

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE: December 27, 2019

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

FROM: Scott B. Manske, Comptroller

SUBJECT: **Authorizing Resolutions for the 2020 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 \$72,965,000 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 2020 bonds or notes will finance projects contained in the 2020 Capital Improvements Budget ("2020 Budget") and other projects that have been approved, but not yet financed.

2020 Capital Improvements Budget

The 2020 Budget included \$44,927,646 of budgeted bond/note proceeds to finance various capital improvement projects. The table below provides a summary of the not-to exceed amount:

2020 Adopted Capital Project Financings	\$44,927,646
Previously Approved Projects	\$26,567,324
Cost of Issuance, Underwriter's Discount, Rounding	\$1,470,030
Total Not-to-Exceed Amount	\$72,965,000

Although the total not-to-exceed amount is \$72,965,000, it is likely that the actual amount will be less. Based on previous experience, some of the projects adopted in 2020 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 \$27 million for 14 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.

WT08301 Bus Rapid Transit (“BRT”) (2019 Appropriation) — Approximately \$7.2 million

The 2019 Budget included an appropriation of \$31,000,000 for Bus Rapid Transit. Financing was to be provided from \$19,400,000 in Federal Section 5309 CIG program funds, \$7,089,000 in general obligation bonds, and \$4,511,000 in capital investment by the Milwaukee Regional Medical Center (“MRMC”). Previous appropriations have been budgeted for other study, design and construction activities.

Currently the project is at 90% design and is being reviewed by the Federal Transit Administration’s (“FTA”) Project Management Oversight Consultant (“PMOC”) The PMOC evaluates the project specific to administration, project costs, timeline, and coordination requirements with the various stakeholders engaged with the project. Pending final design completion, issuance of the grant agreement by FTA is tentatively expected in 2020 and authorization to proceed by the County Board, construction activities could begin in the first half of 2020. If a grant agreement and funding align with the construction season, MCTS could begin BRT revenue services as soon as the second half of 2021.

WT12401 Battery Electric Bus Acquisitions (2019 Appropriation) — Approximately \$5.2 million

The 2019 Budget included an appropriation of \$5,116,000 for the purchase of four battery-electric buses, infrastructure improvements and charging infrastructure. Financing was to be provided from general obligation bonds.

The 2019 Budget directed the Milwaukee County Transit System (“MCTS”) to transition its vehicle fleet to battery-electric buses (“BEBs”) and away from fossil fuels. The transition is expected to lessen exposure to volatile diesel fuel prices, achieve savings over the total lifecycle of the new vehicles, and provide clean air and quieter operational benefits to the citizens and neighborhoods. The 2019 Budget also directed MCDOT to study the infrastructure needs associated with transitioning to BEBs. A report was submitted to the County Board for the December 2019 committee cycle.

Specifications for the BEBs is anticipated to be developed by early 2020. The bids for the BEBs are anticipated to be issued in mid-2020. Bus acquisitions are anticipated to occur in late 2021 or early 2022.

WZ11801 Underwater Hippo Exhibit (2019 Appropriation) — Approximately \$4.4 million

The 2019 Budget included an appropriation of \$13,435,936 for the construction of a new 70,000 gallon pool for above and below water viewing, a new 3,000 square foot hippo beach area and an under-roof public space with an 80 foot long glass wall. The exhibit will also include a new life support system and a new hippo-themed children's play area. Financing was to be provided from a private gift of \$9,106,579 and \$4,329,357 of general obligation bonds.

The work on the exhibit is over 50% complete. Testing and commissioning of the exhibit and supporting systems is scheduled for completion by the end of April 2020. The exhibit is anticipated to be open in May 2020.

WT12101 Bus Replacement Program - 2019 (2019 Appropriation) — Approximately \$3.6 million

The 2019 Budget included an appropriation of \$11,400,000 for the replacement of 23 buses. Financing was to be provided from \$9,024,000 of general obligation bonds and \$2,376,000 of Federal revenues.

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. Milwaukee County has been awarded \$5,461,500 for the State of Wisconsin Transit Capital Assistance Grant Program. A 2019 appropriation transfer reduced the bonds needed for the project by \$5,461,500.

The MCDOT expects delivery of the 23 buses in April 2020.

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. The construction contract for the caulking has been awarded. Construction for the caulking is expected to begin in the Spring of 2020 and to be complete by the Fall of 2020. Until the façade/joint work is completed, the construction on the CJF Roof Replacement project has been put "on hold."

WP62802 Brown Deer Park Roadway Phase 2 (2017 Appropriation & 2019 Appropriation) – Approximately \$1.6 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.

In July 2019, County Board Resolution 19-530 recognized Transportation Alternatives Program ("TAP") funding for Project WP48401 Lake Park Arch Bridge over Ravine Drive. The TAP grant funding was used in part to reduce the bonds that will be needed to be issued for the Lake Park Ravine Bridge Project by \$530,800. The budget for the bonds and the associated expenditure authority was transferred to the Brown Deer Parkway Drive Reconstruction project. The resolution also specified that the scope of the project would include reconstruction of the entire Brown Deer Park Roadway (excluding work completed in Phase 1), the tennis court parking lot, the golf course parking lot, the driving range, and the adjacent walkways.

The 2020 Budget included an appropriation of \$4,287,856 for the Brown Deer Parkway Drive Reconstruction project. Financing is anticipated to be provided from general obligation bonds.

The design of the golf course parking lot is ongoing. It is anticipated that construction will occur in May 2020 for the golf course parking lot.

The design of the remaining project elements are anticipated to be complete by the end of 2020. The construction for the remaining project elements is anticipated to be completed in 2021.

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)
- WT07901 MCTS Fleet Maintenance Roof Replacement (\$530,467)
- WP48401 Lake Park Ravine Bridge (\$500,000)
- WP71401 Kinnickinnic Parkway – Jackson Park Dr. 58th-Cleveland (\$248,667)
- WP71301 Kinnickinnic Parkway – S. 43rd St. to S. 51st St. (\$140,833)
- WH09501 W. Rawson Ave. – S. 27th St. to S. 20th St. (\$130,000)
- WH11001 W. Beloit Rd (CTH T) S. 124th to S Wollmer Rd. (\$125,000)
- WH11201 Good Hope Road Bridge over Milwaukee River (\$41,452)

Initial Authorizing Resolutions Not to Exceed \$72,965,000

The Office of the Comptroller has prepared estimated debt service schedules for the issuance of a not-to-exceed amount of \$72,965,000 in bonds/notes. The amount is the sum of the 2020 Capital Improvements Projects (\$44,927,646), previously approved projects that may be included in the 2020 financings (\$26,567,324), and Underwriter’s Discount/Cost of Issuance (\$1,470,030). The estimated gross debt service from the not-to-exceed schedules is \$91,000,000 which includes \$18,030,000 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), Promissory Notes (transit), Promissory Notes (taxable) and a stand-alone bond issue for the (Forensic Science Center). 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 \$72,965,000.

Project Number	Description	2020 Bond/Note Amount
2020 Budget		\$44,927,646
Previously Approved Projects		
WT08301	Bus Rapid Transit	\$7,089,000
WT12401	Battery Elective Buses - 2019	\$5,116,000
WZ11801	Underwater Hippo Exhibit	\$4,329,357
WT12101	Bus Replacement Program - 2019	\$3,562,500
WC06201	CJF - Building Roof Replacement	\$2,459,452
WP62802	Brown Deer Park Roadway - Phase 2	\$1,564,596
WO51715	WMC Roof Replacement	\$730,000
WT07901	MCTS Fleet Maintenance Roof Replacement	\$530,467
WP48401	Lake Park Ravine Bridge	\$500,000
WP71401	Kinnickinnic Parkway - Jackson Park Dr Kinnickinnic Parkway - S. 43rd. St. to S.	\$248,667
WP71301	51st. St.	\$140,833
WH09501	W. Rawson Ave. - S. 27th St. to S. 20th W. Beloit (CTH T) - 124th St. to S Wollmer	\$130,000
WH11001	Rd. Good Hope Road Bridge over Milwaukee	\$125,000
WH11201	River	\$41,452
Total Financing for Previously Approved Projects		\$26,567,324
Estimated Cost of Issuance (Federal Allowable Amount)/Underwriter's Discount) Rounding		\$1,470,030
Total Not-To-Exceed Amount		\$72,965,000

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 Office of the Comptroller 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 \$72,965,000 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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Supervisor Luigi Schmitt, Chairman, Finance and Audit Committee
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