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Office of the Comptroller

January 24, 2005

The Finance & Personnel Committee
Common Council, City of Milwaukee
City Hall – Room 205
Milwaukee, WI 53202

RE: File 041193 TID Borrowing Authority for TID Projects

Committee Members:

The proposed substitute File #041193 authorizes the sale of General Obligation (GO) bonds for the following:

1. an aggregate amount of \$20,000,000 for paying project costs in accordance with project plans for Tax Incremental Districts
2. an additional \$8,000,000 of additional expenditures for TID #48 – Park East.

The \$20,000,000 relates to authority created as part of the 2005 budget. The additional \$8,000,000 is for costs our Office has discovered over the past three months related to the Park East Project.

The TID 48 has incurred expenditures substantially beyond the limits imposed in two Common Council resolutions regarding TID #48. Resolution #011182, adopted on March 5, 2002, provided for expenditures up to \$4,300,000 for TID #48. Resolution #040238, adopted July 27, 2004, provided an additional \$3,000,000 for a total Council authorization of up to \$7,300,000. Based on our review of billings by the State of Wisconsin which we have acquired from the State, we currently estimate the TID #48 expenditures through year-end 2004 to total \$14,930,000 including capitalized interest. This leaves an overage of actual spending over Council authorized spending of \$7,630,000. Since there may be 2004 TID 48 expenditures not yet identified or entered into the City's system, this substitute resolution requests an additional \$8,000,000 in borrowing authority for TID #48.

The underlying cause of this overage is that contracts were entered into by representatives of the City with the State of Wisconsin for TID 48 purposes, but not recorded in the City's financial system. The contracts and expenditures related to these contracts were therefore not checked for having adequate budgetary authority. My staff discovered these contracts in discussions with the State of Wisconsin in October. On November 14, 2004, I sent a letter to the Commissioners of Public Works and City Development regarding this problem. See the enclosed. In the letter I requested a written response including a final total of 2004 TID 48 expenditures and the expected source of Federal/State funding and/or other budgetary authority for these added expenditures. On November 14, I met with the Commissioners of Public Works and City Development and their staff. At that time DCD staff indicated their intention to request additional TID funding authorization from the remaining 2004 TID budget authority. They did not have a TID 48 expenditure total at that time. I indicated that 2005 budget authority could not be used for 2004 expenditures and reiterated my earlier request for a letter.

I am requesting this resolution be adopted so that the State of Wisconsin can be paid for services it rendered relative to TID #48 and so that our Office can continue to proceed to close the books for the 2004 financial statements.

Sincerely,

W. Martin Morics
Comptroller
Cc Commissioner Jeffrey Mantes
Commissioner Rocky Marcoux