


COUNTY OF MILWAUKEE
Inter-Office Communication

DATE: May 20, 2013

TO: Supervisor Marina Dimitrijevic, Chairwoman
Milwaukee County Board of Supervisors

FROM: Julie Esch, Director of Operations 
Department of Administrative Services

**SUBJECT: Transfer of Seven Milwaukee County Water Utility Customers
and West Water Tower to the City of Wauwatosa**

History

As Milwaukee County (County) government's presence on the County Grounds has diminished over the years, the County has considered the possible transfer of its water utility (County Utility) to the City of Wauwatosa (Wauwatosa). Likewise, Wauwatosa has considered consolidation of the two water systems due to unnecessary redundancies in water service infrastructure. The Zoo Interchange mitigation projects for Swan Boulevard and Watertown Plank Road have revived these discussions largely due to the significant costs that would be borne by the County's Utility customers for the relocation of water mains and other related infrastructure that is located within the Watertown Plank Road and Swan Boulevard rights-of-way.

Background

In the fall of 2012, the County and the City met to discuss the possibility of transferring the County Utility to the City. Representatives of the County and City agreed to engage the Public Policy Forum (PPF) in a professional services agreement for the analysis of the pros and cons of transferring the County Utility to the City. The County and City agreed to share equally in the \$20,000 cost of the contract. Originally, the County and City requested that the PPF provide an analysis of the entire water system. However, the Wisconsin Department of Transportation's (WisDOT) deadlines for submission of plans and specifications related to the reconstruction of Swan Boulevard and Watertown Plank Road forced the PPF, with the permission of the County and City, to analyze those parts of the water system (described as Phase I and Phase II) directly impacted by the Swan Boulevard and Watertown Plank Road mitigation projects immediately. The remainder of the County Utility (described as Phase III) would be analyzed separately in order for the County to meet WisDOT deadlines.

In January of 2013, the County and City executed separate professional service agreements with the PPF for the analysis. Staff from the Department of Administrative Services (DAS), including Facilities Management and Fiscal Affairs and the Office of the Comptroller participated in meetings and provided data to the PPF for the analysis. The final report was presented to the County and City in April of 2013. Subsequently, the County and City agreed to commence negotiations for the transfer of seven customers and the west water tower (Tower) to the City.

Analysis

Transfer of the seven County Utility customers, which include the UWM Real Estate Foundation's Innovation Park LLC, Milwaukee County's Camp Wil-O-Way building on Underwood Parkway, UW Milwaukee County Cooperative Extension's Urban Gardens, Milwaukee County's Fleet building, Wisconsin Lutheran College, Milwaukee County Research Park Corporation (MCRPC) and Milwaukee County's Children's Court Center, will result in a positive fiscal impact to Milwaukee County.

This positive fiscal impact is achieved, in part, by the County receiving an annual minimum of \$20,000 from the City based upon the net revenue the City expects to realize from gaining the seven customers. In addition, County departments transferred to the City's water service are projected to realize a water charge savings of approximately \$7,079 due to lower water rates. Those County departments remaining on the County Utility are anticipated to see an increase of approximately \$3,977¹. Overall, the County is projected to achieve an estimated annual net savings of \$23,102.

Additionally, County and non-County users of the County Utility are anticipated to benefit from cost-avoidance due to the transfer of the County Utility to the City. This includes costs related to the ongoing maintenance and future demolition and reconstruction of the Tower in the amount of \$1,418,000. Furthermore, cost avoidance of approximately \$1,714,250 is projected as a result of County Utility relocation costs associated with the construction of the Zoo Interchange project. Overall, total estimated cost avoidance for all utility users is \$3,132,250.

¹ Remaining County departmental users of the Utility include DHHS-BHD, CATC, and Parks.

| Net Annual Expenditure Increase/(Decrease) | Explanation |
|---|--|
| <u>(\$20,000)</u> | Payment from Wauwatosa to County (i.e. Net Revenue from 7 transferred County customers). |
| <u>(\$7,079)</u> | Net savings realized from the County users transferred to the Wauwatosa water utility. |
| <u>\$3,977</u> | Increase in Milwaukee County water charge due to lower user base.* |
| (\$23,102) | Total County Levy Increase/(Decrease) |

**As a result of the transferred user to the Wauwatosa water system, Milwaukee County water rates to the remaining users will increase.*

| Cost Avoidance to All Users | Explanation |
|---|--|
| <u>\$58,000</u> | Ongoing Maintenance of West Water Tower. |
| <u>\$1,300,000 (2013 dollars)</u> | Building a new West Water Tower in 10 yrs. |
| <u>\$30,000-\$60,000 (2013 dollars)</u> | West Water Tower Demolition. |
| <u>\$1,714,250</u> | Construction Costs Related to Zoo Interchange. |
| \$3,132,250 | Total Cost Avoidance to All Users |

Therefore, based on the Public Policy Forum's report on the Phase I and Phase II transfer of the seven water utility customers and Tower from the County to the City and the subsequent negotiation of the proposed Memorandum of Agreement, the following terms are proposed:

1. This Agreement shall be for a term of 10 years. Ten years represents that length of time required to defease the general obligation bonds issued by the County to finance the Tower. Upon the conclusion of year ten, ownership of the Tower and underlying land shall be transferred to WAUWATOSA at a cost of \$1.00.
2. During the term of the Agreement, WAUWATOSA shall pay MC an annual sum, which will be the greater of \$20,000 or fifty-percent (50%) of the total net revenue realized by the WAUWATOSA from the transfer of the seven water utility customers to the WAUWATOSA's water utility system.
3. During the term of this Agreement, MC will retain the current cell antenna revenue collected at this location. Any additional revenues from the siting of additional cell tower equipment on the Tower will accrue to WAUWATOSA.
4. WAUWATOSA will maintain the Tower and MC shall provide WAUWATOSA with technical support as necessary to effectuate transference of the Tower and seven water utility customers.

5. As part of the transfer, MC agrees to execute an easement agreement with Wauwatosa for the water mains that will become part of the WAUWATOSA Water Utility through the transfer of the seven customers (as named in the recitals) and the Tower.
6. MC and WAUWATOSA will negotiate costs for the capping, abandonment, valve adjustments and cross-connections needed to complete Phases I and II.
7. Neither MC nor the seven customers transferred to WAUWATOSA shall be responsible for any costs not directly associated with the provision of water service or other services actually provided by WAUWATOSA to MC or those customers.
8. MC and WAUWATOSA shall pursue the implementation of the recommendations of the Public Policy Forum upon receipt of the Public Policy Forum's independent analysis.
9. MC and WAUWATOSA agree to discuss the fire protection fee charged to MC government as part of the next phase the water utility transfer.

Recommendation

The Department of Administrative Services respectfully requests authorization to transfer the seven water utility customers and the west water tower from the Milwaukee County Water Utility to the City of Wauwatosa's water service by entering into the above referenced Memorandum of Agreement.