

From the Milwaukee County Comptroller, requesting approval to reallocate approximately \$6.4 million of unspent tax-exempt bond proceeds from various projects to comply with the Arbitrage Regulations for tax-exempt bonds, and to process the associated appropriation transfers to deposit bonds to the debt service reserve and to use cash from the debt service reserve to pay 2025 and future interest expenses, by recommending adoption of the following:

## A RESOLUTION

WHEREAS, Milwaukee County (the County) issues bonds to finance its Capital Improvement Program, and these bonds must be spent in accordance with Internal Revenue Service (IRS) expenditure rules, which set specific timelines for the use of bond proceeds; and

WHEREAS, the investment earnings on bond proceeds cannot exceed the interest rate of the bonds, and if earnings surpass this limit, the excess—referred to as arbitrage—must be repaid to the IRS; and

WHEREAS, the County records both the bond revenue and any capitalized interest within the associated capital projects, and as a result, any excess earnings are typically expended, and the County must cover the resulting IRS liability; and

WHEREAS, when such a payment is required, the primary funding source will be the capital project itself, if sufficient funds remain, and if project funds are unavailable, an additional appropriation would be required; and

WHEREAS, the County's tax-exempt bonds have always been subject to the Arbitrage Regulations (the Regulations); and

WHEREAS, in the recent past, compliance with the Regulations was easier because interest rates on investments were relatively low and with the rise of interest rates, the County now has to more actively manage unspent bond proceeds to ensure compliance; and

WHEREAS, in addition to this request to reallocate bond proceeds, the Office of the Comptroller (the Comptroller) has hired Public Financial Management – Asset Management to perform the required calculations; and

WHEREAS, this review will determine whether the County has any excess earnings that are required to be paid to the IRS, as described above, and if any penalties or rebate payments are identified, the Comptroller will update the Committee on Finance (Finance) and will present a recommended course of action to address the findings, to ensure continued compliance with Federal tax requirements; and

WHEREAS, the County records both the bond investment earnings and any capitalized interest within the associated Capital projects, and as a result, any excess earnings are typically expended, and the County must cover the resulting IRS liability from funds other than bond proceeds; and

WHEREAS, when such a payment is required, the primary funding source will be the Capital project itself, if sufficient funds remain, and if project funds are unavailable, an additional appropriation would be required; and

WHEREAS, there are bond proceeds from newer projects that can be applied to the older projects to allow the bond proceeds to be expended; and

WHEREAS, Finance, at its meeting of September 11, 2025, recommended adoption of File No. 25-539 (vote 4-0); now, therefore,

BE IT RESOLVED, the Office of the Comptroller (Comptroller) and Office of Strategy, Budget, and Performance (OSBP), and any other departments necessary, are authorized and directed to perform the following actions:

- Reallocate (via administrative transfers – Exhibit B) approximately \$6.4 million in unspent bond proceeds from projects financed with 2021–2023 bond issues (Older Projects), to pay interest on bonds to the extent possible (\$38,976) and allocate \$5,982,983 to projects that will be able to spend the proceeds more quickly (Exhibit A - Newer Projects)
- Lapse the remaining \$368,012 of older bonds from Capital Project WF0600014 – Countywide Vehicle and Equipment Replacement - 2023 (Capital Project WF060014) to the Debt Service Reserve (DSR) to be applied towards future interest payments
- Allocate \$368,012 in cash from the DSR to pay 2025 debt service to free up tax levy for Capital Project WF0600014 to replace older bonds
- Allocate \$4,833,223 of 2024 Bond proceeds from the newer projects to the older projects so that the older projects can continue spending while subject to the extended expenditure deadlines related to the 2024 bonds
- Decrease the 2025 budgeted bond amount for Capital Project WP0706032 – South Shore Breakwater North Section – Phase 2 by \$1,149,760 for an estimated savings of \$595,450 over a 15-year term
- Apply \$38,976 in bonds/notes from older Vehicle and Equipment Replacement capital projects to pay interest on the 2022A (\$1,889) and 2023B (\$37,087) bonds

; and

93  
94 BE IT FURTHER RESOLVED, the Comptroller and OSBP are authorized to  
95 modify the amounts based on any additional entries or project activities that occur prior  
96 to the appropriation transfers being processed.  
97  
98  
99 ars  
100 09/11/25  
101 S:\Committees\2025\September\Finance Sep 11\Resolutions\25-539 bond proceed reallocation ars.docx