



# Milwaukee County

## Legislation Text

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**File #:** 12-247, **Version:** 1

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From the Interim Capital Finance Manager, Department of Administrative Services, requesting the approval of an initial resolution authorizing the issuance of \$330,000 General Obligation Corporate Purpose Bonds.

### **Request**

The Department of Administrative Services (DAS) is requesting the approval of the attached initial authorizing and reimbursement resolutions to authorize the issuance of a not-to-exceed amount of \$330,000 to finance improvement costs for capital project WH08901 - S. 13<sup>th</sup> and Puetz Rd. Intersection and to express the County's intent to reimburse the project for expenditures incurred prior to the issuance of General Obligation Corporate Purpose Bonds or Notes.

The Department of Transportation submitted an appropriation transfer which provides additional information on the justification for the projects. This report focuses on the financing necessary for the projects.

### **S. 13<sup>th</sup> St. and Puetz Rd. Intersection**

In February 2010, the City of Oak Creek was notified that the S. 13<sup>th</sup> and W. Puetz intersection project was selected for the State of Wisconsin Department of Transportation Highway Safety Improvement Program (HSIP).

In April of 2011, the Milwaukee County Department of Transportation entered into a contract with the City of Oak Creek for major improvements at the intersection of S. 13<sup>th</sup> St. and W. Puetz Rd. These improvements include installation of left-turn lanes, through/right turn lanes, traffic signals, sidewalks, and street lights. The agreement indicated that Milwaukee County and Oak Creek would each be responsible for 5% of the estimated costs and 90% of the estimated costs would be covered by HSIP funds. However, there would be no HSIP funds available for cost overruns and Milwaukee County and the City of Oak Creek would equally split these costs. According to the contract Milwaukee County's estimated costs for the project were \$41,150. As work was being done on the project, it was determined that the initial cost estimates for the project were not going to be enough to complete the scope of work. According to the Department of Transportation, these cost overruns can be attributed to the extra reconstruction distance from the intersection and extra excavation and pavement base due to soft soil. The total amount of the cost overruns are approximately \$600,000 of which Milwaukee County is responsible for 50%.

An appropriation transfer has been submitted for the March cycle to reallocate expenditure authority and revenues from Project WH02005 W. Oklahoma Avenue (108<sup>th</sup> to 76<sup>th</sup>). The Oklahoma Avenue project is anticipated to have a surplus that is a result of changing the project from a reconstruction to a rehabilitation. Since the bonds being transferred from the Oklahoma Avenue project have not yet been issued, initial authorizing and reimbursement resolutions are necessary to allow the County to use general obligation bond financing for the S. 13<sup>th</sup> St. and W. Puetz Rd. project.

### **\$330,000 General Obligation Bonds/Notes**

The DAS has prepared estimated debt service schedules with total estimated debt services costs are

\$454,406.01. The 2013 will include an estimated principal amount of \$330,000 in bonds or notes, with estimated interest amounts of \$124,406.01. The reimbursement resolution that is included gives the County the option to use proceeds from the next regularly scheduled bond issuance in 2013 for these projects.

### **COUNTY TAX RATE LIMIT**

For the purpose of preparing the attached resolutions authorizing the issuance of the bonds or notes, it was assumed that approval of borrowing for the highway capital projects mentioned above would result in an increase in the County's debt service tax rate. Based on this assumption, and to comply with Section 59.605, Wis. Stats., regarding property tax rate limits for debt service, adoption of the attached resolutions will require approval by a minimum of three-fourths of the members-elect of the County Board. Based on the current County Board membership, 15 votes will be required for authorization to issue the bonds.

### **DEBT ISSUANCE EXPENSES**

The attached resolution authorizes and directs the Director, Department of Administrative Services to request credit ratings and to pay all professional services and other issuance expenses related to the issuance of the bonds from debt proceeds. An administrative appropriation transfer will be processed to increase expenditure authority to pay for the cost of issuance once the bonds are issued. Anticipated expenses include bond counsel, financial auditor and financial advisory fees, official statement printing and mailing costs, credit rating fees and expenses and other issuance costs such as publication costs and express mail.

### **AUTHORIZING RESOLUTIONS**

Attached is the authorizing resolution for the bonds or notes. The resolution requires Finance and Audit Committee and County Board approval.

### **U.S. Treasury Regulation Compliance**

Based on adopted County policy, the next bond financing would occur in 2013.

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 far back as 60 days prior to the approval of the attached reimbursement resolution. Any expenditure on the project that is done earlier than 60 days prior to the approval date would not be eligible for reimbursement. In addition, any expenditure which the County seeks to reimburse itself must be done within 18 months of the completion of the project. Should the next financing occur outside of this window, the County would have to use a different financing source other than bonds or notes.

Approval of the attached reimbursement resolution will allow the County to reimburse itself with proceeds from bonds issued in 2013.

### **Recommendation**

The DAS recommends that the Finance and Audit Committee approve the accompanying resolutions that

authorizes the issuance of a not-to-exceed amount of \$330,000 in general obligation bonds or notes and expresses the County's intent, in accordance with U.S. Treasury Regulation Section 1.150-2, to reimburse itself for expenditures that will occur prior to the issuance of the bonds.

**Please note that DAS is only recommending establishing expenditure authority and revenues now and issuing \$330,000 since the project has already been substantially completed and lacks sufficient funding. In essence, until bonds are issued in 2013, the County will be expending funds out of the existing general fund. To continue this practice could cause cash flow problems for the County which is why DAS is presenting this recommendation as an exception or extenuating circumstance.**