

**COUNTY OF MILWAUKEE  
INTER-OFFICE COMMUNICATION**

DATE: January 6, 2017

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

FROM: Scott B. Manske, Comptroller

SUBJECT: **Authorizing Resolutions for the 2017 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 \$51,555,000 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 2017 bonds or notes will finance projects contained in the 2017 Capital Improvements Budget ("2017 Budget") and other projects that have been approved, but not yet financed.

**2017 Capital Improvements Budget**

The 2017 Budget included \$41,147,918 of budgeted bond proceeds to finance various capital improvement projects. The table provides a summary of the not-to exceed amount:

2017 Adopted Capital Project Financing	\$41,147,918
Previously Approved Projects	\$6,959,794
Cost of Issuance, Underwriter's Discount, Contingency	\$3,447,288
Total Not to Exceed Amount	\$51,555,000

**Prior Approved Projects Included in the Resolutions**

The resolutions include financing of approximately \$7 million for 7 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.

**WO11801 Historical Center Exterior Cornice Restoration— \$2.0 million**

The 2016 Adopted Capital Improvements Budget (“2016 Budget”) included an appropriation of \$2,000,000 for the restoration of the exterior cornice of the Milwaukee County Historical Society (MCHS) Building. Financing was to be provided from general obligation bonds.

A lease and management agreement between the County and the MCHS was executed in February 2016. The lease and management agreement included a cost sharing plan for the Exterior Cornice Restoration Project. Within 60 days of the construction bid being accepted, the MCHS must document that it has secured 60% of the pledges that it would be responsible for; otherwise the County will not be obligated to start or complete the Exterior Cornice Restoration Project.

It is anticipated that construction on the project will begin in the spring of 2017.

**WZ11901 Adventure Africa/African Plains Exhibit – Approximately \$1.3 million**

In December, 2013, the Milwaukee County Zoo and Zoological Society of Milwaukee completed a master plan that would guide redevelopment and development of the Zoo for the next 20 years. Adventure Africa was listed as the initial priority for implementation. To meet elephant exhibit accreditation standards required by the Association of Zoos & Aquariums, the replacement of the elephant exhibit was established as Phase 1 of Adventure Africa. The 2015 Budget, included an \$800,000 appropriation for the design of Phase I of the project (shared 50/50 between the County and the Zoological Society). The 2016 Budget included an appropriation of \$1,774,000 to continue the work on a new Elephant Exhibit and Barn in the African Plains Exhibit area project (shared 50/50 between the County and the Zoological Society). The County’s share (\$1,287,000) that was budgeted in 2015 and 2016 is anticipated to be financed in 2017.

In November 2016, the County Board approved the Adventure Africa Phase 1 Project Agreement between the Milwaukee County Zoo and the Zoological Society of Milwaukee for the construction of a new elephant exhibit at the Zoo. The total estimated cost for the project was \$16,600,000. The 2017 Budget included an appropriation of \$8,600,000 for the project. Financing is to be provided from \$4,300,000 of general obligation bonds and \$4,300,000 from the Zoological Society. According to the Agreement, the Zoological may contract with third parties to provide materials, services, and/or equipment related to the project and the County will accept this as an in-kind contribution. The project is anticipated to be complete by July 2018.

WV02201 Franklin Landfill Infrastructure- Approximately \$1.15 million

The 2016 Adopted Capital Improvements Budget included an appropriation of \$1,151,000 for repairs and upgrades to the Franklin Landfill gas system. The cost estimate indicated that the upgrades would consist of the installation and/or replacement of approximately 840 feet of vertical gas wells; 21 well heads and two condensate tanks; replacement of approximately 2800 feet of 8-inch headers with 12-inch headers; electrical work for a new blower; site restoration and other costs such as waste relocation, mobilization and clearing. Financing was anticipated to be provided from the Corporate Purpose Bonds.

The Franklin Landfill Infrastructure Project was delayed in 2016 and was not included in the 2016 financings due to the uncertainty surrounding the Ballpark Commons Development (Development) and how the Development would potentially impact the County's gas system infrastructure.

At this time it is still unknown what the potential impact of the Development may have upon the project timeline and the 2017 financing. The authorizing resolution includes the Franklin Landfill Infrastructure project in the not-to-exceed amount for the 2017 financings. The ultimate outcome of the Development may result in private activity concerns related to the 2017 Corporate Purpose Bonds. Additional analysis will need to be performed by the Office of the Comptroller to determine the County's options for financing (e.g. cash, tax-exempt debt, taxable debt). The scope of work adopted in the 2016 Capital Improvements Budget may also be impacted by the Development. A final determination will be made prior to the issuance of the 2017 Corporate Purpose Bonds.

WP29802 South Shore Parking Lot Area Improvements- \$1 million

The 2015 Budget included an appropriation of \$9,154,472 for Project WP481 Parks Infrastructure. Financing for the projects were to be provided by general obligation bonds. The Parks Director was directed to provide capital improvement recommendations to the Capital Improvements Committee (CIC) that could be implemented with the funds provided in Project WP481. County Board Resolution 15-242 allocated \$1,606,209 of these funds to Project WP298 South Shore Parking Lot Area Improvements.

The County issued bonds to finance \$606,209 of project costs in 2016. The remaining \$1,000,000 of County financing was delayed to 2017 based on the project's anticipated cash flow.

In May 2016, an appropriation transfer was approved that added \$900,000 of expenditure authority to the project. Financing was provided from a State of Wisconsin – Knowles-Nelson Stewardship Grant (\$800,000) and a grant from the Milwaukee Metropolitan Sewerage District (\$100,000). The grants were to be used for a sea wall, promenade and green infrastructure.

The 2017 Adopted Capital Improvements Budget included an appropriation of \$1,200,000 for the reconstruction of additional areas of the South Shore Park/Marina Parking Lot Improvements. The scope of work for the 2017 appropriation includes reconstruction of the remaining portions of the South Shore Park boat launch and adjacent parking lot. Reconstruction of the parking lots at the South Shore Marina will include construction of recreational boating improvements, new storm water system treatments, boat wash facilities, and improved fish cleaning facilities, beach management and landscaping.

Other Delayed Projects from 2016 (Individually less than \$1 million) —Approximately \$1.5 million

The balance of the projects that have been previously adopted, but not yet financed represents approximately \$1.5 million. Each of the projects is listed below:

- WO51711 War Memorial/Milwaukee Art Museum Electrical System Upgrade (\$564,000)
- WO51714 War Memorial Elevator Update and Restoration (\$375,351)
- WP290 Kinnickinnic Parkway Reconstruction (\$582,333)

**Prior Authorized Projects Not Being Included in Financings**

Estabrook Dam Rehabilitation Project and Fish Passage Project—Approximately \$2.4 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.

The 2016 Adopted Budget included an appropriation of \$750,000 for Project WP619 Milwaukee River Fish Passage. Financing was anticipated to be provided from general obligation bonds.

In October 2016, the Milwaukee Metropolitan Sewerage District (MMSD) approved the acquisition of the land owned by Milwaukee County surrounding the Estabrook Dam contingent upon the City of Milwaukee rezoning the land from parkland. The MMSD would acquire the land for the purpose of demolishing the Estabrook Dam. In November 2016, the City of Milwaukee rezoned the land surrounding the Estabrook Dam.

The County is currently in the process of selling the land to MMSD. The sale is contingent upon approval of the transfer of the dam from the County to MMSD by the Wisconsin Department of Natural Resources (WDNR). MMSD intends to award a construction contract for demolition of the dam upon the sale of the dam and approval by the WDNR. It is anticipated that the MMSD will demolish the dam; therefore, the County financing for the rehabilitation of the dam (including fish passage) is not included in the 2017 financing authorization.

**Initial Authorizing Resolutions Not-to-Exceed \$51,555,000**

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$51,555,000 in bonds/notes. The amount is the sum of the 2017 Capital Improvements Projects (\$41,147,918), previously approved projects that are anticipated to be included in the 2017 financings (\$6,959,794), and Underwriter’s Discount/Cost of Issuance/Contingency (\$3,447,288). The estimated gross debt service from the not-to-exceed schedules is \$65,210,000, which includes \$13,655,000 of interest costs.

The Office of the Comptroller anticipates issuing separate series of bonds for Corporate Purpose Bonds (long-term), Promissory Notes (short-term/equipment), and Promissory Notes (short-term/Marcus Center). 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 of the not-to-exceed amount of \$51,555,000:

Project Number	Description	2017 Bond Issue
2017 Budget		
2017 Budgeted Bond Financing		\$41,147,918
<u>Previously Approved Projects</u>		
WO11801	Historical Center Exterior Cornice Restoration	\$2,000,000
WZ11901	African Plains Exhibit	\$1,287,110
WV02201	Franklin Landfill Infrastructure	\$1,151,000
WP29802	South Shore Parking Lot Improvements	\$1,000,000
WO51711	War Memorial/Art Museum Electrical System Upgrades	\$564,000
WO51714	War Memorial Elevator Restoration and Updates	\$375,351
WP290	Kinnickinnic Parkway Reconstruction	\$582,333
Total Financing for Previously Approved Projects		\$6,959,794
Estimated Cost of Issuance (Federal Allowable Amount)/Underwriter's Discount		\$1,031,100
Contingency/Rounding		\$2,416,188
Total Not-To-Exceed Amount		\$51,555,000

## 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 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:

- 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.

**PUBLIC HEARING REQUIREMENTS FOR PRIVATE ACTIVITY BONDS**

Some projects included in the 2017 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, Milwaukee County Historical Society, and the Zoological Society.

**RECOMMENDATION**

The Comptroller's Office requests that the Finance 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 \$51,555,000 of bonds and notes. The resolutions also authorize the reimbursement of expenses related to projects that occur prior to the issuance of the bonds and notes.

The Comptroller will submit subsequent resolutions prior to the sales that will provide parameters for the issuances, delegate approval of the sales of the bonds/notes 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 Peggy West, Chair, Finance and Audit Committee  
Scott B. Manske, Comptroller  
Raisa Koltun, Chief of Staff  
Kelly Bablitch, Chief of Staff, County Board  
Steven Kreklow, Budget Director  
Stephen Cady, Research Director  
Brian Lanser, Quarles and Brady  
Lafayette Crump, Crump Law Firm  
David Anderson, Public Financial Management  
Tionna Reed Pooler, Independent Public Advisors

