



**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

Office of the Comptroller
Scott B. Manske, Comptroller

DATE : September 18, 2017
TO : Chairman, Theodore Lipscomb, Sr.
FROM : Scott B. Manske, Comptroller
SUBJECT : Request to Reallocate Net Bid Premiums and Surplus Bonds from the Debt Service Reserve

REQUEST

An appropriation transfer of \$1,372,523 is requested by the Office of the Comptroller to reallocate net bid premiums and surplus refunding bonds from the Debt Service Reserve (DSR) to the 9960 – General County Debt Service Budget in order to pay interest costs. This transfer will reallocate \$713,100 from the DSR and reflect the funding components of \$659,423 for debt purposes. The transfer will also reallocate levy made available from the surplus bid premiums/refunding bonds to provide expenditure authority that will be used to apply cash towards the 2017 General Obligation Refunding Bond issuance (2017 Refunding Issuance). Finally, surplus 2016B Qualified Energy Conservation Bonds (QECBs) are being reallocated from the DSR to Project WT026 Bus Replacement Program, which will reduce the amount of 2017 general obligation bonds that are necessary to finance the 2017 bus purchases.

BACKGROUND

In January 2017, the County Board approved File 17-117, which authorized the reallocation of \$1,181,428 of 2016 surplus bond proceeds (including net bid premiums) to the DSR. The File also allocated \$430,000 of the \$1,181,428 to Project WP29001 Kinnickinnic Parkway so that the bonding authority for Project WP484 Lake Park Ravine Bridge could be increased and the revenue for private donations could be decreased.

This appropriation transfer would reallocate the net bid premiums \$655,962 from the DSR to the General County Debt Service Budget so that the net bid premiums can be used to pay eligible interest expenses. The net bid premium can only be used to pay eligible interest expenses. A small amount (\$3,461) of surplus refunding proceeds is also being reallocated from the DSR to pay eligible interest expenses.

This transfer would also use the resulting available tax levy in the General County Debt Service Budget to provide \$659,423 of expenditure authority so that a cash contribution can be made towards the 2017 Refunding Bond issuance. The cash contribution would allow the Office of the Comptroller to address current private activity issues within projects that are financed by the 2008 general obligation bonds without having to include them as part of the 2017 Refunding Bond Issuance. Not including projects with current known private activity issues would reduce the risk that the future private activities issues would jeopardize the tax status of the outstanding debt. These private activity issue result from facilities or assets that are financed with tax-exempt debt being leased to or used by private entities in a manner that is not allowed by the Internal Revenue Service (IRS). The cash contribution would have an added benefit of reducing future debt service expenses.

This transfer would also reallocate \$53,677 of surplus 2016 QECBs from the DSR to Project WT026 Bus Replacement Program. Surplus QECBs must be used to pay for eligible project costs; therefore, they are being allocated to Project WT026 for 2017 bus purchases. The allocation of the QECBs to Project WT026 will also reduce the amount of 2017 general obligation bonds required. These transfers will have no impact to the total expenditure authority that is available for the project.

RECOMMENDATION

The attached resolution is recommended for adoption so that the appropriation transfer can be processed, including the transfer of \$713,100 (\$655,962 in net bid premiums, \$53,677 in surplus QECBs, and \$3,461 in surplus Refunding Bonds) from the DSR.



Scott B. Manske
Comptroller

CC: Supervisor Peggy West, Chair, Committee on Finance and Audit
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Teig Whaley-Smith, Director, Department of Administrative Services
Steven Kreklow, Director, DAS-PSB
Vince Masterson, DAS-PSB
Stephen Cady, Comptroller's Office
Pamela Bryant, Comptroller's Office
Justin Rodriguez, Comptroller's Office