would be required by the County to ensure the continuation of the tax-exempt status of the bonds.

Estabrook Dam Rehabilitation Project—Approximately \$1.6 million

The 2010 Capital Improvements Budget included an appropriation of \$2,100,000 to repair the Estabrook Dam by applying structural repairs to the dam and other nearby structures and the removal of debris to access the dam and structures for repairs. This project was included among the projects to be financed by the 2010 general obligation bonds. However, the project was delayed and only approximately \$500,000 was expended on the project at that time. The remaining approximately \$1,600,000 of the 2010 bond proceeds were applied to other projects.

In 2013, the Office of the Comptroller received authorization from the County Board to reallocate unspent bond proceeds, primarily from projects that had been delayed, to various capital projects that are continuing projects and/or contained in the Five Year Capital Improvements Plan. This was done to enable the County to comply with IRS rules regarding tax-exempt bonds.

The Estabrook Dam Rehabilitation project was one of the projects that had been delayed due to permitting requirements for the project and an Environmental Assessment required for the dam repairs and the impoundment river remediation work being conducted upstream from the dam by the Environmental Protection Agency. The river remediation work needed to be completed prior to re-commissioning the repaired dam or other options regarding the dam. The County Board and County Executive through the approval of Resolution File No. 13-537 authorized the reallocation of the bond proceeds and directed the DAS to administratively transfer a not-to-exceed amount of \$1,630,000 in expenditure authority and general obligation bond proceeds to reestablish capital project WP063022 – Estabrook Dam Rehabilitation Project.

It is anticipated that a construction contract will be awarded in June 2016 and that construction of the dam will be completed by the end of 2016.

Other Delayed Projects from 2015 (Individually less than \$1 million) —Approximately \$3.1 million

The balance of the projects that have been previously adopted, but not yet financed represents approximately \$3.1 million. Each of the projects is listed below:

- WH23901 North Shop Parking Lot and Fence Replacement (\$177,250)
- WT05701 On Bus Video System (\$889,000)
- WP29801 Hoyt Park Suspension Bridge (\$550,000)
- WP30401 Hales Corners Pool Rehabilitation (\$275,000)
- WZ11901 African Plains Exhibit (\$400,000)
- WO61401 Build Out Ten Sites to Digital (\$789,183)

Prior Authorized Projects Not Being Included in Financings*Grounds South Reservoir Rehabilitation Project*

The 2013 Adopted Capital Improvements Budget included an appropriation of \$1,219,200 to rehabilitate the South Reservoir on the Milwaukee County Grounds (Project WG01401). The recommended improvements were to consist of cleaning and applying a coating system to the interior and exterior of the tank, repairing the spalling concrete, and filling cracks. In addition, various piping and drainage improvements will need to be addressed. This is the only source of water to directly feed the water towers.

This project has not started and the negotiations with Wauwatosa regarding the transfer or sale of the water utility are ongoing. It is anticipated that operating appropriations will be used to finance any repairs that may be required.

Since there has been no expenditure activity recorded in the project for a period of three years State Statutes dictate that the project will be lapsed at the end of 2015.

Courthouse Complex Infrastructure Improvements Relating to the Courthouse Fire project

In September 2013, Resolution File No. 13-708 established capital project WO151 - Courthouse Infrastructure Improvements Relating to Courthouse Fire to provide a budget and financing mechanism for expenditures that the County believed were related to the Courthouse Fire but are not reimbursable by insurance. In addition, the County Board and County Executive approved a reimbursement resolution to express the County's intent to reimburse itself with future bond proceeds to finance these expenditures. The not-to-exceed amount for the reimbursement resolution is \$2 million. To date, there have been no charges to the project.

The attached initial authorizing resolution does not include the \$2 million to finance bond-eligible expenditures that are related to the Courthouse Complex fire, but are not reimbursable by insurance since the project is substantially complete and these funds will not be needed.

Initial Authorizing Resolutions Not-to-Exceed \$54,750,000

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$54,750,000 in bonds/notes. The amount is the sum of the 2016 Capital Improvements Projects (\$39,234,810), previously approved projects that are anticipated to be included in the 2016 financings (\$12,896,571), and Underwriter’s Discount/Cost of Issuance/Contingency (\$2,618,619). The estimated gross debt service from the not-to-exceed schedules is \$69,576,000, which includes \$14,826,000 of interest costs.

The Office of the Comptroller anticipates issuing separate series of bonds for Corporate Purpose Bonds (long-term), Promissory Notes (short-term), and Taxable General Obligation Mass Transit Bonds (QECS- Direct Subsidy). The Office of the Comptroller will request approval of separate parameters resolutions prior to the issuance of the bonds/notes that are described in the previous sentence. These resolutions will provide the Office of the Comptroller with the authority to complete those transactions.

Below is a list of the various components that make of the not-to-exceed amount of \$54,750,000:

| Project Number | Description | Category | 2016 Bond Issue |
|-------------------------------------|--|----------------------|-----------------|
| 2016 Budget | | | |
| 2016 Budgeted Bond Financing | | | \$39,234,810 |
| Previously Approved Projects | | | |
| WH23901 | North Shop Parking Lot | Other Delayed | \$177,250 |
| WT05701 | On-Bus Video System | Other Delayed | \$889,000 |
| WP06301 | Estabrook Dam | Estabrook Dam | \$1,629,873 |
| WP26201 | Brown Deer Kitchen | Parks Infrastructure | \$389,000 |
| WP28901 | Hoyt Park Susepnsion | Other Delayed | \$550,000 |
| WP29802 | South Shore Parking Lot | Parks Infrastructure | \$1,606,209 |
| WP30401 | Hales Corners Pool | Other Delayed | \$275,000 |
| WP33001 | Cool Water Slide | Parks Infrastructure | \$1,500,000 |
| WP48701 | McGovern | Parks Infrastructure | \$870,000 |
| WP48801 | Kern Restrooms/Pavilion | Parks Infrastructure | \$565,000 |
| WP48901 | Doctors | Parks Infrastructure | \$565,000 |
| WZ11901 | African Plains Exhibit | Other Delayed | \$400,000 |
| WO61401 | Build Out Ten Sites to | Other Delayed | \$789,183 |
| WO03801 | Marcus Center HVAC | Marcus Center | \$500,000 |
| WO11601 | Vogel Hall Renovation | Marcus Center | \$1,565,948 |
| WO88802 | Uihlein #1 Elevator | Marcus Center | \$625,108 |
| | Total Financing for Previously Approved Projects | | \$12,896,571 |
| | Estimated Cost of Issuance (Federal Allowable | | \$1,088,400 |
| | Contingency | | \$1,530,219 |
| | Total Not-To-Exceed | | \$54,750,000 |

DEBT ISSUANCE CONDITIONS

Wisconsin State Statute Section 67.045 outlines the conditions under which a county may issue debt. To comply with the referenced State Statute, approval of the attached initial authorizing resolution will require a $\frac{3}{4}$ vote (14 votes) of the County Board of Supervisors.

The authorizing resolutions for the bonds and notes include initial resolutions and a resolution directing publication of notices to the electors. The authorizing resolutions also permit the County to reimburse itself for any expenditures made prior to the issuances. Each of the items in the resolution requires Finance, Personnel and Audit Committee and County Board approval.

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 long as the expenditures comply with IRS rules summarized below:

For the Corporate Purpose Bonds and Promissory Notes:

- No expenditure made 60 days prior to the date of the adoption of the reimbursement resolution can be reimbursed with bond proceeds (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.

For the Qualified Energy Conservation Bonds:

- No expenditure made prior to the date of the adoption of the reimbursement resolution.
- Bonds must be issued within 18 months of the date the original expenditure is made.

PUBLIC HEARING REQUIREMENTS FOR PRIVATE ACTIVITY BONDS

Some projects included in the 2016 bond issue are considered private activities within the meaning of the federal tax code. The issuance of tax-exempt bonds for these purposes requires that a public hearing be scheduled to allow citizens to comment on the issuance of the bonds. A public hearing will need to be scheduled to allow for public comment on the projects authorized for such entities as the Marcus Center, War Memorial/Art Museum, Milwaukee Public Museum, Sherman Park Community Center (Boys and Girls Club), McGovern Senior Center (Interfaith), and the Milwaukee County Historical Society.

RECOMMENDATION

The Comptroller's Office requests that the Finance, Personnel and Audit Committee approve and recommend approval by the full County Board of the attached resolutions. The resolutions authorize the issuance of a not-to exceed amount of \$54,750,000 of bonds and notes. The resolutions also authorize the reimbursement of expenses related to projects that occur prior to the issuance of the bonds.

The Comptroller will submit subsequent resolutions prior to the bond sales that will provide parameters for the issuances, delegate approval of the sales of the bonds and authorize an administrative transfer to pay costs associated with the debt issuances. The subsequent resolutions will also delegate the bid opening and approval of the winning bidder for the sales of the issuances to the Comptroller. The Comptroller's approval will be limited to sale results that fall within the parameters outlined in the resolutions.



Scott B. Manske
Comptroller

Attachment

pc: Chris Abele, County Executive
Supervisor Willie Johnson, Co-Chairman, Finance, Personnel and Audit Committee
Supervisor Jim "Luigi" Schmitt, Co-Chairman, Finance, Personnel and Audit Committee
Scott B. Manske, Comptroller
Teig Whaley-Smith, Director, Department of Administrative Services
Raisa Koltun, Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
Steven Kreklow, Budget Director
Stephen Cady, Research Director
David Cullen, County Treasurer
Brian Lanser, Quarles and Brady
Lafayette Crump, Crump Law Firm
David Anderson, Public Financial Management
Tionna Reed Pooler, Independent Public Advisors

