

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : April 20, 2018

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

FROM : Joe Lamers, Director of Performance, Strategy and Budget, DAS
Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT : **Report of 2017 Lapsed (Completed/Abandoned) Capital Project/Major Repairs**

REQUEST

The Department of Administrative Services (DAS) and the Office of the Comptroller (Comptroller) are requesting approval of the recommended expenditures and revenues to be lapsed that are associated with capital expenditures (operating 8500 accounting series) and capital projects that have been completed or abandoned in accordance with Section 32.91 of the Milwaukee County General Ordinances (Section 32.91).

Milwaukee County General Ordinances (Section 32.91)

Every appropriation excepting an appropriation for a capital expenditure, or a major repair (operating 8500 accounting series), shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure or a major repair shall continue in force until the purpose for which it was made has been accomplished or abandoned. The purpose of such appropriation for any capital expenditure or a major repair shall be considered abandoned if three (3) years pass without any expenditure from, or encumbrance of, the appropriation concerned. A final comprehensive annual list of capital projects and major repairs identified as completed and/or recommended to be abandoned shall be submitted to the committee on finance and audit of the county board by the department of administrative services division of fiscal affairs no later than May 1st of each year. The committee shall review this report and submit its recommendations to the county board. Failure of the county board to take action prior to June 1 shall be deemed approval of the department of administrative services recommendations.

The DAS and the Comptroller are requesting the movement of the lapsed funds to the County's reserves. The DAS and Comptroller are also requesting approval to process a 2018 administrative fund transfers to allocate cash from the Debt Service Reserve for Project WZ15007 Zoo New Entry Complex that had over realized revenues lapsed as part of the 2017-2018 carryover process.

BACKGROUND

The attached resolution seeks approval from the County Board for the following actions:

- Approval to lapse capital expenditures within the 8500 accounting series of department operating budgets **(Schedule A)**
- Approval to lapse completed/abandoned non-airport capital projects **(Schedule B)**
- Approval to lapse completed/abandoned airport capital projects **(Schedule C)**
- Approval to contribute \$3,672,700 of unspent bonds to the Debt Service Reserve and lapse a cash deficit of \$1,378,814 to the County's general fund.
- Approval to make entries from the appropriate airport balance sheet account to replenish the general fund for an airport cash deficit of \$156,766 and approval to lapse a deficit of \$7,152 from bond financed projects to the appropriate airport balance sheet account.
- Approval to process a 2018 administrative transfer to replace the \$325,000 lapsed over realized revenues with a contribution from the Debt Service Reserve for Project WZ15007 Zoo New Entry Complex.

The following schedule relates to the automatic lapsing of capital expenditures and major repairs that do not have any expenses or encumbrances **for a period of three years** and are being provided for informational purposes only:

- Lapsing of capital expenditures or major repairs without any expenditure or encumbrance for a period of three years. **(Schedule D)**

The following schedules relate to capital items and related revenues that are being automatically carried over from 2017 to 2018, in accordance with Milwaukee County Ordinances and Wisconsin State Statutes, and are being provided for informational purposes only:

- Carryover of capital expenditures within department operating budgets. **(Schedule E)**
- Carryover of revenues related to operating carryovers/encumbrances **(Schedule F)**
- Carryover of capital improvement projects **(Schedule G)**

For several years, the DAS and the Comptroller has limited operating carryovers (Schedule E) to those that are offset with non-County revenue, those offset with department surpluses and/or for extenuating circumstances. This policy has been continued for 2017.

REQUESTED LAPSING OF CAPITAL EXPENDITURES/MAJOR REPAIRS

Operating Lapsed Capital Expenditures (Detailed in Schedule A)

Operating budget capital outlay, equipment and major maintenance appropriations that are recommended to be lapsed within departments total \$2,509,432.¹

Of the operating capital funds being lapsed, there was \$50,000 of funds lapsed that were requested by departments. In accordance with past practice, Carryover requests were denied if departments did not have sufficient funding in their overall budget without resulting in a deficit.

Office of the Sheriff (Agency 400) (+\$50,000)

The following item related to the Office of the Sheriff were requested but not carried over:

- Org. 4077 Training – AV Equipment (+\$50,000)

Lapsed Non-Airport Capital Improvement Projects (Detailed in Schedule B)

The capital improvement appropriations and revenues not recommended for carryover is included in Schedule B. The financial impact of these lapsed projects along with adjustments to continuing projects is a cash deficit of \$1,378,814 and unspent bonds of \$3,672,700. The cash deficit will be applied to the general fund and the unspent bonds are requested to be allocated to the County's Debt Service Reserve (DSR).

Projects with Significant Lapsed Cash Surpluses and Deficits

The total lapsed cash amount from capital projects is \$1,378,814. The significant (greater than \$100,000) surpluses and deficits are listed below.

¹The total lapsed appropriations are \$7,726,167; however, the overall amount includes \$5,216,735, which relates to the Countywide Budget Abatement Account.

*Cash Surpluses (Greater Than \$100,000)*Project WZ15007 New Entry Complex – Zoo Cost to Cure (+\$325,000)

In June 2014, the County Board and County Executive authorized (CB-Res 14-449) the use of \$8.5 million of settlement funds to implement the Remediation Plan to cure the effects of the WisDOT Zoo Interchange Freeway Project on the Milwaukee County Zoo. The Resolution also indicated that additional funds would be needed to complete the Remediation Plan and that additional settlement funds may be received from WisDOT.

In 2017, the County and WisDOT agreed on the remaining settlement amount. The County has received the final settlement of \$4.2 million. Appropriation transfers approved during 2017 recognized \$3,875,000 of the funds and allocated them towards various components of the Zoo Remediation Plan and other Zoo Interchange related construction, legal, and environmental fees. The remaining \$325,000 was anticipated to be recognized through an appropriation transfer once additional Remediation Plan expenditures were identified. Since a 2017 transfer was not approved, the \$325,000 of unrealized revenues is being lapsed to the bottom line.

The attached resolution requests authorization to process a 2018 administrative appropriation transfer to allocate cash from the DSR to create \$325,000 of expenditure authority to complete the remaining work on the project.

Project WJ021 House of Corrections ACC HVAC (+\$260,000)

The 2014 Capital Improvements Budget included an appropriation of \$1,992,240 for the replacement of the HVAC units for six dorms in the ACC North of the House of Correction and to provide new glass block windows. Financing was provided by sales tax revenue. The project has been completed and funds are able to be lapsed.

Project WE056 Acute & Children's Whiteboard Units (+\$116,000)

County Board Resolution 14-290 funded capital projects with land sale revenues that had been recommended by the Milwaukee County Innovation Fund Workgroup. A November 2014 appropriation transfer request had allocated \$145,000 of funds to Project WE056 Acute & Children's Whiteboard Units. The bar code scanning was developed; however, the purchase of the tablets has been delayed multiple times. No spending has occurred in over a year. The project funds are recommended to be lapsed. Should additional funding be needed to purchase tablets, an additional operating or capital appropriation would be necessary.

*Cash Deficits (Greater Than \$100,000)*WH01017 – South 76th Street (West Puetz Road to West Imperial Drive) (-\$1,130,000)

The 2006 Capital Improvements Budget included the first appropriation for the planning and design of Project WH01017 South 76th Street. Subsequent design and construction appropriations were approved in 2007, 2008, 2010, 2013, 2014, and 2015. Appropriations for the projects totaled approximately \$12 million,

The project scope included the reconstruction of approximately 2 miles of S. 76th St. (CTH U) roadway. The construction included in widening of the two-lane rural roadway to an undivided four-lane urban roadway. The scope also included various safety improvements, utilities, right of way acquisitions, sidewalks and other related items.

The original State/Municipal Agreement (SMA) for the project was executed in 2000 and was subsequently revised in 2012. The revised SMA included an estimated cost of \$11,468,416. The project was eligible for Surface Transportation Program (STP) funding. The 80% Federal Funding cap was limited to \$9,134,733. The remaining 20% was to be covered by the County and **the County is responsible for project overages**. A separate Local Municipal Agreement (LMA) between the County and the City of Franklin was approved in 2014 and included the costs and items that were the responsibility of the City of Franklin in the amount of \$522,575.

The State of Wisconsin Department of Transportation (WisDOT) managed the project. The project was substantially completed in October 2015. Throughout the project the WisDOT provides cost reports to the Milwaukee County Department of Transportation (MCDOT). In August 2017, the MCDOT performed a preliminary reconciliation that indicated that the total expenditures were approximately \$13 million and exceeded the project appropriations by approximately \$1.1 million. It is currently unknown what all of the reasons were for the costs that exceeded the SMA estimates; however the MCDOT believes that costs associated with the items included with the LMA with the City of Franklin were higher than anticipated and that there should be additional revenues available to mitigate the deficit. There remains approximately \$177,000 of STP funding that has been requested to be carried over that is anticipated to be realized.

As with all projects the WisDOT performs a final audit and reconciliation of STP projects. It is anticipated that the final audit will be available by the 3rd quarter of 2018. Subsequent to the WisDOT final audit, the Office of the Comptroller recommends that the MCDOT prepare an informational report to the Finance and Audit Committee, which includes a final reconciliation of the project along with the primary drivers of the deficit and how these items could be alleviated or avoided in future projects.

WO21701 Phone and Voicemail (-\$900,000)

In September of 2014, County Board Resolution File 14-701 approved the creation of Project WO217 Phone and Voicemail System Replacement (Project WO217) with an appropriation of \$552,062. Subsequent appropriations were approved in 2016 (\$250,000) and 2017 (\$900,000). The 2017 appropriation was anticipated to be financed with general obligation bonds or notes. Subsequent to the adoption of the 2017 Budget, the Office of the Comptroller reviewed the RFP response associated with the project and determined that most of the purchases for the project fell below the County's capitalization threshold and require cash financing. Since the unrealized bond proceeds are recommended to be lapsed, it would result in a \$900,000 cash deficit to the bottom line. The project is still ongoing and in March 2018 an agreement was approved to have Integration Partners Corporation (IPC) replace the County's Phone and Voicemail System. It is anticipated that future appropriations will need to be approved by the County Board and County Executive to complete the project.

WP06301 Estabrook Dam (-\$275,000)

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 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.

In October 2016, the Milwaukee Metropolitan Sewerage District (MMSD) approved the acquisition of the land owned by Milwaukee County surrounding the Estabrook Dam.

The County has sold the land to MMSD. MMSD has awarded a construction contract for demolition of the dam. It is anticipated that demolition will be completed in 2018, therefore County financing for the rehabilitation of the dam (including fish passage) is recommended to be lapsed.

The unrealized revenues exceed the available expenditure authority by approximately \$275,000. Expenses were incurred from the County's consultant, AECOM, along with County staff in the preparation of environmental review documents, dam rehabilitation construction documents and the bid construction effort for the dam rehabilitation. Since bonds are not being issued for these expenses a revenue deficit is being lapsed to the bottom line. The final retainage payment to AECOM will be made in 2018.

Projects with Lapsed Bond Surpluses and Deficits

Overall a net amount of \$3,672,700 of unspent bonds is requested to be lapsed to the DSR. The projects identified below make up the primary sources of the unspent bonds that are requested to be lapsed to the DSR.

Bond Surpluses (Greater Than \$50,000)

WP29001 and WP29002 Kinnickinnic Parkway (+\$725,000)

The 2016 Capital Improvements Budget included an appropriation of \$847,500 for planning and design for seven segments of the Kinnickinnic Parkway Project. The 2017 Capital Improvements Budget included an appropriation of \$1,793,000 for the construction phase of two segments. The segments of the Parkway from 76th to 68th and 68th to Cleveland have been completed and the surplus funds are recommended to be lapsed to the DSR.

The segment from 31st to 35th was determined to be owned by the City of Milwaukee and therefore the design appropriation and related unrealized revenues is recommended to be lapsed.

Finally, there are four segments that were put "on hold" due to the potential impacts from the Milwaukee Metropolitan Sewerage District's (MMSD) plan to restore the Kinnickinnic Watershed. The plan identifies a system of improvements across the watershed to address the increased flood risk as well as other goals established by the Kinnickinnic River Watershed Advisory Committee. A final schedule for how MMSD's work will affect these projects has not yet been developed, but is anticipated to be determined during 2018.

Project WP25501 Sherman Park B&G Club HVAC (+\$602,000)

The 2016 Capital Improvements Budget included an appropriation of \$1,943,208 to finance the replacement of the HVAC system at the Sherman Park Boys and Girls Club. The replacement of the HVAC system has been completed; however, the performance of the new system is being negatively impacted by problems with the building's envelope. Most of the remaining funds are recommended to be lapsed to the DSR. The remaining approximately \$100,000 will be used to make improvements to the building's envelope.

WP330 Cool Waters Slide (+\$425,000)

The 2015 Capital Budget included an appropriation of \$1,500,000 for the replacement of the Cool Waters Aquatic Park Slide and rehabilitation of the tower, stairs and platforms. The project was substantially completed in 2017. Most of the remaining \$465,000 of expenditure authority is recommended to be lapsed to the DSR. The remaining funds will be used to close out the project.

WP29802 South Shore Improvements Phase 2 (+\$406,000)

The 2014 Capital Budget included the initial appropriation of \$84,000 for the conceptual planning phase of the South Shore Improvement capital project.

County Board Resolution File No. 15-242 Resolution (resolution) was approved in April, 2015. The Resolution authorized an appropriation of \$1.6 million for additional design and construction work at the South Shore beach and adjacent parking/boat launch area for capital sub-project WP29802. Major scope components included: parking lot replacement (north section) with new storm water (including bio-filtration areas), beach improvements (mainly beach dune construction).

A May 2016 appropriation transfer increased expenditure authority for the Project by \$900,000 and created revenue budgets for a Wisconsin Waterways Commission grant (\$800,000) and a MMSD grant (\$100,000).

The 2017 Capital Improvements Budget included an appropriation of \$1,200,000 to finish the construction of Phase 2. Financing was provided by general obligation bonds. A June 2017 appropriation transfer increased expenditure authority for the Project by \$175,000 and created a revenue budget for an Environmental Protection Agency Great Lakes Restoration Initiative grant.

The Project is now substantially complete and is in the process of being closed out. Approximately \$400,000 of the remaining \$720,000 balance is recommended to be lapsed to the DSR.

WP13104 Oak Leaf Trail Connector Phase 4 (+\$274,000)

In 2011, the Parks Department was awarded a grant of \$2,472,577 from the Wisconsin Department of Transportation (WisDOT) for the acquisition of 3.1 miles of abandoned railways. The County has used this property to construct an extension of the Oak Leaf Trail.

A September 2011, appropriation transfer recognized the grant revenue and the associated expenditure authority. The transfer also provided the local match for the project by allocating Build America Bonds from other parks capital projects.

The project is completed and most of the remaining \$1,200,000 of expenditure authority and all of the \$810,000 of unrealized revenues can be lapsed. The net impact is approximately \$274,000 of unspent Build America Bonds being lapsed to the DSR and \$109,502 being used to finance staff time and close out items related to the project.

WV02201 Franklin Landfill Infrastructure (+\$232,000)

The 2015 Capital Improvements Budget included an appropriation of \$590,749 for the replacement of a portion of the landfill gas control system. The work related to the eastern leg of the gas system was completed in 2016. The remaining series 2015A Bond are recommended to be lapsed to the DSR.

The former Franklin Landfill site is has been sold to Ball Park Commons. The installation of new methane collection system infrastructure is estimated to cost \$3,700,000 and will be financed by Ball Park Commons. The 2016 appropriation of \$1,151,000 and related unrealized bond revenues are also being lapsed for a net zero impact.

WM01501 MPM Exterior Window Replacement (+\$201,000)

The 2014 Capital Improvements Budget included an appropriation of \$658,390 for the design and construction of the replacement windows for the north elevation of the Milwaukee Public Museum. The project is completed and the surplus funds are recommended to be lapsed to the DSR.

WO888 Marcus Center Uihlein #1 Elevator (+\$178,000)

The 2015 Adopted Capital Improvements Budget included an appropriation of \$625,108 to complete Phase 5 of the Marcus Center Elevator Modernization Project. The project is completed and the surplus funds are recommended to be lapsed to the DSR.

WC129 Safety Building Fire Pumps and Controls (+\$146,000)

The 2017 Capital Improvements Budget included an appropriation of \$361,000 for the replacement of the fire pumps and controls in the Safety Building. The project was substantially completed in 2017. Some of the remaining \$347,000 of expenditure authority is recommended to be lapsed to the DSR. The remaining funds will be used to address code compliance issues in the Safety Building Pump House and to perform modifications once Project WC059 Courthouse Main Feeder Replacement is completed.

Reallocation of Unspent Bond Proceeds

There is \$3,672,700 of bonds being requested to be lapsed to the debt service reserve. Some of the unspent bonds may be able to be used to pay interest costs associated with outstanding debt. Other bonds may be allocated to other capital projects. Capital projects receiving the unspent bonds must be able to spend the proceeds in a timely fashion. In most cases, this would mean that only ongoing projects with shortfalls would be considered. The Internal Revenue Service regulations dictate the expenditure of bond proceeds within three years. Other factors such as capitalization and private activity also limit which projects are considered.

The Office of the Comptroller will work with the Department of Administrative Services and other departments to identify projects that would meet the criteria above. A final list will be submitted through an appropriation transfer request to the County Executive and County Board.

Lapsed Airport Capital Improvement Projects (Detailed in Schedule C)

The Airport capital improvement appropriations and revenues not recommended for carryover are included in Schedule C. The total amount of lapsed expenditure appropriations is \$13,772,205 and the total amount of lapsed revenues is \$13,936,123. The financial impact of these lapsed projects along with adjustments to continuing projects results in the Airport providing a contribution of \$163,918 from its reserve to replenish the general fund. The contribution will reconcile a deficit of \$156,766 for cash financed projects and \$7,152 for bond financed projects.

Bond Surplus/Deficits (Greater Than \$100,000)

No projects meet this definition.

Cash Surplus/Deficits (Greater Than \$100,000)

No projects meet this definition.

INFORMATIONAL SCHEDULES RELATING TO CARRYOVERS

Capital Projects/Major Repairs Being Abandoned After Three Years without Spending or Encumbrance (Detailed in Schedule D)

No projects meet this definition.

Operating Carryovers (Detailed in Schedule E and Schedule F)

Operating budget capital outlay, equipment and major maintenance appropriations being carried over from 2017 to 2018 total \$2,272,873 (Schedule E). Revenues being carried over relating to Capital Outlays and Encumbrances total \$7,949,785 (Schedule F). This compares to carryovers from 2016 to 2017 of \$3,220,918 and \$5,860,084 respectively

Capital Carryovers (Detailed in Schedule G)

Schedule G is included to summarize capital expenditures and revenues being carried over to 2017. Capital project fund expenditure appropriation carryovers from 2017 to 2018 total \$75,933,881 for corporate purpose projects. Associated revenues to be carried over total \$68,555,949. This compares to appropriation carryovers of \$74,961,909 for 2016 to 2017. The associated capital improvement revenue carryovers from a year ago totaled \$48,739,749.

Airport capital improvement expenditure and revenue carryovers from 2017 to 2018 total \$17,427,926 and \$23,117,743, respectively. Revenues exceed expenditure carryovers due primarily to the carryover of revenues associated with expenditures already encumbered. This compares to carryovers of \$23,663,600 in expenditures and \$29,627,459 in revenues for the Airport from 2016 to 2017.

Recommendation

The DAS and the Comptroller recommend the lapsing of operating budget capital outlay, equipment and major maintenance appropriations that total \$2,509,432².

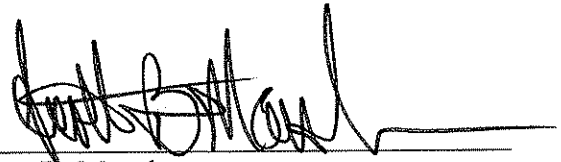
It is also recommended to lapse \$9,003,298 of expenditure authority and \$6,709,412 of revenue budget for non-airport projects. The resulting cash deficit of \$1,378,814 will be applied to the general fund and the \$3,672,700 in unspent bond proceeds will be deposited to the Debt Service Reserve.

A 2018 administrative transfer is recommended to offset the \$325,000 of over realized revenue that was lapsed from Project WZ15007 New Entry Complex (Zoo Cost to Cure).

Finally, it is recommended to lapse \$13,772,205 of expenditure authority and \$13,396,123 of revenue budget for airport projects. The resulting cash deficit of \$156,766 and bond project deficit of \$7,152 will be contributed to the County to replenish the general fund.



Joe Lamers
Director of PSB



Scott B. Manske
Office of the Comptroller

Attachments

pc: Chris Abele, County Executive
Chairperson, Finance and Audit Committee
Raisa Koltun, Chief of Staff, Milwaukee County Executive
Kelly Bablitch, Chief of Staff, Milwaukee County Board
Stephen Cady, Comptroller, Research Director

² The total lapsed appropriations are \$7,726,167; however, the overall amount includes \$5,216,735, which relates to the Countywide Budget Abatement Account.