

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: September 15, 2011

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution authorizing and directing the Directors of the Department of Parks and Recreation and Department of Transportation and Public Works to extend until 2020 the leases for three facilities – The Miller Room, Harbor Lights Room, and Coast

FISCAL EFFECT:

- | | |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact
<input checked="" type="checkbox"/> Existing Staff Time Required
<input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|--|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Approval of this resolution will authorize and direct the directors of the Department of Public Works and Transit and Parks and Recreation to negotiate an extension of the current leases with Zilli Hospitality Group ("ZHG") for the Miller and Harbor Lights Room and Coast restaurant facility through 2020. The financial terms of the lease extension(s) shall be no less favorable to the County than the current lease agreements for the three facilities. This includes:

- Coast Restaurant - entered into 9/29/95 (expires December 31, 2015)
Base rent of \$55,375 (annual increase of ½ previous years' CPI + annual utility reimbursement.)
- Miller Room – entered into 12/10/02 (expires December 31, 2015)
8 percent of all food and beverage sales with a minimum guarantee of \$24,000 per year.
County keeps 100 percent of room rental charges.
- Harbor Lights Room – entered into 12/23/02 (expires October 31, 2012)
21 percent of all food and beverage sales with a minimum guarantee of \$60,000 per year.

A 2003 Letter Agreement modified the food and beverage guarantees for the Miller and Harbor Lights Rooms to provide that, once the minimums were reached for each room, the next \$40,000 owed by ZHG would be retained for ZHG's marketing efforts. ZHG would be responsible for promoting the two venues. For example, in 2009, ZHG owed Parks

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

\$68,121 in commission related to the Harbor Lights Room but paid only \$60,000. In that same year, ZHG owed Parks \$22,713 in commissions for the Miller Room but paid \$24,000.

The resolution also directs that any lease extension include language that if the structures that house these facilities are slated for demolition, sale or redevelopment, as determined by the County Board, then the lease shall terminate at no penalty to the County.

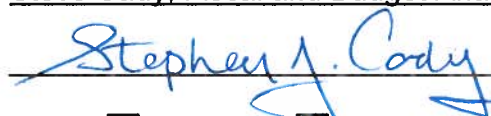
The resolution also provides that, in return for these lease extensions, the Zilli Hospitality Group shall release all claims against Milwaukee County for any alleged damages and losses that may have occurred that are in any way connected with or resulting from the June 24, 2010, fall of the concrete panel from the O'Donnell Park Parking Structure.

There is no fiscal impact in 2011 or 2012 to effectuate this resolution. Staff time will be necessary to execute the lease extensions.

This fiscal note does not attempt to quantify the alleged loss to Zilli Hospitality Group due to the June 24, 2010, incident. Separate communications from ZHG outlining those alleged losses are included in a related informational report, INF11-397.

Department/Prepared By Steve Cady, Fiscal and Budget Analyst, County Board

Authorized Signature



Did DAS-Fiscal Staff Review? Yes No