

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE : February 17, 2012

TO : Supervisor Lee Holloway, Chairman, County Board of Supervisors

FROM : Justin Rodriguez, Interim Capital Finance Manager

SUBJECT : **Initial Authorizing and Reimbursement Resolutions for the S. 13th Street and W. Puetz Rd. Intersection**

Request

The Department of Administrative Services (DAS) is requesting the approval of the attached initial authorizing and reimbursement resolutions to authorize the issuance of a not-to-exceed amount of \$330,000 to finance improvement costs for capital project WH08901 – S. 13th and Puetz Rd. Intersection and to express the County's intent to reimburse the project for expenditures incurred prior to the issuance of General Obligation Corporate Purpose Bonds or Notes.

The Department of Transportation submitted an appropriation transfer which provides additional information on the justification for the projects. This report focuses on the financing necessary for the projects.

S. 13th St. and Puetz Rd. Intersection

In February 2010, the City of Oak Creek was notified that the S. 13th and W. Puetz intersection project was selected for the State of Wisconsin Department of Transportation Highway Safety Improvement Program (HSIP).

In April of 2011, the Milwaukee County Department of Transportation entered into a contract with the City of Oak Creek for major improvements at the intersection of S. 13th St. and W. Puetz Rd. These improvements include installation of left-turn lanes, through/right turn lanes, traffic signals, sidewalks, and street lights. The agreement indicated that Milwaukee County and Oak Creek would each be responsible for 5% of the estimated costs and 90% of the estimated costs would be covered by HSIP funds. However, there would be no HSIP funds available for cost overruns and Milwaukee County and the City of Oak Creek would equally split these costs. According to the contract Milwaukee County's estimated costs for the project were \$41,150.

As work was being done on the project, it was determined that the initial cost estimates for the project were not going to be enough to complete the scope of work. According to the Department of Transportation, these cost overruns can be attributed to the extra reconstruction distance from the intersection and extra excavation and pavement base due to soft soil. The total amount of the cost overruns are approximately \$600,000 of which Milwaukee County is responsible for 50%.

An appropriation transfer has been submitted for the March cycle to reallocate expenditure authority and revenues from Project WH02005 W. Oklahoma Avenue (108th to 76th). The Oklahoma Avenue project is anticipated to have a surplus that is a result of changing the project from a reconstruction to a rehabilitation. Since the bonds being transferred from the Oklahoma Avenue project have not yet been issued, initial authorizing and reimbursement resolutions are necessary to allow the County to use general obligation bond financing for the S. 13th St. and W. Puetz Rd. project.

\$330,000 General Obligation Bonds/Notes

The DAS has prepared estimated debt service schedules with total estimated debt services costs are \$454,406.01. The 2013 will include an estimated principal amount of \$330,000 in bonds or notes, with estimated interest amounts of \$124,406.01. The reimbursement resolution that is included gives the County the option to use proceeds from the next regularly scheduled bond issuance in 2013 for these projects.

COUNTY TAX RATE LIMIT

For the purpose of preparing the attached resolutions authorizing the issuance of the bonds or notes, it was assumed that approval of borrowing for the highway capital projects mentioned above would result in an increase in the County's debt service tax rate. Based on this assumption, and to comply with Section 59.605, Wis. Stats., regarding property tax rate limits for debt service, adoption of the attached resolutions will require approval by a minimum of three-fourths of the members-elect of the County Board. Based on the current County Board membership, 15 votes will be required for authorization to issue the bonds.

DEBT ISSUANCE EXPENSES

The attached resolution authorizes and directs the Director, Department of Administrative Services to request credit ratings and to pay all professional services and other issuance expenses related to the issuance of the bonds from debt proceeds. An administrative appropriation transfer will be processed to increase expenditure authority to pay for the cost of issuance once the bonds are issued. Anticipated expenses include bond counsel, financial auditor and financial advisory fees, official statement printing and mailing costs, credit rating fees and expenses and other issuance costs such as publication costs and express mail.

AUTHORIZING RESOLUTIONS

Attached is the authorizing resolution for the bonds or notes. The resolution requires Finance and Audit Committee and County Board approval.

U.S. Treasury Regulation Compliance

Based on adopted County policy, the next bond financing would occur in 2013.

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 far back as 60 days prior to the approval of the attached reimbursement resolution. Any expenditure on the project that is done earlier than 60 days prior to the approval date would not be eligible for reimbursement. In addition, any expenditure which the County seeks to reimburse itself must be done within 18 months of the completion of the project. Should the next financing occur outside of this window, the County would have to use a different financing source other than bonds or notes.

Approval of the attached reimbursement resolution will allow the County to reimburse itself with proceeds from bonds issued in 2013.

Recommendation

The DAS recommends that the Finance and Audit Committee approve the accompanying resolutions that authorizes the issuance of a not-to-exceed amount of \$330,000 in general obligation bonds or notes and expresses the County's intent, in accordance with U.S. Treasury Regulation Section 1.150-2, to reimburse itself for expenditures that will occur prior to the issuance of the bonds.

Please note that DAS is only recommending establishing expenditure authority and revenues now and issuing \$330,000 since the project has already been substantially completed and lacks sufficient funding. In essence, until bonds are issued in 2013, the County will be expending funds out of the existing general fund. To continue this practice could cause cash flow problems for the County which is why DAS is presenting this recommendation as an exception or extenuating circumstance.



Justin Rodriguez

Interim Capital Finance Manager

pc: Chris Abele, County Executive
Amber Moreen, Chief of Staff, County Executive's Office
Lynn DeBruin, Vice-Chair, Finance and Audit Committee

Joe Czarneski, County Clerk
Dan Diliberti, County Treasurer
Pat Farley, Director, Department of Administrative Services
Pamela Bryant, Interim Fiscal and Budget Administrator
Frank Busalacchi, Director, Department of Transportation
Fay Roberts, Assistant Director, Department of Transportation
Terrence Cooley, Chief of Staff, County Board
Rex Queen, Accounting Manager, Treasurer's Office
Stephen Cady, County Board Fiscal and Budget Analyst
David Anderson, Public Financial Management, Inc.
Chuck Jarik, Chapman and Cutler LL

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(ITEM *)

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A RESOLUTION

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**INITIAL RESOLUTION AUTHORIZING THE
ISSUANCE OF
\$330,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS**

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11 BE IT RESOLVED by the County Board of Supervisors of Milwaukee County, Wisconsin,
12 that there shall be issued the general obligation bonds of said County in an aggregate principal
13 amount not exceeding \$330,000 for the public purpose of providing for the construction of
14 highways and highway improvements. For the purpose of paying the various installments of
15 principal of and interest on said bonds as they severally mature, prior to the issuance and delivery
16 of said bonds there shall be levied on all taxable property in said County a direct annual
17 irrepeatable tax sufficient for that purpose.

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(ITEM *)

A RESOLUTION

RESOLUTION expressing official intent regarding certain capital expenditures to be reimbursed from the proceeds of an obligation.

WHEREAS Milwaukee County, Wisconsin (the "*Issuer*") now wishes to advance moneys from available funds to pay the costs of a capital project described in *Exhibit A* attached hereto and made a part hereof (the "*Project*"); and

WHEREAS all or a portion of the expenditures relating to the Project and to be made from such funds (the "*Expenditures*") (i) have been paid within the sixty (60) days prior to the passage of this Resolution, or (ii) will be paid on or after the passage of this Resolution; and

WHEREAS the Issuer reasonably expects to reimburse itself or pay for the Expenditures with the proceeds of general obligation bonds or notes;

NOW THEREFORE Be It Resolved by the County Board of Supervisors of Milwaukee County, Wisconsin, as follows:

Section 1. The Issuer reasonably expects to reimburse or pay the Expenditures with proceeds of general obligation bonds or notes.

Section 2. The maximum principal amount of the obligations expected to be issued for the Projects and to be made from the funds is \$330,000 in general obligation bonds or notes.

Section 3. All actions of the officers, agents and employees of the Issuer that are in conformity with the purposes and intent of this Resolution, whether taken before or after the adoption hereof, are hereby ratified, confirmed and approved.

Section 4. This Resolution shall be in full force and effect immediately upon its adoption.

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EXHIBIT A

PROJECT	AMOUNT
WH22901 – S. 13 th St. and W. Puetz Intersection	\$330,000

RESOLUTION Directing the Publication of a Notice to the Electors
Regarding the Adoption of an Initial Resolution.

WHEREAS, the County Board of Supervisors of Milwaukee County, Wisconsin (the "County") has adopted an initial resolution regarding the issuance of general obligation bonds of the County to provide for the construction of highways and highway improvements on March 15, 2012; and

WHEREAS, Section 67.05(4) of the *Wisconsin Statutes*, as supplemented and amended, provides for the electors of the County to submit a petition requesting the submission of such initial resolution to the electors of the County for approval, and requires that notice be given to the electors of the County of the adoption of said initial resolution and said right to submit a petition;

NOW, THEREFORE, BE IT RESOLVED by the County Board of Supervisors of Milwaukee County, Wisconsin, that the County Clerk of the County is hereby directed to publish notice of the adoption of said initial resolutions one time in the *The Daily Reporter* and in the *Milwaukee Journal Sentinel*, within fifteen (15) days of the adoption of said initial resolution (to-wit, March 30, 2012), such notice to be in substantially the form as follows:

**OFFICIAL NOTICE TO ELECTORS
OF MILWAUKEE COUNTY, WISCONSIN
OF ADOPTION OF AN
INITIAL RESOLUTION**

An initial resolution was adopted at the adjourned regular meeting of the County Board of Supervisors of Milwaukee County, Wisconsin, on March 15, 2012, and promptly recorded, providing for the issuance of general obligation bonds of the County, as follows:

BE IT RESOLVED by the County Board of Supervisors of Milwaukee County, Wisconsin, that there shall be issued the general obligation bonds of said County in an aggregate principal amount not exceeding \$330,000 for the public purpose of providing for the construction of highways and highway improvements. For the purpose of paying the various installments of principal of and interest on said bonds as they severally mature, prior to the issuance and delivery of said bonds there shall be levied on all taxable property in said County a direct annual irrepealable tax sufficient for that purpose.

The bonds authorized to be issued by said initial resolution set out above shall be issued by Milwaukee County, Wisconsin, unless, before 4:30 P.M., on April 16, 2012, a petition is filed in the office of the County Clerk of said County by electors of said County numbering at least ten percent (10%) of the votes cast for governor in the County at the last general election requesting that the initial resolution be submitted to the electors, as provided in Section 67.05(4) of the *Wisconsin Statutes*, as supplemented and amended.

Dated: March 15, 2012

/s/ Joseph J. Czarnecki

County Clerk

By order of the County Board of Supervisors

RESOLUTION authorizing the advertisement for public sale and the sale of General Obligation Corporate Purpose Bonds of Milwaukee County, Wisconsin, in an aggregate principal amount not to exceed \$330,000, and related matters.

WHEREAS, counties are authorized by Chapter 67 of the *Wisconsin Statutes*, as supplemented and amended, to borrow money and to issue bonds and promissory notes to finance any project undertaken for a public purpose and to refund municipal obligations, including the interest thereon; and

WHEREAS, it has previously been determined that it was necessary and desirable to issue general obligation bonds of Milwaukee County, Wisconsin (the "*County*"), for the public purposes of financing the construction of highways and highway improvements in the aggregate principal amount of \$330,000, pursuant to Chapter 67 of the *Wisconsin Statutes*, as supplemented and amended; and

WHEREAS, it is now necessary and desirable for the County to issue its General Obligation Corporate Purpose Bonds in an aggregate principal amount not to exceed \$330,000;

NOW, THEREFORE, Be It Resolved by the County Board of Supervisors of Milwaukee County, Wisconsin, as follows:

Section 1. There shall be issued the General Obligation Corporate Purpose Bonds of the County in an aggregate principal amount not to exceed \$330,000 (the "*Bonds*"). The Bonds shall be issued for the purpose aforesaid in one or more series; *provided*, that the County may issue promissory notes instead of some or all of the Bonds; *provided further*, that some or all of the Bonds may be combined with other issues of bonds or notes of the County; *provided further*, that the Director of the Department of Administrative Services of the County is hereby authorized to make all such changes to the resolutions adopted by the County Board of Supervisors of the County relating to the Bonds and the financing structure of the Bonds to

conform to any changes to such resolutions and financing structures, which are approved by the Finance and Audit Committee of the County Board of Supervisors of the County.

Section 2. For the purpose of offering the Bonds for sale, pursuant to Section 67.08(2), *Wisconsin Statutes*, as supplemented and amended, the Director of the Department of Administrative Services of the County is hereby authorized and directed to cause to be circulated the Official Terms of Offering for the Bonds and to disseminate appropriate notices of the sale of the Bonds at such times and in such manner as the Director of the Department of Administrative Services of the County may determine and to receive bids for the Bonds at such time or times as the Director of the Department of Administrative Services of the County may determine. The Director of the Department of Administrative Services of the County shall also cause to be prepared and distributed an Official Statement or Official Statements, including the Official Terms of Offering, with respect to the Bonds.

Section 3. After receipt of bids for the Bonds and consideration thereof by this County Board of Supervisors, this County Board of Supervisors will consider resolutions awarding the Bonds to the best bidder or bidders, prescribing the terms thereof and the form of Bond, and levying taxes in the specific amount necessary to pay the principal of and interest on the Bonds.

Section 4. Proceeds of the Bonds shall be applied at the direction of the Director of the Department of Administrative Services of the County to the payment of issuance expenses with respect to the Bonds. An administrative appropriation transfer will be processed to increase expenditure authority in the non-departmental Debt Issue Expense budget to pay such issuance expenses. The issuance expenses cover the fees for the following services provided in connection with the issuance of the Bonds as well as the out-of-pocket disbursements of the County: credit rating agencies, bond insurance, official statement printing and mailing, financial

advisory services, bond counsel services, financial auditor services and other fees related to the issuance of the Bonds.

Section 5. Copies of Resolution to Bond Counsel. The County Clerk is directed to send certified copies of this resolution to the County's co-bond counsel, Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, Attention: Charles L. Jarik, and Emile Banks & Associates, LLC, Suite 290, 1200 North Mayfair Road, Milwaukee, Wisconsin 53226, Attention: Emile Banks, and to the Department of Administrative Services, Attention: Pamela Bryant.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 02/17/12

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Initial Authorizing and Reimbursement Resolutions for S. 13th St. and W. Puetz Rd.

FISCAL EFFECT:

- | | |
|---|--|
| <input type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input checked="" type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	See explanation
	Revenue	0	
	Net Cost	0	See explanation
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. ¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

- A. The Department of Administrative Services is requesting approval of initial authorizing resolutions to issue Corporate Purpose Bonds or Notes for a not-to-exceed amount of \$330,000 in 2013. An appropriation transfer has been submitted for the S. 13th St. and W. Puetz Rd. Intersection. Although expenditure authority of is being transferred from Project WH02005 W. Oklahoma Ave. (76th to 108th) since the associated bonds have not yet been issued, an initial authorizing and a reimbursement resolution are necessary.
- B. The County will pledge to levy taxes to pay the debt service payments.
- C. The estimated total debt service cost is \$454,406.01. The first debt service payment amount, the following year after the bonds are issued, which reflects current County practice. For example, if the bonds are issued in 2013, the first debt service payment would occur in 2014. Therefore, if the County approves the appropriation transfer and proceeds in accordance with County practice regarding bond financing, the 2014 budget will include approximately \$27,769.25 in debt service costs relating to the project discussed in the attached memo.
- D. The estimated interest rate for the debt service payments is 4.5% for a 15 year term.

Department/Prepared By Justin Rodriguez

Authorized Signature  _____

Did DAS-Fiscal Staff Review? Yes No

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.