

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : January 6, 2017

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

FROM : Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT : Capitalized Interest and Interest Earnings for Capital Projects

REQUEST

The Office of the Comptroller is requesting authorization to process an administrative transfer to increase expenditure and revenue budgets for various capital projects to offset approximately \$500,000 of 2016 capitalized interest expenses and approximately \$170,000 of 2016 interest earnings associated with general obligation bonds. Offsetting budget adjustments will also be made to Org. Unit 9960 Debt Service and Org. Unit 1992 Earnings on Investments.

BACKGROUND

The County finances a majority of its capital projects through the issuance of general obligation bonds and notes. While capital projects are ongoing, the County allocates interest expenses from Org. Unit 9960 Debt Service and interest earnings from Org. Unit 1992 Earnings on Investments to the projects.

The 2016 Adopted Capital Improvements Budget (2016 Budget) did not include specific budget amounts for capitalized interest expense or interest earnings within each of the individual capital projects. The attached resolution would authorize the Department of Administrative services, in collaboration with the Office of the Comptroller, to process an administrative transfer to increase expenditure budgets in capital projects and make a corresponding increase to the Interest Allocation-Abatement account in Org. Unit 9960 Debt Service. The transfer will also increase revenue budgets in capital projects and make a corresponding decrease to the earnings on investments budget in Org. Unit 1992 Earnings on Investments. Both the Debt Service Org. Unit and Earnings on Investments Org. Unit. include budget amounts that need to be adjusted. In accordance with Federal regulations, earnings on bond proceeds must be used to pay project costs or debt service.

Approval of the resolution is being requested so that individual capital projects are not adversely impacted by capitalized interest expenses that were not included in the capital project budgets.

The 2017 Adopted Capital Improvements Budget also did not include specific budget amounts for capitalized interest expense or interest earnings within each of the individual capital projects. Therefore, the Office of the Comptroller intends to submit a request to the County Board and County Executive at the close of 2017 to make similar adjustments.

RECOMMENDATION

The Office of the Comptroller recommends approval of the attached resolution that will authorize the processing of an administrative transfer to increase the expenditure authority and revenue budgets for various capital projects to offset the actual 2016 capitalized interest expenses and 2016 interest earnings and make corresponding adjustments to Org. Unit 9960 Debt Service and Org. Unit 1992 Earnings on Investments. The estimated 2016 interest expense allocation to all capital projects is approximately \$500,000 and the estimated 2016 interest earnings to all capital projects is approximately \$170,000.



Scott B. Manske
Comptroller

Attachments

pc: Chris Abele, County Executive
Supervisor Peggy West, Chair, Committee on Finance and Audit
Steven Kreklow, Director, DAS- Performance, Strategy and Budget
Vince Masterson, DAS- Performance, Strategy and Budget
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Pamela Bryant, Capital Finance Manager
Stephen Cady, Research Director
Justin Rodriguez, Budget and Management Coordinator