



**Audit of
City of Milwaukee
Tax Incremental District 48**

W. MARTIN MORICS
City Comptroller
City of Milwaukee, Wisconsin

August 2005

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W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

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Office of the Comptroller

August 17, 2005

To the Honorable
the Common Council
City of Milwaukee

Dear Council Members:

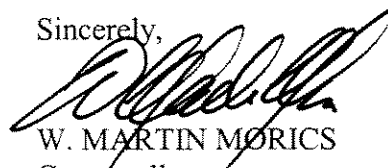
The attached report summarizes the results of our Audit of City of Milwaukee Tax Incremental District 48 (TID 48). The audit identifies the major changes to the original project plan for TID 48 through Common Council and departmental actions. This report does not include an audit of cost, quantity or quality of work performed or the materials obtained.

The audit disclosed changes to the scope and character of the original project plan, resulting in increases in TID 48 project costs. The changes were made through binding contractual agreements signed by departments committing the City to funding obligations. Contractual commitments exceeded authorized spending throughout the construction period of the project with Common Council authority being established after the fact. In addition, contracts, some of which committed the City to unlimited liability, were not submitted for countersignature by the Comptroller. Finally, while the City DBE/EBE requirements exceed those of the State, both units of government met their required goals and objectives for the affected TID 48 contracts.

Detailed audit findings and recommendations are discussed in the Audit Conclusions and Audit Recommendations sections of the report, followed by the response from the Departments of City Development and Public Works.

Appreciation is expressed to the Departments of City Development and Public Works for their full cooperation extended to the auditors.

Sincerely,



W. MARTIN MORICS
Comptroller

Project Background

TID 48 was created in March 2002 and was initially intended to fund the improvement of twelve street segments in an area adjoining and to the east of the former Park East Freeway. The original TID 48 Project Plan totaled \$4.3 million, or \$3.9 million excluding financing costs. To date, TID 48 expenditures exceed \$22 million, or \$19.9 million excluding financing costs.

Three years earlier, the demolition and reconfiguration of the Park East Freeway was initiated through an agreement signed in April 1999 by the former mayor along with other City, county, State and Federal officials. This agreement included a total cost of \$25 million financed as follows:

Federal Interstate Cost Estimate funds	\$21.25 million
City of Milwaukee borrowing (non-TID funds)	\$2.55 million
State of Wisconsin Dept of Transportation	\$1.20 million
TOTAL Park East Freeway Demolition and Reconfiguration	\$25.00 million

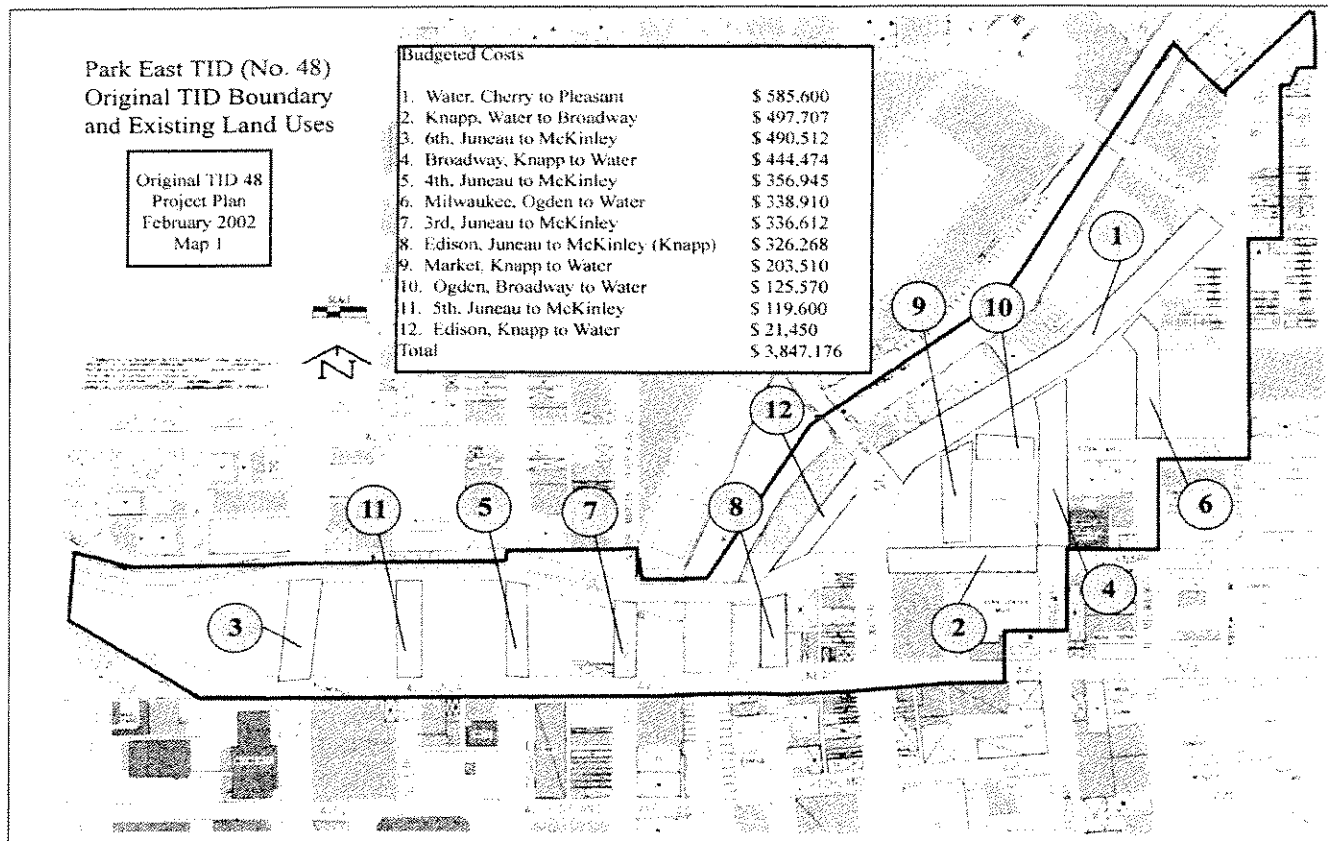
None of the original \$4.3 million in TID 48 funding was allocated for the Park East Freeway Demolition and Reconfiguration Project. However, ultimately, TID 48 did provide over \$13 million for the Park East Project to cover cost overruns incurred for this Project. As of the release of this report, actual costs incurred for Park East Demolition and Reconfiguration Project total \$38 million.

Original TID 48 Project Plan

As identified in the original TID project plan approved in March 2002, TID 48 was intended to “reconnect the street grid by installing new roadway reconstruction [street segments], storm sewer improvements, lighting, signage and signalization”.¹ In total, the 2002 project plan specified 12 street segments for improvement. These segments are identified on the following page in Exhibit 1. These local streets and infrastructure improvements were the only improvements identified in the original TID project plan.

¹ TID 48 Project Plan – February 19, 2002.

Exhibit 1: Original TID 48 Project Plan



Source: Department of City Development

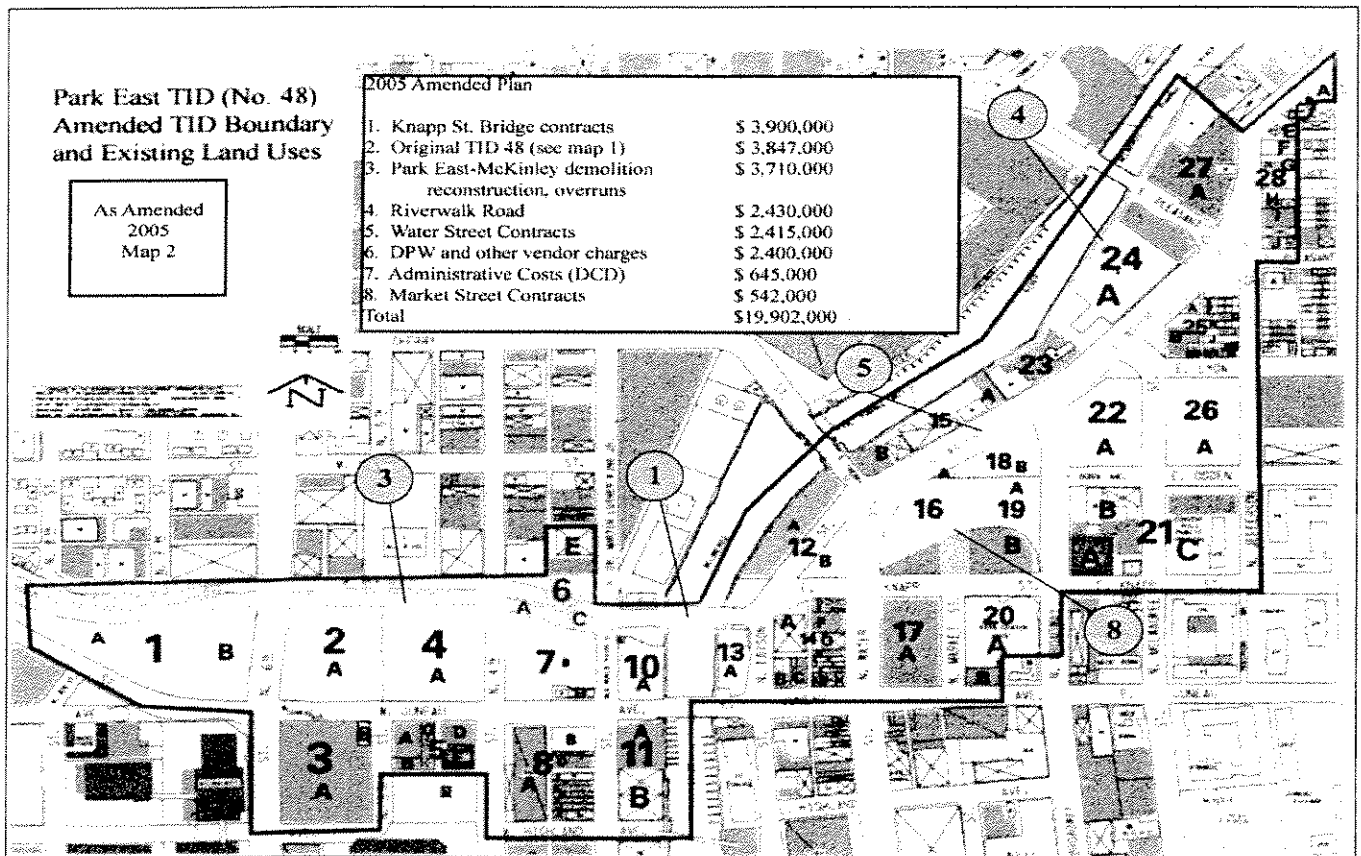
Amended TID 48 Project Plan

The amended TID project plan approved in May 2005 consists of cost overruns and scope changes. Specifically, the amended TID project plan includes: 1) cost overruns related to the original TID project plan, 2) a number of new street segments and additional improvements related to the enhanced scope of TID 48, and 3) cost overruns related to the demolition and reconfiguration of the Park East Freeway.

As indicated previously, the demolition and reconfiguration of the Park East Freeway was to be funded through the City's capital budget with Federal and State participation. The original TID project plan approved in March 2002 did not include such costs. Resolution 011612, approved in April 2002, was the first time this demolition and reconfiguration work was included in TID 48 (See Appendix). This occurred one month after a much smaller TID was approved by the Common Council. Exhibit 2 on the following page

illustrates the expanded scope of the amended TID project plan and also includes the costs related to the original TID project plan.

Exhibit 2: Amended TID 48 Project Plan



Source: Department of City Development

Throughout the TID 48 project, the Department of City Development (DCD) controlled the financial aspects of the TID. The construction, engineering and design work was under the control of the Department of Public Works (DPW), which, in turn, contracted with the State for the demolition and reconfiguration of the Park East Freeway.

Audit Conclusions

A comparison of the original TID 48 project plan, adopted in March, 2002 and the amended TID project plan adopted in May, 2005 shows significant changes in the scope and character of TID 48.

The original TID project plan adopted in March, 2002 identified 12 specific street segments for improvement in conjunction with the demolition of the Park East Freeway (Exhibit 1). The work described in the original TID project plan included street reconstruction, sewer, lighting, traffic controls and signage. The original TID project plan did not indicate that project costs were to include the cost overruns related to the demolition and reconfiguration of the Park East Freeway and the scope changes identified in the amended TID project plan.

The original TID project plan adopted in March, 2002 also established an expenditure limit for City funds of \$4.3 million (\$3.8 million in project costs) for these 12 segments. Further Council action was required before any amount above this limit could be committed or expended.

In May 2005, the original TID project plan was amended to include McKinley, Water and Market Streets, Riverwalk Road, Knapp Street Bridge, as well as DPW and DCD administrative costs and vendor charges (Exhibit 2). Currently, costs related to the amended TID project plan amount to \$22 million (19.9 million in project costs), including the costs of the original TID project plan. Of the total \$19.9 million in project costs, \$13 million is for the overruns related to the demolition and reconfiguration of the Park East Freeway. As shown in Exhibit 2 these overruns include items #1, #3 and portions of items #6, #7, and #8. The remainder relates to the costs of the original TID project plan, overruns related to the original TID project plan, and the subsequent addition of new streets and other infrastructure improvements to the scope of the TID.

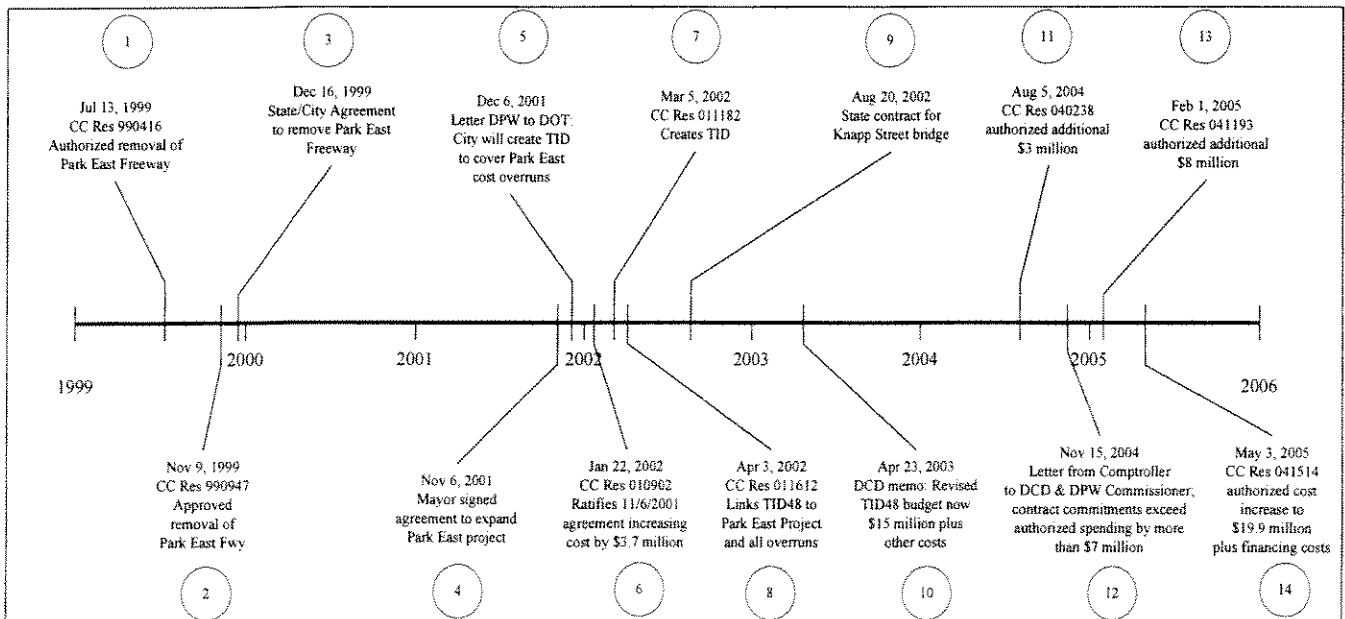
A review of Common Council files and city contracts identified a series of Common Council and departmental actions that increased the scope and costs of TID 48.

There were several Common Council and departmental actions that increased the scope

and costs of TID 48. Exhibit 3 below is a time line of Common Council and contractual actions that affected the scope and cost of TID 48. The appendix to this audit report provides a more detailed chronology of TID 48 events that describe the scope changes of the TID.

The initial contract with the State (item #3) for the demolition and reconfiguration of the Park East Freeway indicated that all costs exceeding \$25 million as agreed were to be paid by the City. The former Mayor signed an agreement (item #4) with the State in November 2001 expanding the demolition and reconfiguration of the Park East Freeway by \$3.7 million. This agreement was ratified by Common Council in January 2002 (item #6). In August 2002, the State signed an agreement for the construction of the Knapp Street Bridge (item #9), countersigned by the former Commissioner of DPW. This agreement resulted in the cost of the demolition and reconfiguration of the Park East Freeway to exceed the \$25 million negotiated amount. Two interim funding Resolutions 040238 (item #11) and 041193 (item #13) increased authorized costs to \$15.4 million. Finally, Resolution 041514 (item #14) amending the TID 48 project plan increased both the scope of work and authorized cost to \$19.9 million.

Exhibit 3: TID 48 Timeline



Source: Office of the Comptroller

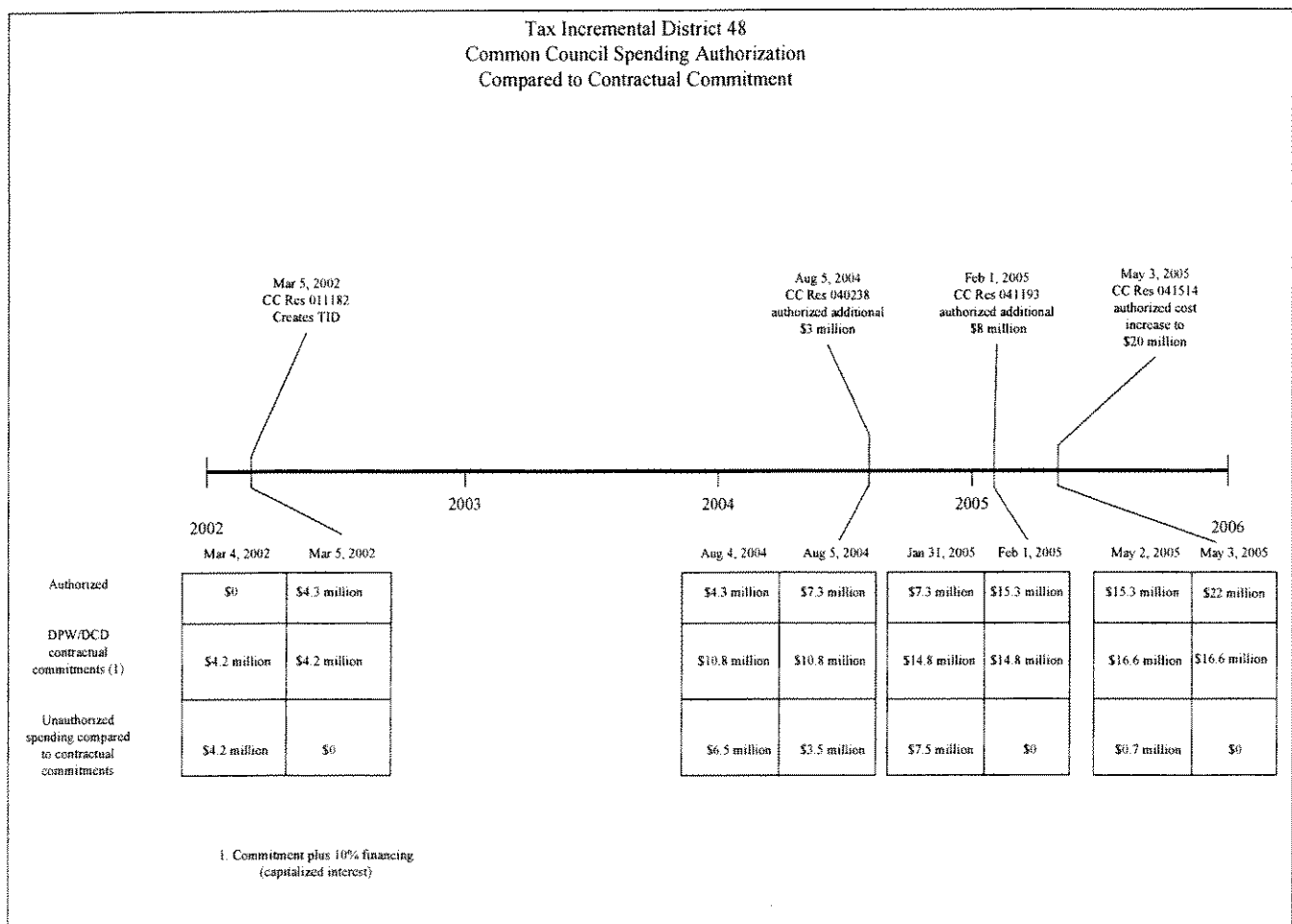
Footnotes to Timeline

1. Authorized removal of Park East Freeway. Ratifies an April 19, 1999 agreement, signed by the former Mayor committing the City to spend \$2.55 million without a funding source.
2. Authorized an agreement with the State to remove the Park East Freeway and commits the City to all expenditures over \$25 million. This resolution identifies design costs at \$270,000 from the Capital Budget. The City's 2000 budget total is to be \$2.55 million.
3. Agreement signed by former DPW Commissioner committing the City to all expenditures in excess of \$25 million.
4. Mayor signed agreement to expand Park East project. Agreement signed by the former Mayor commits the City to unspecified liabilities with no funding source.
5. Letter from DPW to State DOT office that states the City will create TID to cover Park East cost overruns.
6. Ratifies 11/6/2001 agreement (4) increasing cost by \$3.8 million. No funding source is mentioned.
7. The TID 48 is created. Establishes a "not-to-exceed" spending cap of \$3.8 million for TID 48 expenditures, \$4.3 million including financing costs. No mention of coverage of cost overruns in the Park East Project.
8. Links TID 48 to Park East Project and all cost overruns. No additional funding is mentioned.
9. State contract for Knapp Street Bridge signed. Due to other contract change orders, when signed, this contract causes Park East Demolition and reconfiguration expenditure commitments to exceed the \$25 million threshold for City liability. The former DPW Commissioner signs this agreement without sufficient funding. The City is responsible to pay for all change orders from this point forward. No encumbrance of funds for the overage was made in the City's accounting system.
10. This memorandum indicates that DCD estimated that the TID project costs exceeded \$15 million, and DCD is requests accounting cost information from DPW.
11. Authorized an additional \$3 million.
12. Comptroller's Office is made aware of and identifies contracts that have not been entered into the City's system. This is an unfunded/unauthorized liability. Contract commitments exceed authorized spending by more than \$7 million.
13. Authorized an additional \$8 million.
14. Authorized cost increased to \$19.9 million plus financing costs.

A review of contractual commitments and Common Council actions reveals that throughout the life of TID 48, contractual commitments exceeded authorized appropriations for the project.

Contractual commitments by DPW exceeded authorized appropriations throughout the course of TID 48. Exhibit 4 is a financial timeline comparing Common Council authorized spending to contractual commitments made by departments. TID funding authorizations established by the Common Council were on a “not to exceed” basis. As shown in Exhibit 4, the Common Council took four separate actions authorizing spending for TID 48. Prior to each Common Council action, City departments had already made contractual commitments beyond the spending limits established by the Common Council.

Exhibit 4: TID 48 Authorizations and Commitments



Source: Office of the Comptroller

Throughout the life of TID 48, the City incurred unfunded liabilities as a result of the former DPW Commissioner, City Engineer, and in one instance, the former Mayor,

signing binding agreements committing the City to contracts without funding to support the contracted work. The unfunded liabilities were incurred by departments failing to encumber funds at the time the contracts were signed. Since the contracts were never encumbered and also were not submitted to the Comptroller for countersignature, the unfunded status of these contracts went undetected as there were no tests for availability of funds.

Furthermore, the unencumbered contracts, in addition to the unlimited liability that certain contracts placed on the city, would have made project monitoring impossible had the departments chose to implement a project monitoring system for TID 48. The lack of such reporting can lead to repeating “surprise” situations where either additional funding must be provided immediately without time for adequate Common Council review and authorization, or the project abruptly suspended. Such seems to have been the case for TID 48 as Common Council resolutions were made after the fact, authorizing the financial commitments already established.

State DBE and City EBE Requirements and Accomplishments

A comparison of Wisconsin Disadvantaged Business Enterprise Program requirements and accomplishments for State administered contracts in TID 48 to those of the City’s Emerging Business Enterprise and Residential Preference Program requirements and accomplishments indicate that: 1) the City has higher program targets than the State; and 2) both units of government met their stated program goals.

Much emphasis has been placed on Emerging Business Enterprise (EBE)/Disadvantaged Business Enterprise (DBE) and Milwaukee Resident Preference Programs for this project by government and civic leaders. The State and the City each met its own requirements for DBE/EBE and residence preference. Exhibit 5 on the following page compares State and City DBE/EBE requirements.

Exhibit 5: TID 48 State and City DBE/EBE

	State DBE	City EBE
SCOPE	Applies to State Transportation Facility contracts only.	Applies to construction, services, professional services and supplies.
REQUIREMENTS	National requirement for States = 10% of Federal Highway and Transit Funds	Total dollars through prime contracts or subcontracts annually expended = 18%
DEFINITION OF ELIGIBLE CLIENTS	<p>Any small business at least 51% owned, operated and fully controlled on a daily basis by a member or members of the groups below qualifies. In the case of publicly held firms, a member or members of the listed groups must own at least 51% of the stock. These groups include</p> <ol style="list-style-type: none"> 1 African Americans 2 Native Americans 3 Hispanic 4 Asian-Pacific 5 Asian-Indian Americans 6 Women 7 Individuals found to be disadvantaged as defined by the Small Business Act under the 8 (a) program 	<p>A Sole proprietorship legitimately owned and operated and controlled by an individual that meets 3 of the following and is at an economic disadvantage, which means an inability to compete in the free enterprise system due to diminished capital, credit or bonding opportunities.</p> <ol style="list-style-type: none"> 1 At a disadvantage with respect to education 2 At a disadvantage with respect to employment 3 At a social disadvantage 4 At a disadvantage with respect to residence or business location 5 Lack of business training <p>A partnership or joint venture legitimately owned, operated and controlled by individuals who are at a disadvantage and who own at least 51% of the voting interest of the enterprise.</p> <p>A corporation legitimately owned, operated and controlled by one or more individuals who are disadvantaged and who own at least 51% of the outstanding shares and who hold at least 51% of the voting interest in the corporation.</p>

The State of Wisconsin utilized federal requirements which target a general goal of 10 percent of its contract funds to be let to certified DBE firms. The State and the City are required to follow Federal government guidelines for DBE participation when Federal funds are involved with a project.. The State’s application of its DBE program to the Park East Demolition Project achieved \$3.6 million in contracts with State certified DBE firms. This constitutes 14.4 percent of the total \$25 million Park East Demolition Project Budget.

The City in its TID 48 contracts required 18 percent participation of EBE firms. The City met these requirements with \$637,000 of contracts with City certified EBE firms. This constitutes 19 percent of total TID 48 contracts let by the City to date.

The State does not have a Resident Preference Program for residents of the City of Milwaukee. The City requires a certain percentage of contract labor hours be provided by residents living within the Community Development Block Grant area. Although the expenditure period for TID 48 has not ended, to date, the City has exceeded the requirement with 32 percent participation.

The State's DBE program is more narrowly defined compared to the City's EBE program and requires only 10 percent of all State contracts to be compliant. The State excludes from its DBE all contracts for work where no DBE firms are certified. The City's EBE program contains no such restrictions.

Audit Recommendations

The audit determined that there were two major concerns regarding TID 48: 1) there was a lack of disclosure on the part of DCD and DPW on key issues; and 2) there was a failure to comply with basic budgeting and financial controls. The audit makes the following recommendations to address these concerns:

1. All City contractual commitments should be limited as to a maximum dollar amount and pursuant to the appropriate prior Common Council authorization. Without this limit, the Comptroller cannot countersign the proposed contract as to availability of funds. Where future years' appropriations would be required, the City should commit total project costs, or alternatively, contract language should include "notice to proceed" language stating that the commitment by the City is subject to future annual appropriations.
2. All contingent City liabilities² should also be subject to a dollar limit or to future negotiation and annual appropriation.

² Examples, "If total project costs exceed \$xxx,... If State grants are not sufficient,... If remediation costs exceed... the City will...."

3. All DPW and other City contracts, contract amendments and change orders should be submitted to the Comptroller for countersignature as to the availability of funds. See resolution 041403.
4. All City contracting entities should reserve through a formal encumbrance in the City's appropriations accounting system the funds necessary to fulfill the contractual obligation prior to contract execution.
5. No resolution authorizing the commitment of funds should be submitted to the Common Council for its consideration where contractual commitments have already been signed by City officials. These are improperly authorized contracts. If such a resolution is introduced, action should be taken by the Mayor and Council to prevent any future occurrence.
6. A maximum spending limit should be established by Common Council resolution for each existing active TID and all new created TIDs as required under Resolution 031616. These limits for all existing TIDs should have been established by May 15, 2005 as required by Resolution 031616.
7. Routine, periodic TID specific progress reports should be made available to the DPW and DCD Commissioners (and to the Mayor and Common Council on request) for each TID under development throughout the TID expenditure period. The progress report should summarize the physical completion and financial status of the TID as of the date of the report and estimate the date and total cost at completion.
8. Given the narrower scope of the State's DBE Program and its lack of City residency requirements, the City should attempt to contract directly to perform needed public works projects whenever feasible. When a City department is planning to accomplish public works contracting through the State of Wisconsin, it should document why direct contracting by the City is not possible/feasible/desirable.



Department of City Development

Housing Authority
Redevelopment Authority
City Plan Commission
Historic Preservation Commission
NIDC

Rocky Marcoux
Commissioner

Martha L. Brown
Deputy Commissioner

July 25, 2005

Mr. W. Martin Morics, Comptroller
City of Milwaukee
City Hall - Room 404

Dear Mr. Morics:

We have reviewed the report summarizing the audit of Tax Incremental District 48 (TID 48). We appreciate the opportunity to examine the report and comment on its findings.

The City of Milwaukee has been using tax incremental financing as an economic development tool since 1975. During the last 30 years, the Department of City Development (DCD), in its role as fiscal administrator of Milwaukee's TIDs, has relied on the guidance of numerous opinions from the City Attorney related to the implementation of all aspects of the tax increment law.

Many of the TID project plans have involved the installation of public infrastructure, overseen by the Department of Public Works. DPW is involved very early in such projects to estimate costs as part of the preparation of the TID project plan.

TID 48 presented some challenges to the implementation model that has served the City of Milwaukee for 30 years. While the audit report recommends changes in practice that would affect the administration of all future TIDs, we believe it is important to point out the unique context in which TID 48 unfolded.

First: Because the project was also funded with federal ICE funds, the contracting for infrastructure work was administered by the Wisconsin Department of Transportation (WisDOT). Under various agreements between and among the City, County and the State, the WisDOT managed the demolition of the Park East Freeway, the construction of the reconnecting streets and the Knapp Street Bridge. WisDOT also controlled the acquisition of right of way. The agreements required the City to bear all costs in excess of these ICE funds. From the outset, the city intended to use TID funds to finance any additional costs associated with the projects.

Second: While the Common Council ratified and the Comptroller approved changes to the scope of the project that necessitated amendment of TID 48, delays in approval of the Park East redevelopment plan delayed the amendment of the TID. DCD advised the Common Council that an amended Park East TID Project Plan would be presented for approval after the Park East redevelopment plan was adopted. The redevelopment plan was introduced at Council in October 2003; however, adoption was delayed for over six months during which the Common Council debated the merits of the community benefits package. The Council ultimately disapproved the community benefits package and approved the redevelopment plan in June 2004. During that time, the State's construction contracts continued and costs continued to be incurred.

Mr. W. Martin Morics
July 25, 2005
Page 2

These two unique circumstances resulted in a scenario in which standard levels of communication and decision-making were not adequate. It is clear that, at least in this instance, both City departments and the Common Council could not rely on past practices established according to City Attorney opinions. City government needed more definitive benchmarks to authorize TID spending. We believe several of the recommendations included in the report accomplish this goal, and indeed both DCD and DPW have implemented them already.

Attached to this letter is a compilation of responses to the specific audit recommendations. We would comment in greater depth on recommendation 7, which recommends "routine, periodic TID specific Progress Reports."

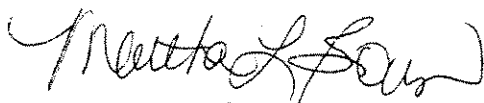
DCD provides to the Comptroller annual TID financial statements, which track the status of all tax increment expenditures and revenues. The City Comptroller provides an independent audit of these TID financial statements. (Currently, the 2003 TID audit is outstanding.) The TID financial statements also are filed with the Joint Review Board (composed of the local taxing authorities that approve the creation of TIDs); these statements are submitted no later than May 1st of each year. In addition, DCD includes a delineation of anticipated project expenditures in its preparation of the annual capital budget for tax increment projects to the City Budget Office and the Common Council's fiscal staff. Also, DCD reviews all anticipated TID "cash needs" every six months with the City Comptroller's Office in preparation of City debt sales.

It has been DCD's practice to provide an annual report of all TIDs to the Common Council's Zoning, Neighborhoods and Development Committee. The 2004 annual report was presented to the Committee in July 2005.

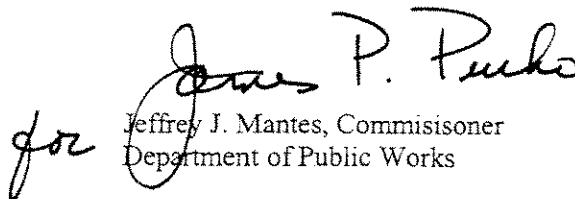
Recommendation #7 appears to strengthen TID expenditure reporting at the department level. We heartily endorse this recommendation, but note that the present Financial Management Information System (FMIS) is ill-suited to provide the type of real-time financial data to project managers that is required to produce such reports. In our view, it is imperative for the Office of the Comptroller to work with our departments as "customers" of FMIS to make modifications necessarily to track project expenditures on a daily basis.

We look forward to working closely with the Comptroller to implement and refine the audit recommendations.

Sincerely,



Rocky Marcoux, Commissioner
Department of City Development



for Jeffrey J. Mantes, Commissioner
Department of Public Works

Enclosures

Audit Recommendations

The audit determined that there were two major concerns regarding TID #48: 1) there was a lack of disclosure on the part of DCD and DPW on key issues; and 2) there was a failure to comply with basic budgeting and financial controls. The audit makes the following recommendations to address these concerns:

1. All City contractual commitments should be limited as to a maximum dollar amount and pursuant to the appropriate prior Common Council authorization. Without this limit, the Comptroller cannot countersign the proposed contract as to availability of funds. Where future years' appropriations would be required, the City should commit total project costs, or alternatively, contract language should reflect include "notice to proceed" language stating that the commitment by the City is subject to future annual appropriations.

DCD & DPW Response: Currently, both departments have implemented this recommendation.

2. All contingent City liabilities¹ should also be subject to a dollar limit or to future negotiation and annual appropriation.

DCD & DPW Response: Currently, both departments have implemented this recommendation.

3. All DPW and other City contracts, contract amendments and change orders should be submitted to the Comptroller for countersignature as to the availability of funds. See Resolution 041403.

DCD & DPW Response: Currently, both departments have implemented this recommendation. Further, we would note that, while this audit is confined to a single project involving DPW contracting practices, the recommendation is very broad and appears to apply to all City contracts, contract amendments and change orders. Adoption of the recommendation as written is likely to create a substantial administrative burden on all City departments, with an associated fiscal impact.

4. All City contracting entities should reserve, through a formal encumbrance in the City's appropriations accounting system, the funds necessary to fulfill the contractual obligation prior to contract execution.

DCD & DPW Response: Currently both departments have implemented this recommendation under the limited capabilities of the FMIS system.

¹ Examples; "If total project costs exceed \$xxx,... If State grants are not sufficient,... If remediation costs exceed... the City will.....".

5. No resolution authorizing the commitment of funds should be submitted to the Common Council for its consideration where contractual commitments have already been signed by City officials. These are improperly authorized contracts. If such a resolution is introduced, action should be taken by the Mayor and Council to prevent any future occurrence.

DCD & DPW Response: Both departments feel that this statement is repetitive of items 1-4 above and should be removed from the audit recommendations. Particularly with respect to infrastructure, there are emergency situations (such as a water main collapse) in which work must proceed prior to Council approval of a contract. We recommend any recommendation of this nature provide for such instances.

6. A maximum spending limit should be established by Common Council resolution for each existing active TID and all new created TIDs as required under Resolution 031616. These limits for all existing TIDs should have been established by May 15, 2005 as required by Resolution 031616.

DCD Response: DCD will comply with this recommendation following the Comptroller's confirmation of the 2003 and 2004 TID Financial Statements through its independent audits.

7. Routine, periodic TID specific Progress Reports should be made available to the DCD and DPW Commissioners (and to the Mayor and Common Council on request) for each TID under development throughout the TID expenditure period. The Status Report should summarize the physical completion and financial status of the TID as of the date of the report and estimate the date and total cost at completion.

DCD & DPW Response: Both departments feel that this recommendation should include the City Comptroller as a partner in making meaningful management reports available on-line through its FMIS system to all City Departments. Please see the attached letter for additional discussion.

8. Given the narrower scope of the State's DBE Program and its lack of City Residency requirements, the City should attempt to contract directly to perform needed public works projects whenever feasible. When a City department is planning to accomplish public works contracting through the State of Wisconsin, it should document why direct contracting by the City is not possible/feasible/desirable.

DPW Response: State and Federal regulations dictate who can contract for work when funding is provided for a project. There are few instances where the City is allowed to do the contracting. The City awards contracts in all cases where the source of state or federal funds for a specific project allows us to do so; however, even when the City lets a contract when allowed by the source of state or federal funds, the City must comply with the state or federal regulations as they relate to DBE requirements.

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	TID #48		Cumulative Committed Amount
			Park East Committed Amount	Other Committed Amount	
		1999			
1	7/13/1999	C.C. Res. #990416 authorizing the removal of the Park East Freeway as part of a proposed plan developed by RACM in response to the 1/19/99 C.C. Res. #991474, and ratifying a 4/21/99 letter of agreement detailing and committing the use of Federal Interstate Transportation Economic Assistance (ICE), State and City funds for the demolition and remediation of land and local streets including a new bridge over the Milwaukee River. This agreement was signed by the former Mayor. Total project expenditures estimated to be \$25 million. The City was committed to expend \$2.55 million with no funding source cited.			
2	11/9/1999	C.C. Res. #990947 approving the execution of the 10/22/99 agreement between the State, County and City for the demolition and remediation of the Park East Freeway Spur. Funding in the amount of \$270,000 (City) and \$1,530,000 (Federal) was authorized for preliminary design engineering work on the demolition and construction to come from the Capital Improvement Fund, Grant and Aid Projects, any City share increases were "limited to 10% or \$5,000, whichever is greater." Further separate Council "action is required for right-of-way acquisition and construction." First indication of City funding sources.			

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	TID #48	
			Park East Committed Amount	Other Committed Amount
	11/12/1999	C.C. Res. 990944 approves 2000 Budget containing the \$2,550,000 City share for the Park East Freeway Spur project. Amounts included in paving, sewer and bridge work budget accounts.		
3	12/16/1999	A State/Municipal highway improvement agreement for removal of the the Park East Freeway which stated in part, "Parties agree to maximize ICE funds. ICE funding not to exceed \$21.25 million. State funding not to exceed \$1.2 million. Estimated Municipal funds - final costs to be determined from actual expenditures." The agreement states, "The Municipality shall pay to the State all costs incurred by the State in connection with the improvements that exceed Federal/State financing commitments or are ineligible for Federal/State financing." This agreement that made the City liable for all costs over \$25 million was signed by the former DPW Commissioner (Projects # 1730-05-00, 1730-06-00 & 1730-07-00)		
		2000		
	3/7/2000	Original design contract signed by State. The initial contract was for \$1,156,777 plus an additional change order in the amount of \$163,226 dated 11/20/99. Both the contract and the change order were signed by the former Commissioner of DPW. (Project Nos. 1730-05-00, 1730-06-00 and 1730-07-00)		

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	TID #48		Cumulative Committed Amount
			Park East Committed Amount	Other Committed Amount	
		2001			
	4/12/2001	Additional design contract for the project with HNTB in the amount of \$2,156,369. This contract was countersigned by the former Commissioner of DPW. This contract was made in addition to the 3/7/00 contract (for projects 1730-05-01, 1730-06-01 and 1730-07-01).			
4	11/6/2001	Agreement between State, County and City to expand Park East project scope and restate financial commitments from the 10/22/99 agreement. This agreement was signed by the former Mayor, Comptroller and City Attorney. This agreement was ratified by Council on 1/22/02 (01-099 (RA)). Though not explicitly stated, the effect of the contract was to increase cost by about \$3.7 million.			
5	12/6/2001	Letter from former DPW Commissioner to Secretary of the State DOT indicating a TID would be created to cover additional costs of the "expanded" Park East Freeway demolition.			
		2002			
6	1/22/2002	C.C. Res. #010902 authorizes an increase in scope of the Park East Freeway project and the agreement with State, County and City signed 11/06/01, which increased costs by \$3.7 million.			

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	TID #48	
			Park East Committed Amount	Other Committed Amount
		2002 Continued		
7	3/5/2002	C.C. Res. #011182 authorizing the creation of TID #48 to be funded up to the amount of \$3.9 million plus financing costs. Capital work is specifically identified to 12 street segments. The project plan does not mention funding of cost overruns in the Park East project (projects 1730 - 05, 1730 - 06 and 1730 - 07).		
	3/21/2002	State contract for a temporary on/off ramp signed, the original amount was \$333,207 with an additional change order on 11/06/02 in the amount of \$5,592. This agreement was signed by the former Commissioner of DPW, change orders were signed by the City Engineer (1730-05-70)		
8	4/3/2002	C.C. Res. #011612 "Substitute resolution regarding construction funding for the Park East Freeway reconfiguration as a nonassessable public improvement." This resolution appropriates construction funds for the City's local share of the Park East Freeway reconfiguration project. The project is being funded with 85% Federal Aid and 15% City funds. Tax Incremental District No. 48 funds will also be used. The City's share is \$3,837,800." A "Whereas" clause indicates " The TID funds will be utilized to fund the City's share of any additional costs associated with the project."	\$ 354,500	\$ 354,500

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	TID #48		
			Park East Committed Amount	Other Committed Amount	Cumulative Committed Amount
	5/16/2002	State contract signed for the demolition of the Park East Freeway and construction of street reconnection, etc. The original amount of this agreement was for \$11,138,298, including estimated City costs of \$1,452,821. This agreement was countersigned by the former Commissioner of DPW (1730-05-71, 1730-05-72 and 1730-07-70).			
9	8/20/2002	State Contract for a new Bridge at Knapp Street and it's approach ramps. The amount of this contract was \$10,954,112, including \$1,428,797 in estimated DPW engineering, signed by the former Commissioner of DPW. There were also change orders in the amount of \$611,652, including \$530,800 for removal of pilings signed by the City Engineer (1730-06-70). This contract caused expenditure commitments to exceed the \$25 million threshold and therefore, chargeable to TID 48. Audit found no encumbrance of these contractual commitments.	\$ 1,068,577	\$	\$ 1,423,077
	12/31/2002	Additional change orders signed by the City Engineer and direct charges to the TID. Audit found no encumbrance of funds for the change orders.	\$ 2,211,446	\$ 8,247	\$ 3,642,770
	3/31/2003	Change orders for design and construction contracts to make aesthetic changes to the bridge, countersigned by City Engineer. These amounted to \$342,282 including a small amount of direct charges. Audit found no encumbrance of funds for these change orders.	\$ 341,508	674	\$ 3,984,952

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	Park East Committed Amount	TID #48	
				Other Committed Amount	Cumulative Committed Amount
		2003 Continued			
	4/20/2003	Court ordered condemnation payments for real estate purchased and assembled in the TID/Park East - Knapp Street Bridge (1730-06-20). Real estate assemblage for right-of-way was authorized on 8/02/01 by C.C. Res. 010469 for a cost of \$1.2 million. Audit found no encumbrance of funds.	\$ 2,813,571		\$ 6,798,523
10	4/23/2003	Internal DCD memorandum identifying the revised TID #48 budget is \$15 million, not including environmental clean-up, river walks, etc. This memorandum also indicates an inability to get financial information from DPW regarding required funding needs.			
	6/10/2003	City contract with South Star for new water main work within the TID area signed by the Commissioner of DPW and countersigned by the Comptroller (C641030059).		\$ 225,144	\$ 7,023,667
	7/24/2003	City contract with James Cape & Sons for construction and street scaping, signed by the former Commissioner of DPW and countersigned by the Comptroller (C52303072).		\$ 736,731	\$ 7,760,398

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	TID #48		Cumulative Committed Amount
			Park East Committed Amount	Other Committed Amount	
		2003 Continued			
	8/27/2003	City contract with Snorek Const. for additional street construction within the TID area, signed by the Commissioner of DPW and Countersigned by the Comptroller (C523030091).		\$ 130,095	\$ 7,890,493
		2004			
	12/31/2003	Change orders all signed by the City Engineer for design \$39,933, construction \$156,761 and bridge modifications \$304,432 plus additional direct charges to the TID account in the amount of \$171,495. Audit found no encumbrance of funds for these change orders.		\$ 672,621	\$ 8,563,114
	2/12/2004	City contract with C. W. Purpero, Inc for additional street work in the TID plan area; the initial contract amount is \$337,300. The contract was signed by the former Commissioner of DPW and countersigned by the Comptroller. This is new TID work (C523040012).		\$ 337,300	\$ 8,900,414
	3/2/2004	City contract with United Sewer & Water for redirecting water and sewer lines within the TID area. The amount of this contract is \$694,791. The contract was signed by the former Commissioner of DPW and countersigned by the Comptroller (C523040020). Also included is a contract with National Survey for new plat mapping at \$46,000, and commitments to SBC and WE Energies for rerouting of utilities in an amount of \$349,050.		\$ 1,089,841	\$ 9,990,255

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	Park East Committed Amount	TID #48		Cumulative Committed Amount
				Other Committed Amount	Committed Amount	
		2004 Continued				
	6/15/2004	C.C. Res. #030870 approves a "Redevelopment Plan for the Park East Redevelopment Project Area" as required by C.C. Res. #991474 adopted 01/18/00. This plan identifies additional infrastructure work, types of development and economic impacts to the project area.		\$ 614,295	\$ 10,604,550	
	7/28/2004	Through 7/28/04 there was an additional \$5,288 in direct charges to TID 48 along with two IRI's in the amount of \$609,007 for force work and administration.				
11	8/5/2004	C.C. Res. #040238 authorized an additional \$3,000,000 to pay infrastructure contracts (state reimbursements, bridge expense, street and utility improvements), capitalized interest and administration. Further, DCD, DOA-Budget, the Comptroller and the City Attorney are directed to recommend a process for disclosure and consideration of TID expenditures that may exceed the estimates in the Common Council approved Project Plans by 9/24/04. (add'l Cap Interest)		\$ 211,270	\$ 10,815,820	
	9/7/2004	City contract with Milwaukee General Construction for additional street work within the TID area. The amount of the contract is \$777,759. The contract was signed by the former Commissioner of DPW and countersigned by the Comptroller (C5423040114).		\$ 777,759	\$ 11,593,579	

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	Park East Committed Amount	TID #48 Other Committed Amount	Cumulative Committed Amount
		2004 Continued			
12	11/15/2004	Letter from the Comptroller to the Commissioners of DCD and DPW relating to expenditures exceeding authority. The letter stated in part, "We have reviewed accounts for Park East and TID #48, and could not find any encumbrances for the related contracts."			
	12/31/2004	Additional direct charges to the TID #48 account amount to \$109,270.		\$ 109,270	\$ 11,702,849
		2005			
	1/5/2005	DPW IRI's for force work by DPW departments. IRI's relate to work performed in 2004 and prior, but not billed until the end of the year. These two IRIs amounted to \$51,368 and \$2,326,793.		\$ 2,378,162	\$ 14,081,011
13	2/1/2005	C.C. Res. #041193 Authorizes an additional \$8 million for TID expenditures to be applied at the discretion of the Comptroller. The last "Further Resolved" clause requests an audit be performed of all expenditures to-date relating to TID #48 and the City's portion of those total expenditures.			
	3/5/2005	City commitment to build a river walk road, river walks (\$2,400,000), street work (estimated at \$168,000). Amended TID Plan and DWP project cost estimates.		\$ 2,568,000	\$ 16,649,011
	3/5/2005	Funds remaining in proposed amended TID #48 plan, file #041514 including demolition of the Mandel Building, other infrastructure and City related design and related engineering charges.		\$ 3,252,989	\$ 19,902,000

**Tax Incremental District #48
Chronology of Events**

Key	Date	Description	TID #48		Cumulative Committed Amount
			Park East Committed Amount	Other Committed Amount	
14	5/3/2005	2005 Continued C.C. Resolution #041514 amends TID #48 project plan and project boundaries, and increases funding not to exceed \$19,962,895 plus capitalized interest and financing costs.			