

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE: December 27, 2018

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

FROM: Scott B. Manske, Comptroller

SUBJECT: **Authorizing Resolutions for the 2019 Bond and Note 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 \$74,230,000 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 2019 bonds or notes will finance projects contained in the 2019 Capital Improvements Budget ("2019 Budget") and other projects that have been approved, but not yet financed.

2019 Capital Improvements Budget

The 2019 Budget included \$43,619,074 of budgeted bond/note proceeds to finance various capital improvement projects. The table below provides a summary of the not-to exceed amount:

2019 Adopted Capital Project Financing	\$43,619,074
Previously Approved Projects	\$29,113,052
Cost of Issuance, Underwriter's Discount, Rounding	\$1,497,874
Total Not-to-Exceed Amount	\$74,230,000

Although the total not-to-exceed amount is \$74,230,000, it is likely that the actual amount will be less. Based on previous experience, some of the projects adopted in 2019 and previously adopted projects will be financed in future years. The Office of the Comptroller will continue to monitor ongoing projects and refine the size and the structure of the financings during the drafting of the parameters resolutions and immediately prior to the sales of the bonds and notes.

Prior Approved Projects Included in the Resolutions

The resolutions include financing of approximately \$29 million for 15 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/acquisition schedules for the projects.

WT10401 Bus Replacement Program (2018 Appropriation) — Approximately \$10.1 million

The 2018 Budget included an appropriation of \$13,500,000 for the replacement of 30 buses. Financing was to be provided from \$10,850,915 of general obligation bonds and \$2,649,085 of Federal revenues.

The replacement buses were ordered in June 2018; however, the manufacturer has a 65-week production schedule so the buses are not anticipated to be received until the 4th quarter of 2019. In addition, the actual cost per bus was higher than anticipated in the 2018 Budget. As a result, the project will only include the replacement of 28 buses. Future bus replacement schedules have been revised by the Department of Transportation to reflect the change.

County Board Resolution 18-640 authorized the Director of the Department of Administrative Services to apply for the State of Wisconsin Transit Capital Assistance Grant Program. Funds received from the grant program will be used to reduce the amount of bonds and/or Federal grant revenues that are required for the Bus Replacement Program. The final award amount and subsequent appropriation transfer may reduce the bonds and/or Federal revenues necessary to finance the buses.

WO60201 Enterprise Platform Modernization (2017/2018 Appropriations) — Approximately \$9.1 million

The 2017 Budget and 2018 Budget included appropriations of \$8,034,125 and \$5,781,106 respectively for Project WO60201 Enterprise Platform Modernization (“ERP”). Of the combined appropriation of \$13,815,231, \$9,139,784 was to be financed with general obligation bonds and the remaining \$4,675,447 was financed with cash (sales tax/property tax levy).

The ERP project is business management software consisting of a set of integrated applications to consolidate common business operations.

In December 2017, the County Board approved a request (CB File 17-736) from the Executive Steering Committee on Enterprise Platform Modernization Project for authorization to enter into contracts with Infor, Inc.; MHC Software, Inc.; Emphasys Software; and N. Harris Computer Corporation for the implementation and licensing of certain software and hardware to replace Milwaukee County’s current legacy Financial and Human Resource Systems. The contracts included in the request required funding of \$7,934,319 in Year 1 and \$972,433 in Year 2.

Currently the County is in the process of preparing its data to be converted and uploaded into the Infor System. Once the conversion data is validated, the system integration testing will begin.

The “go live” for financial and purchasing functions is planned for the fall of 2019. The “go live” for human resources and payroll is scheduled for 2020.

In addition, the County's 2019 Budget includes a \$6,981,045 appropriation for the ERP project in 2019. Financing is provided from \$3,885,645 in sales tax revenues and \$3,000,000 in general obligation bonds.

WC06201 CJF Roof Replacement (2017 Appropriation) — Approximately \$2.5 million

The 2016 Budget included an appropriation of \$100,000 for the planning and design of the Criminal Justice Facility ("CJF") Roof Replacement Project. The 2017 Budget included an appropriation of \$2,459,452 for the construction phase of the roof replacement at the CJF.

While design work on the project was ongoing, it was determined that prior to construction on the CJF roof replacement, repairs to the adjacent façade would be needed. Moisture penetration at joints of exterior walls (head, base and face of stone veneer) flows internally down to horizontal surfaces (roofs) – which would impact the efficacy of CJF roof replacement project. All joint sealant material requires replacement.

The repairs to the façade have been funded as part of Project WC19101 Courthouse Complex Improvements – CJF Caulking Phase, which was included in the 2019 Budget. Until the façade/joint work is completed, the construction on the CJF Roof Replacement project has been put "on hold."

WP51201 McKinley Marina Parking Lots (2018 Appropriation) — Approximately \$2.1 million

The 2016 Budget included an appropriation of \$365,000 for the planning and design for the reconstruction of the McKinley Marina Parking Lots. Financing was provided by 2016A general obligation bonds.

The 2018 Budget included an appropriation of \$2,141,305 for the construction of Phase 1 of the McKinley Marina Parking Lot project.

The preliminary plans for the McKinley Marina Parking Lot have been completed. Development of the construction documents is ongoing. Phase 1 of construction will be done in stages in order to reduce impacts to the extent possible. Utility work is anticipated to begin in April. After utility work, a new concrete road leading towards the road house will be constructing along with a new parking lot adjacent to the Yacht Club. Work for Phase 1 is anticipated to be complete by November 2019.

WP62802 Brown Deer Park Roadway Phase 2 (2017 Appropriation) – Approximately \$1.0 million

In July 2017, the County Board approved a request (CB File 17-483) to reallocate approximately \$1.8 million in unspent bond proceeds from the Debt Service Reserve. The allocation included \$1,033,796 that was allocated to Project WT026 – Bus Replacement Program in order to reduce the budgeted amount of 2017 Corporate Purpose Bonds necessary to finance the Bus Replacement Program and free up bonding capacity. CB File 17-483 also created expenditure authority and general obligation bond budget of \$1,033,796 for Project WP62802 Brown Deer Park Roadway Phase 2.

The scope of the Brown Deer Park Roadway Phase 2 project included reconstruction of the entire Brown Deer Park Roadway, the tennis court parking lot, the golf course parking lot, the driving range and the adjacent walkways. The CB File 17-483 also declared the County's intent to reimburse itself for any expenditures made in connection with the project prior to the issuance of the bonds.

Survey work has been completed. An assessment was done in 2018 to determine what could be done with the existing appropriation since completion of the entire project scope would require additional funds. Once an option has been selected, design work on the project will begin.

WP48401 Lake Park Ravine Bridge (2017 Appropriation) —Approximately \$1.0 million

The 2017 Budget included an appropriation of \$2,500,000 for the reconstruction of Lake Park Ravine Bridge. The scope of work included the repair and/or replacement of the historic concrete arch pedestrian bridge in Lake Park. Financing was anticipated to be provided from \$2,000,000 in private contributions and \$500,000 in general obligation bonds. Construction work on the project shall not proceed until the \$2,000,000 in private contributions is secured and committed.

Subsequent to the adoption of the 2017 Budget, two resolutions were approved that increased the County's share of the project and reduced the budgeted amount/requirement of private contributions:

County Board File 16-728 eliminated the \$100,800 of funding for the design phase of Project WP52301 – Lake Park Steel Arch Bridge and reallocated the budget for general obligation bonds to Project WP48401 – Lake Park Ravine Bridge. County Board File 16-728 also reduced the private contributions required for the Lake Park Ravine Bridge by \$100,800.

County Board File 17-117 allocated \$430,000 of unspent bond proceeds to Project WP29001 – Kinnickinnic Parkway Reconstruction – South 68th Street to West Cleveland Avenue and reallocated the budget for general obligation bonds to Project WP48401 – Lake Park Ravine Bridge. County Board File 17-117 also reduced the private contributions required for the Lake Park Ravine Bridge by \$430,000.

The total modified amount of budgeted bond proceeds for the Lake Park Ravine Bridge project is \$1,030,800. The total modified amount of private contributions required for construction on the project to proceed is \$1,469,200.

County Board File 18-195 authorized the Department of Parks, Recreation and Culture to submit applications for three Transportation Alternatives Program (TAP) grants. Project WP484 Lake Park Ravine Bridge was included in the applications.

In September 2018, the County entered into a State Municipal Agreement (SMA) with the State Department of Transportation (WisDOT) for the replacement of the Ravine Bridge in Lake Park. The maximum award amount is \$2,000,000. TAP projects are funded on an 80 percent Federal/20 percent local cost-share basis.

The consultant work on the project will occur in 2019. An appropriation transfer may be processed once the final determination of the scope of the project is determined. Rehabilitation of the bridge would require approval of the WisDOT. Although the modified budgeted bond amount for the project is \$1,030,800, the actual amount will be based on how much of the TAP grant funds are used to replace the budgeted bond proceeds and how much of the work is eligible for bond financing.

Other Delayed Projects from Prior Years (Individually less than \$1 million) —Approximately \$2.5 million

The balance of the projects that have been previously adopted, but not yet financed, represents approximately \$2.5 million. Each of the projects is listed below:

- WO51715 WMC Roof Replacement (\$730,000)
- WO53501 WMC Asphalt Paving – North Parking Lot (\$580,000)
- WH24201 North Shop Improvements (\$325,000)
- WZ11401 Zoo Life Support Emergency Generators (\$298,000)
- WP29006 Kinnickinnic Parkway – Jackson Park Dr. 58th-Cleveland (\$249,000)
- WP29005 Kinnickinnic Parkway – S. 43rd St. to S. 51st St. (\$141,000)
- WP29004 Kinnickinnic Parkway – Phase 4 (\$54,000)
- WP29007 Kinnickinnic Parkway – S. 29th St. to S. 31st St. (\$51,000)
- WH09501 W. Rawson Ave. – S. 27th St. to S. 20th St. (\$30,000)

Initial Authorizing Resolutions Not to Exceed \$74,230,000

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$74,230,000 in bonds/notes. The amount is the sum of the 2019 Capital Improvements Projects (\$43,619,074), previously approved projects that may be included in the 2019 financings (\$29,113,052), and Underwriter's Discount/Cost of Issuance (\$1,497,874). The estimated gross debt service from the not-to-exceed schedules is \$92,970,000, which includes \$18,740,000 of interest costs.

The Office of the Comptroller anticipates issuing separate series of bonds for Corporate Purpose Bonds (long-term), Promissory Notes (buses), Promissory Notes (short-term/equipment), Promissory Notes (taxable) and Promissory Notes (short-term/ERP). The Office of the Comptroller will request approval of separate parameters resolutions prior to the issuance of the bonds/notes. 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 \$74,230,000

Project Number	Description	2019 Bond/Note Amount
2019 Budget		\$43,619,074
Previously Approved Projects		
WT10401	Bus Replacement Program - 2018	\$10,850,915
WO60201	Enterprise Platform Modernization - 2017/2018	\$9,139,784
WC06201	CJF - Building Roof Replacement	\$2,459,452
WP51201	McKinley Marina Parking Lots	\$2,141,305
WP62802	Brown Deer Park Roadway Phase 2	\$1,033,796
WP48401	Lake Park Ravine Bridge	\$1,030,800
WO51715	WMC Roof Replacement	\$730,000
WO53501	WMC Asphalt Paving - North Parking Lot	\$580,000
WH24201	North Shop Improvements	\$325,000
WZ11401	Zoo Life Support Emergency Generators	\$298,000
WP29006	Kinnickinnic Parkway - Jackson Park Dr 58th to Cleveland	\$248,667
WP29005	Kinnickinnic Parkway - S. 43rd. St. to S. 51st. St.	\$140,833
WP29006	Kinnickinnic Parkway - Phase 4	\$54,000
WP29007	Kinnickinnic Parkway - S. 29th St. to S. 31st St.	\$50,500
WH09501	W. Rawson Ave. - S. 27th St. to S. 20th	\$30,000
	Total Financing for Previously Approved Projects	\$29,113,052
	Estimated Cost of Issuance (Federal Allowable Amount)/Underwriter's Discount) Rounding	\$1,497,874
	Total Not-To-Exceed Amount	\$74,230,000

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.

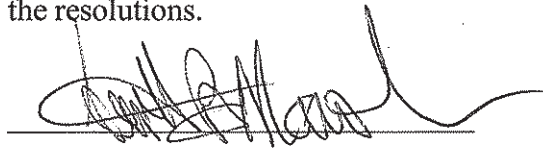
Expressing this intent will allow the County to reimburse itself for expenditures incurred as long as the expenditures comply with IRS rules summarized below:

- 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.

RECOMMENDATION

The Comptroller's Office requests that the Finance and Audit Committee approve and recommend the attached resolutions. The resolutions authorize the issuance of a not-to-exceed amount of \$74,230,000 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

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