

Milwaukee County Water Utility: *Analyzing the issues surrounding a potential transfer in ownership to the City of Wauwatosa*



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PREFACE AND ACKNOWLEDGMENTS

This report was commissioned and funded by the Milwaukee County Department of Administrative Services (DAS) and the City of Wauwatosa for the purpose of providing an independent, third-party analysis of the advantages and disadvantages of Milwaukee County's continued ownership of the County Grounds water utility, and exploring a possible shift in ownership to the City of Wauwatosa. We hope that policymakers and community leaders will use the report's findings to inform their consideration of this issue.

Report authors would like to thank staff from both governments – including budget, administrative, facilities, and water utility staff – for providing information during the study process and patiently answering our questions.

MILWAUKEE COUNTY WATER UTILITY:

Analyzing the issues surrounding a potential transfer in ownership to the City of Wauwatosa

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INTRODUCTION

A newcomer to the Milwaukee area may wonder why the impressive cluster of hospitals and businesses in the vicinity of the intersection of Highway 45 and Watertown Plank Road is referred to as the “County Grounds.” After all, the area is located entirely within the boundaries of the City of Wauwatosa, and the towering hospitals, busy parking structures, and construction cranes overshadow the Milwaukee County operations located there. Even the County Grounds’ two business parks seem to orbit around the regional medical complex, as opposed to County facilities.

Long-time residents of the region understand that was not always the case. The County Grounds were purchased by Milwaukee County in 1852 and were exclusively occupied for more than a century by a variety of County institutions. The most notable of those was Doyne Hospital, the County’s public hospital, but the Grounds also included a variety of institutions that served the sick and the poor, including a poor farm, orphanage, and tuberculosis asylum. The County also established a variety of supporting operations to serve its institutions, including a bakery, police and fire stations, and electric and water utilities.

Today, however, most of the County institutions at the County Grounds have disappeared. The County-run social welfare facilities and Doyne Hospital have closed and the County’s Mental Health Complex has shrunk from 900 beds to fewer than 200. While a few additional County functions remain, all of the support facilities once run by the County also have been closed or sold, with the exception of a small county-administered water utility that continues to serve several of the Grounds’ largest tenants.

This report – commissioned by the Milwaukee County Department of Administrative Services and the City of Wauwatosa – examines whether the time has come for the Milwaukee County water utility also to disappear, with its infrastructure and customers transferred to the City of Wauwatosa’s water utility. It is a follow-up to a report produced for those two entities in April 2013, which examined the feasibility of transferring seven users of the county utility to the city utility in light of construction impacts caused by the Zoo Interchange project. That report ultimately led to an agreement between the two governments to effectuate the transfer of those seven users.

At first glance, there would appear to be a sound rationale for exploring the transfer of the remaining county customers to the city utility. The county water system is surrounded by the city’s water mains, and combining the two systems would appear to hold promise to increase the efficient use (and cost) of infrastructure. In addition, the county utility is unregulated, and moving it under the purview of a municipal utility regulated by the state’s Public Service Commission (PSC) could provide better assurance to customers regarding both cost control and service. That is an important consideration given the critical role those customers play in the regional economy and hopes for continued economic development on the Grounds.

Digging deeper, however, reveals that there are several complex financial and policy considerations that would complicate an agreement between the county and city and possibly make such a transfer unpalatable to one or both parties. Those include the age of the county infrastructure and questions



regarding its condition that would affect the City's long-term capital cost for infrastructure replacement; the impact of a transfer on county and city staffing; the financial impact for the county if it is no longer able to charge certain overhead costs to water utility customers; the treatment of debt service that still exists on components of the county utility; effects on current and prospective city ratepayers; and impacts on other elements of public service provision at the County Grounds, including police and fire.

This report seeks to identify, break down, and analyze these and related issues so that county and city policymakers can better assess respective costs and benefits associated with a water utility transfer, and so that they ultimately can determine the desirability of entering into negotiations to pursue a transfer agreement. While we do not recommend whether the transfer should occur, we do provide insights into the possible framework for negotiations should county and city policymakers determine that is the direction in which they would like to proceed.

The report begins with an overview of the County Grounds, including background on its history, future development, and current conditions. This overview is crucial to understanding the many complicated institutional relationships that have determined the patchwork pattern of public services at the County Grounds. It then provides background information on the water utility more specifically, presenting data on customers and water usage, infrastructure condition, regulatory concerns, finances, and staffing.

With this information as context, the report next considers fiscal impacts and other issues surrounding a utility transfer. Financial considerations for both the County and the City are summarized, as well as the estimated impact of a transfer on water rates. Finally, we consider how an agreement might be structured to address the prospective costs and benefits that would be incurred by each party, and how such an agreement might impact other aspects of public service provision at the County Grounds.

Overall, this report is intended not only to analyze the specifics of a possible transfer of the Milwaukee County water utility to the City of Wauwatosa, but also to raise general public awareness regarding current governance and service delivery at the County Grounds. Whether or not a transfer of the county water utility is deemed desirable and practical, we hope this report will lead to renewed consideration of how public services should be equitably and effectively provided to a set of institutions and businesses that together comprise one of Wisconsin's most important economic development engines.



OVERVIEW OF COUNTY GROUNDS

In this section, we briefly describe the history and current economic conditions at the County Grounds to provide context for the consideration of the current provision of water services and whether a new framework is warranted. This section also describes how a variety of additional public services are provided at the County Grounds and how they are funded. An understanding of the various agreements that are in place to dictate public service provision is essential to contemplating how water services fit into the overall public service framework and possible opportunities to modify that framework.

History of the County Grounds

The Milwaukee County Water Utility is one of the last remnants of a collection of public institutions located at the Milwaukee County Grounds that date from the mid-19th century. In 1852, the County purchased 160 acres of farmland in the western part of the county for use as a poor farm. Associated with the poor farm were indigent burial places and the Milwaukee County Hospital, which was established in 1861 to serve the poor farm's residents. The farm itself remained in operation until 1964.

Over time, the County located a variety of additional institutions at the County Grounds, including a Home for Dependent Children, Mairdale Tuberculosis Sanitarium, a nursing school, a Hospital for Mental Diseases, and the Department of Outdoor Relief (i.e. public assistance). In 1915, these institutions were united into a single administrative unit and the Manager of County Institutions became the highest paid administrator in Milwaukee County government.

Several supporting operations also were established by the County to serve its institutions at the County Grounds, including purchasing, accounting functions, police and fire protection, electric and water utilities, and a general store, garage, bakery, and laundry. In 1956, the County Institutions encompassed 80 buildings and housed six major patient care institutions with an average daily patient population of around 6,000.¹ In addition to county operations, other public institutions, such as a School of Agriculture and Domestic Agronomy, also located at the County Grounds.

While a few county functions still are located at the County Grounds – including the Behavioral Health Division and the Children's Court – most of the county institutions and facilities that once inhabited the area have been sold or closed. The county's orphanages and poor farms, for example, became obsolete with the development of modern health and welfare programs. The County also sold its electric utility to We Energies in 1995 and closed Doyne Hospital in that same year.

As Milwaukee County's leaders gradually diminished County government's presence on the County Grounds, they sought to transform the Grounds into the region's primary health care hub and one of its foremost drivers of economic development. Today, that vision has been largely accomplished. Although the County remains the primary landowner at the County Grounds, county departments occupy only about 14% of the total square feet of developed property. Instead, the Grounds are now dominated by the Milwaukee Regional Medical Center, the largest concentration of medical and

¹ "Know Your County", *Milwaukee Journal Sentinel*, 1956.



associated development within southeast Wisconsin.² In addition, the County Grounds soon will become home to the University of Wisconsin-Milwaukee's Innovation Campus, which will serve as a research hub and business location for engineering and related disciplines.

A mixture of other land uses also are located at the County Grounds, including the County's fleet maintenance facility, a City of Wauwatosa fire station, the playing fields of Wisconsin Lutheran College, and community gardens. In addition, nearly 1,200 acres of the County Grounds remain undeveloped and contain an urban forest managed by the DNR, a flood detention basin, and other natural areas. **Figure 1** shows the location of county facilities, hospitals, and other major land uses.

Figure 1: Major land uses at the Milwaukee County Grounds



Milwaukee Regional Medical Center

The County joined with private hospitals in the late 1960s to establish the Medical Center of Southeastern Wisconsin, now known as the Milwaukee Regional Medical Center (MRMC). Current members include the Curative Care Network, Froedert Hospital, Children's Hospital and Health System, the Medical College of Wisconsin, the Blood Center of Wisconsin's Blood Research Institute, and the

² City of Wauwatosa website, <http://www.wauwatosa.net/index.aspx?NID=601>



County's Behavioral Health Division. According to the MRMC website, the member hospitals serve more than one million patients annually.

The county holds land leases with each of the member institutions. These leases generally have 100-year terms, the first 50 of which are rent-free. These generous terms were developed, in part, to further the county's goal of encouraging non-profit health care organizations to locate and expand their operations at the County Grounds.

Milwaukee County Research Park

The Milwaukee County Research Park Corporation (MCRPC) was created by the County in 1987 as a quasi-public corporation to manage the development of a research park in the area of the County Grounds that is south of Watertown Plank Road and West of Highway 45. Over the years, MCRPC has facilitated the sale of 110 acres of land to private developers. The most recent census of business activity in the Research Park identified 115 businesses which collectively employ approximately 4,000 people. The county still owns one building at the Research Park – the Technology Innovation Center, a small business incubator which is leased to and managed by the MCRPC.

Both the County and Wauwatosa contributed financially to the Research Park's creation. According to MCRPC, all of the County's initial \$4 million investment had been repaid by 2000. The City, meanwhile, established a tax increment financing district (TIF) at the Research Park to fund streets, sidewalks, site preparation, and public utilities. This TIF is expected to close by 2015, returning \$180 million in assessed value to the general tax rolls.

UWM Innovation Campus

Innovation Campus is located north of Watertown Plank Road and east of Highway 45 in a portion of the Grounds that was purchased by the University of Wisconsin-Milwaukee (UWM) Real Estate Foundation from the County for \$13.6 million in 2011.³ The development is a collaboration between the City, UWM, the County, the Federal Economic Development Administration, and private developers. Out of a total of 88.4 acres, 11.4 are set aside for habitat protection and 59.5 acres are available for development. Innovation Campus is envisioned as a modern research park that "will not only offer technology transfer and business incubation services, but incorporate the academic and research enterprise of the university directly into the development of a private sector park."⁴

Construction has begun on a 25,000-square-foot business accelerator program and on a commercial office building for the ABB corporation. In 2010, the City created a TIF district to fund infrastructure and development at Innovation Campus. This district was amended in October 2013 to support the development of 192 high-end housing units at the site.⁵ This project will include the renovation of

³ 2013 County Capital Budget, WO114, Countywide Infrastructure Improvements

⁴ UWM Real Estate Foundation website, <http://uwmrealestatefoundation.org/innovationpark/overview/vision.aspx>

⁵ Memo dated September 19, 2013 from Springsted Incorporated to James Archambo, Wauwatosa City Administrator



some portion of the former agricultural school designed by Alexander Eschweiler, which is listed on the national register of historic buildings.

Occupancy and Employment at the County Grounds

Table 1 indicates that while the County retains a presence at the County Grounds, MRMC private hospitals are by far the largest occupants in terms of square feet. Furthermore, much of the private development that has occurred in the Research Park is related to the MRMC, such as GE Healthcare, one of the world’s largest health care technology firms that has its clinical systems business unit headquartered at the County Grounds. The UWM Real Estate Foundation also touts the proximity of Innovation Campus to MRMC, noting that it “will help to foster innovative research and collaboration.”

Table 1: Square Footage of Developed Properties at the County Grounds

	2012
MRMC Private Hospitals	5,378,000
Research Park	
Technology Innovation Center – County-owned	137,000
Privately-owned	1,274,000
Total Research Park	1,412,000
Innovation Campus	0
County-Owned and Occupied	
BHD	773,000
Children's Court	220,000
Other County	171,000
Total County	1,164,000
Other Uses*	173,000
Total Square Footage	8,126,000

* Other uses include the We Energies plant, Ronald McDonald House, Wauwatosa fire station. These square footages are estimated

Sources: City of Wauwatosa, MCRPC, County Cost Sharing Ordinance.

The businesses and non-profit hospitals located at the County Grounds are key drivers of economic growth in the City of Wauwatosa and Milwaukee County. For example, **Table 2** shows that the County Grounds house more than 20,000 employees.



Table 2: Employment at the County Grounds

	Employees
County Departments	585
MRMC	15,000
Research Park	4,300
Other	230
Total	20,115
City Employment	24,295
County Employment	465,103

Sources: Milwaukee County Facilities Maintenance, MRMC and MCRPC, City of Wauwatosa, State of Wisconsin Department of Workforce Development.

While the County Grounds occupants serve as Wauwatosa’s major base of employment, neither the nonprofit MRMC institutions nor the county facilities generate property tax revenue. The private businesses that have clustered around the MRMC over the years do pay property taxes, however. In fact, three of those properties – the We Energies Plant, Wisconsin Athletic Club, and MRMC’s child care facility – generate about \$175,000 in tax revenue to the City annually.

As described above, the City of Wauwatosa established a tax increment financing district to fund much of the infrastructure needed to create the Research Park. Assessed value in that Tax Increment District (TID #2) has increased by \$190 million over the base.⁶ Upon the anticipated closure of TID #2 in May 2015,⁷ one half of the estimated \$1.3 million in additional city taxes (based on 2013 valuation) can be used to increase the city’s levy for general city operations, while the other half must be used to reduce the overall city property tax burden.⁸

Public Services at the County Grounds

Table 3 summarizes the distinctive pattern of public services at the County Grounds. Because of the Grounds’ unique history, the County continues to provide several municipal-type services, including water, stormwater management, and police patrol. The City of Wauwatosa provides other services. In terms of the funding of those services, the MRMC private hospitals pay directly for many services while others are funded with Milwaukee County property tax dollars.

⁶ State Department of Revenue, 2013 report

⁷ Report by Teig Whaley-Smith, County Economic Development Director, to the Chair of the Economic and Community Development Committee, dated August 23, 2013

⁸ City of Wauwatosa Budget, 2012, updated with 2013 valuation numbers.



Table 3: Public Services at the County Grounds

Public Service	Jurisdiction Providing Service	Payment for Service
Police Protection	Milwaukee County Sheriff	MRMC private hospitals and County taxpayers
Fire Protection	City of Wauwatosa	County taxpayers and some private users
Road maintenance, street lights, traffic control	Milwaukee County	MRMC members through Cost Sharing Ordinance
Electricity	We Energies	User charges
Electricity (4160 V system)	Milwaukee County electric utility	User charges
Chilled water, steam heat	We Energies	User charges
Water	Milwaukee County water utility	User charges
Stormwater management /Sanitary Sewer	Milwaukee County water utility	User charges

Police services

The Milwaukee County Sheriff provides police patrol at the County Grounds and the Zoo. The 2014 county budget contains an appropriation of \$1,245,671 for the Sheriff's Division of County Grounds Security, which is staffed with nine deputy sheriffs and one sergeant. This division staffs two 24-hour posts, one at Froedtert Hospital and one at Children's Hospital.

The Blood Center, Medical College, and Froedtert and Children's Hospitals contract with the Sheriff for police protection services. On an annual basis, those entities pay \$623,000 to the County for those services. The remaining expense relating to County Grounds security, \$622,671, is funded with property tax levy. The Sheriff's Department estimates that about 66% of the workload of County Grounds Security relates to private MRMC entities, which would translate to a service cost of \$822,000.

Fire protection services

The City of Wauwatosa operates a fire station on the County Grounds under a 1980 agreement that will remain in effect until 2040. Both the City and County contributed to the construction and equipment of Station 3, which is located in the County Grounds' southwestern quadrant.⁹ Under the terms of the agreement, the county agreed to fund the cost of 15 firefighter positions plus a small additional amount for supplies and other related costs. The cost of the 15 positions is adjusted each year based on changes to salaries and benefits.

The cost to fund the 15 firefighters has grown from \$288,000 in 1980 to \$1.3 million in 2012. County policymakers have expressed concern about the size of that payment given that the County's occupancy at the County Grounds has steadily diminished. In 2012, the County attempted to pass along the fire

⁹ According to the agreement, the County funded 85% of the station's construction costs of \$837,000, or approximately \$700,000.



protection cost to the MRMC and several other users of its water utility through water charges, but most have refused to pay that expense.

Roads, transportation and other infrastructure services

Another long-term agreement – known as the Cost Sharing Ordinance (CSO) – regulates the funding of transportation and maintenance services to MRMC members. The CSO originally was negotiated in the early 1970s and is included in the County’s Municipal Ordinances. The purpose of the CSO is to provide for cost sharing by MRMC members to support services like snow removal, landscaping, and maintenance of common areas. The CSO also encompasses “capital improvements for supportive facilities” which are identified as the following:

- Roadways, walkways, and sidewalks located outside of the premises of individual members, including pavement, curbs, gutters, bridges, street lighting, and traffic control devices.
- Storm sewers serving the MRMC campus

Electricity, Steam, and Chilled Water

Electricity, steam heat, and chilled water are provided to the County Grounds by a We Energies facility located on Watertown Plank Road. At the time of the sale of this facility to We Energies, the County retained ownership of monitoring equipment used by the water utility located inside the We Energies plant. In addition, We Energies did not want to purchase a second electrical distribution system on a 4160-volt line, so that has been retained by the County.

In 2013, the PSC approved construction of a new We Energies’ substation next to the existing substation and two additional transmission lines. The decision to upgrade the existing electric utility was based on growth projections for the area as well as a desire to ensure reliability of power for the MRMC.

Water, sanitary sewer, stormwater management

As mentioned above, the county water utility infrastructure is completely surrounded by city water mains and other facilities. The city water utility serves the Research Park and includes recently-constructed water mains along Watertown Plank Road to provide water service to new development at Innovation Campus.

The Wisconsin Department of Transportation’s reconstruction of the Zoo Interchange, initiated in 2012, presented an opportunity for both utilities to evaluate redundancies in the two water systems. Rather than expending tax dollars to relocate two sets of water mains, the City and County negotiated an agreement that transferred seven users in the northwest and southwest quadrants from the county to the city utility. This agreement was estimated to save \$1.7 million in immediate capital costs that would have been required for the Zoo Interchange project, plus an additional \$1.36 million in future capital



expenses.¹⁰ With the effectuation of this transfer, the county water utility continues to serve only those properties in the southeast quadrant, including all of MRMC. (See Section IV for a more detailed review of the Phase I agreement that transferred the seven services.)

Despite the transfer of some water service, the County owns and maintains the stormwater and sanitary sewer systems that serve each of the four quadrants. The City and County entered into an agreement in the early 2000s that exempts the County from the city's stormwater fee in exchange for providing land for two stormwater management projects, one at Timmerman Airfield and a second at the County Grounds.

Future Development at the County Grounds

As noted above, county operations at the County Grounds have gradually been replaced with other types of development, which is primarily related to health care services and related businesses. This trend is likely to continue in the future, as described below.

MRMC/Hospital-Related

Two new health care-related buildings currently are under construction at the County Grounds: a 480,000-square-foot addition to Froedtert Hospital specializing in heart and vascular disease; and an addition to the Ronald McDonald House which will roughly double its size to 40,000 square feet. Additional development possibilities could stem from a land use planning process that MRMC management intends to begin later this year. According to MRMC staff, the Affordable Care Act will have a significant financial impact on member hospitals, which may impact future development plans at the MRMC.

Another factor that may impact the MRMC's development plans over the longer term is the expiration of the initial 50-year period of the ground leases with Milwaukee County, which will occur around 2030. The leases generally state that after the initial 50 years, rent is subject to negotiation. If the parties cannot agree, then the rent is determined to be 10% of the fair market value of the land. A rough estimate of that rental rate, based on the sale price of the land sold to the UWM Real Estate Foundation in 2011, is \$762,000 per year.¹¹

Milwaukee County Research Park

Out of a total of 120.8 acres at the Milwaukee County Research Park, 20 remain available for sale. According to the park's development director, approximately 300,000 additional square feet of building space could be constructed there, creating space for businesses that could employ 900 to 1,200 people.

As noted above, the Technology Innovation Center (TIC) is a business incubator located in a 100-year-old county-owned building that was the former Muirdale Sanitarium. In 2012, the County's Department of

¹⁰ Milwaukee County Controller, memo dated June 3, 2013

¹¹ Land sale of Innovation Campus to UWM Real Estate Foundation was \$152,000/acre, estimate of 50 acres for MRMC.



Administrative Services contracted with the commercial real estate firm of CBRE to conduct a comprehensive review of several key properties, including the TIC. The CBRE report noted several issues with the center's overall condition, including the need to replace windows and the lack of central air conditioning. The report also recommended selling the building and suggested that there are other business incubators in the area which could better support new businesses. The County has not yet formally considered CBRE's recommendations in regard to the TIC.

Innovation Campus

Based on initial plans for Innovation Campus, as described in the feasibility analysis for the TID district established by Wauwatosa, total development includes 875,000 square feet of commercial and academic space along with 190 housing units. Two buildings currently are under construction at the site: the ABB building and the Institute for Industrial Innovation. In addition, construction of a new 120-room extended stay hotel will begin in 2014. As noted above, the City also has approved a housing development centered on the Eschweiler Buildings. This development of 192 units should account for all of the planned housing at the site.

County Occupancy

The 2012 CBRE analysis not only assessed the physical condition of major county buildings and the County's management of those assets, but also provided options for a more efficient use of space, both in terms of occupancy and highest and best use of particular buildings. The study included many county-owned properties located at the County Grounds, including the TIC, BHD facilities, and the Children's Court. CBRE recommended that Children's Court be consolidated in the Milwaukee County Courthouse if sufficient space can be made available, and suggested that the County sell the Children's Court building.

In terms of the BHD facilities at the County Grounds, CBRE evaluated the Day Hospital, the Food Service Building, the Mental Health Complex, and the Children's and Adolescent Treatment Center (now leased to other entities for office uses). The report cites a number of deficiencies in these buildings. The Mental Health Complex appears to be in the best condition, but its layout does not conform to current standards of practice and existing capacity needs. The CBRE recommended that the County build a smaller hospital at the site and consolidate other BHD uses so that the land can be sold (or leased) for commercial development.

The CBRE report coincided with initiatives by county policymakers to downsize inpatient mental health services and shift more care into community-based settings. BHD is proceeding with plans to close the two long-term care facilities at the site, and the County's census of adult inpatient beds already has been cut from 96 to 56 over the past three years. Ultimately, the County could end up with no more than one or two 24-bed units at the County Grounds, which likely would prompt it to consider selling some or all of the approximately 25 acres on which the Mental Health Complex is located.



DESCRIPTION OF MILWAUKEE COUNTY WATER UTILITY

In this section, we provide details on the characteristics and finances of the Milwaukee County Water Utility. Included are details about its customer base, the condition of the utility’s capital assets, and fiscal information and trends. This information provides insight into some of the positive and negative budgetary impacts that Milwaukee County policymakers would need to consider if they were interested in transferring ownership of the utility, as well as some of the considerations that would come into play for Wauwatosa policymakers regarding the condition and value of water utility assets.

Table 4 presents basic descriptive data on the county water utility. In contrast to typical residential utilities, the county water utility is physically compact, with fewer linear feet of water mains and fewer meters. While the county utility has a smaller number of customers than a typical residential water utility, almost all of its customers are large water consumers. The county utility also is unique in that it serves trauma centers, laboratories, and other medical uses that cannot easily be off-lined for maintenance. Similarly, the consequences of any sort of water contamination are heightened at the hospitals and other medical facilities.

Comparable data for the city water utility also are shown in **Table 4**. Generally speaking, the county utility is about one-fourth the size of the city utility, both in terms of average water demand per day and total gallons of water sold.

Table 4: General Description of City and County Water Utilities, 2012

	County	City
Linear Feet of Water Distribution System	71,000	1,056,606
Overhead Storage Capacity	2,500,000	4,500,000
Fire Hydrants	145	2,122
Total Meters	96	15,943
Average Day Water Demand (1,000,000 gallons/day)	1.09	4.28
Total Gallons Water Sold (in 1000s)	399,270	1,564,276

Sources: County Comptroller’s Office, 2012 Breakeven analysis, DAS – Facilities Maintenance, City of Wauwatosa Water Utility Annual Report, 2012.

Customer Base

Table 5 breaks down water usage by the customers of the county water utility, based on averages from 2010 through 2012. An estimate for 2014 consumption incorporates the impact of the transfer of seven users to the city utility in 2013 in connection with the Zoo Interchange construction, as well as the increased consumption resulting from the new construction ongoing at the County Grounds. The table also shows the usage of approximately 156 residences in the City of Wauwatosa that are serviced by the county utility from the North Avenue main.



Annual water consumption by the county water utility can vary by as much as 10%, depending on summer temperatures. In hotter and drier summers, such as 2010 and 2012, consumption was about 55.5 million cubic feet (cu ft). During the cooler summer of 2011, consumption dropped to 50.1 million cu ft.

Table 5: Milwaukee County Water Utility water usage, by user

	2010-2012 Average	Phase I transfers/New construction	2014 Estimated Usage
BHD	1,686,324		1,686,324
Children's Court	360,767	(360,767)	0
Hoyt Park Child/Adolescent Treatment	213,017		213,017
Other County Users	359,817		359,817
Total County	553,266	(447,673)	105,593
	3,173,191	(808,439)	2,364,751
Medical College	10,954,132		10,954,132
Froedtert Hospital	10,303,845		10,303,845
Children's Hospital	3,997,847		3,997,847
Other	779,366		779,366
Cardiac building (1)		1,800,000	1,800,000
Total MRMC	26,035,190		27,835,190
We Energies	20,095,693		20,095,693
Wauwatosa residential	2,181,400		2,181,400
Other	2,446,669	(367,447)	1,762,555
Total	53,932,144	624,113	54,556,257

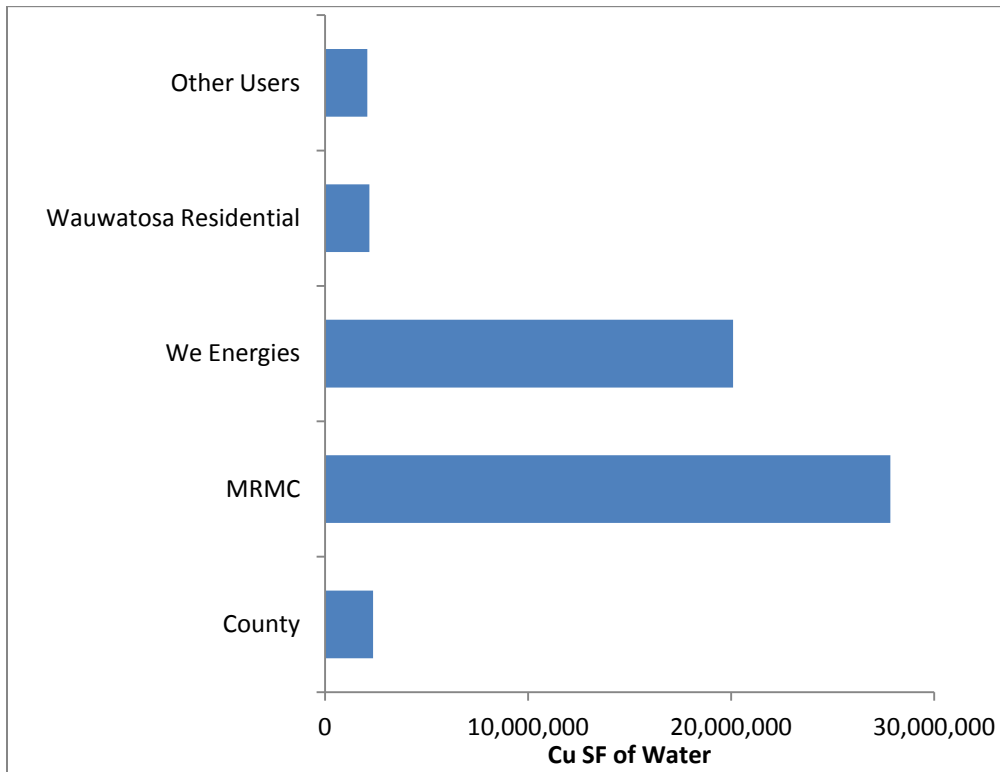
Estimated water usage for the cardiac building, now under construction, is based on average usage/SF for the Froedtert Hospital of 4.55 cu ft/SF.

Source: County breakeven analysis, 2010 through 2012.

As shown in both the above table and **Figure 2** below, the utility's largest water consumers are the MRMC (and in particular, the Medical College and Froedtert Hospital), and the We Energies power plant. County facilities now account for only 4% of total water demand, approximately the same as the residential demand from the City of Wauwatosa.



Figure 2: 2014 Estimated Water Consumption



Condition of Capital Assets

In 2005, the county water utility experienced two significant water main breaks. In response, the County hired the engineering firm of Graef, Anhalt, Schloemer & Associates (now known as GRAEF) to review the physical condition of the water system, including a valve and hydrant survey and a water demand analysis. GRAEF identified a number of areas of deferred maintenance and also developed a capital improvement program aimed at upgrading the utility's physical plant.

Since receiving the GRAEF report, the County has devoted considerable attention and investment to the water utility. That investment has been reflected in substantial funding for capital projects, increased annual appropriations for major maintenance in the operating budget,¹² and the establishment of an independent organizational unit within the county budget for the water utility budget.

Overall, the County has invested \$4.5 million in capital projects relating to the three water towers since 2005, with an additional \$1.2 million for improvements to the south reservoir appropriated in the 2014 capital improvements budget.¹³ Actual expenditures for major maintenance projects in the operating

¹² Major maintenance projects that are funded in the county's operating budget have an estimated cost of less than \$50,000 or are projects that are completed under a time and materials contract.

¹³ This project was included in the 2014 Capital Budget but has not been incorporated into a subsequent bond issue pending the outcome of this study.



budget totaled \$1.1 million between 2010 and 2012, with an additional \$450,000 budgeted for 2013 and 2014.

The following describes specific investments in the county water utility in the context of the recommendations of the GRAEF report.

- **Water towers.** The water utility has three overhead water storage towers (one of which is leased to the City of Wauwatosa), with a total capacity of 2.5 million gallons, or a two-and-a-half day supply on average. The west water tower was constructed in 1954 and the east tower in 1979. Both towers have been rehabilitated in the past five years at a total cost of \$1.67 million. At the time of the GRAEF report, only the east and west water towers were in existence, and Graef recommended that a third water tower be added. That tower was completed in 2012 at a cost of \$2.9 million.
- **Reservoirs.** In addition to the water towers, the utility stores water at two at-ground reservoirs, with a total capacity of 1.7 million gallons. Funding to renovate the south reservoir in the amount of \$1.2 million was included in the 2013 capital budget. The start of that project has been delayed, however, pending the outcome of discussions between the City and the County on disposition of the water utility.
- **Booster Station.** Two pumps have been replaced and variable frequency drives have been added at a cost of \$156,000.
- **Water supply issues.** The GRAEF report recommended suction improvements from the North Avenue supply, but Milwaukee Water Works (MWW) subsequently increased the pressure at this distribution point. Instead, there is now a need to install a valve to reduce water pressure from this point. The GRAEF report also suggested that a cross-connection between the city and county water systems be installed. This cross-connection was completed as part of construction related to the Zoo Interchange project in 2013.
- **Valves and hydrants.** The County has mapped all valves and hydrants and has been on a steady path of identifying faulty valves and making repairs.
- **Water mains.** While there have not been any water main replacements in recent years, the number of water main breaks in the southeastern quadrant has been limited to one per year for the past three years. Other main breaks have occurred, but they have been primarily in the area west of Highway 45, which has been transferred to the city utility (and will be served primarily by new city mains). The primary water supply to the County Grounds system is from Wisconsin Avenue. A secondary or backup supply line runs from the northeast corner of the County Grounds to a meter vault at North Avenue and 60th Street. This distribution line, commonly referred to as the North Avenue main, is about three miles long, is deeply buried, and is around 100 years old.



- **Stormwater/Sanitary Sewer Facilities.** According to county officials, sanitary sewer facilities are in good repair. The County has not experienced any breakages, problems or citations in sanitary sewer lines. While the stormwater collection system is the largest of the three systems in terms of size, it appears to receive the least attention. While a water or sewer failure can be both expensive and catastrophic, a failure of the stormwater system generally results in lesser (although still troublesome) outcomes such as a sinkhole or damage to a road. Some basic investigation of the stormwater system's condition would include inventorying all the manholes and surveying the lines for overall condition. It is quite likely that additional investment in the stormwater system will be required in future years.

Regulatory issues

While the County water utility is not regulated by the Wisconsin Public Service Commission (PSC), the Wisconsin Department of Natural Resources (DNR) oversees the safety of all potable water systems in the state. DNR's main interest is to ensure the safety and quality of drinking water, and it sets testing and reporting standards that must be met by the county utility and others under its purview.

Since 1991, the county water utility has had two violations relating to coliform – in 2006 and in 2010. According to the EPA, coliforms are mostly harmless bacteria that live in soil and water as well as in the intestines of animals. If total coliforms are found, then the water system must conduct further analysis to determine if specific types, e.g. e coli, are present. In 2006, after further testing, the finding of coliform was determined to be serious, and led to the GRAEF report and renewed county investment in the water system. The 2010 finding was not verified in subsequent sampling. Boil water notices were issued in both cases.

In 2008, the DNR issued a public violation notice for lead or copper in the water. The county cleared the violation by providing subsequent samples with no traces of those metals. The County water mains are all made of either cast iron or iron ductile pipe. Water distribution systems internal to buildings may contain lead or copper pipe.

Staffing

Administratively, the water utility is a unit of the County's Division of Facilities Maintenance, which is one of several divisions of the Department of Administrative Services (DAS). Facilities Maintenance consists of 137 full-time-equivalent employees (FTEs)¹⁴ who are responsible for maintenance and repairs on 3.9 million square feet of county-owned buildings. There are no staff assigned exclusively to the water utility. Instead, plumbers, electricians, and other maintenance workers track the time they spend on water utility projects and charge that time to the utility's budget.

¹⁴ 2014 Adopted Operating Budget



In the past five years, although there has not been a substantive reduction in the number of buildings or square footage of space maintained by the County, facilities management staff has declined by about 9%. The decline has been even more pronounced in the past 10 years, as staffing levels have decreased by 40% from the 2003 FTE level of 230. Currently, four plumbers and two plumbing supervisors serve all county facilities.

This decline in the Facilities Maintenance division’s overall staffing undoubtedly impacts the water utility. Much of the water utility’s workload is ongoing, such as meter reading, which is done manually every quarter; valve exercising and hydrant flushing, which are done annually; and testing and sampling of water for bacteriological load, disinfection byproducts, and lead and copper, which must be done on monthly and quarterly schedules. In 2014, an additional testing requirement for systems serving more than 15,000 users will require testing for 21 unregulated contaminants. This additional testing will significantly increase laboratory expenses. Although the County has prioritized the needs of the water utility over other facilities in light of the 2006 coliform issue and GRAEF report, discussions with county managers indicate that current staffing is insufficient to adequately address ongoing maintenance needs.

The Facilities Maintenance labor dedicated to the water utility is supplemented by work contracted to private firms. The water utility regularly budgets an additional \$450,000 per year for time and materials contracts. These contractors handle larger maintenance projects, which are mostly emergency repairs and other projects that exceed the capacity of internal staff.

Table 6 shows the number of FTEs billed to the water, sewer, and stormwater utilities collectively from 2010 through 2012, and the number billed to water projects only. Budgeted FTEs for 2013 also are shown. The FTE calculation is based on actual hours billed to projects for the water utility.¹⁵ In a year in which a large number of major maintenance projects are being addressed at the water utility, such as 2012, more plumbers, electricians, and other building trades personnel bill time to the utility. New construction at the County Grounds also affects the utility’s staffing needs, as utility staff are responsible for identifying the location of water lines whenever construction crews are digging.

Table 6: Water utility staffing levels, 2010 to 2013

	2010	2011	2012	2013 Budget
Total FTE - Sewer, Water, Stormwater	5.81	5.68	5.66	5.33
FTE - Water Only	4.47	4.01	4.97	4.68

Note: 2013 FTE is based on budgeted crosscharge divided by average labor rates.

¹⁵ The FTE number is derived by dividing the average labor rate into the actual Facilities Maintenance crosscharge for each year, as indicated in the breakeven analysis.



Finances

Within the Milwaukee County budget, the water utility (including water, sewer, and stormwater) functions like an enterprise fund, which means that it is not supported by property tax levy and its expenses are fully charged out to other departments or users. The water utility's budget was contained within the Division of Facilities Maintenance's budget until it was given its own budget unit in 2009. In 2013, administrative authority over both the facilities maintenance division and the water utility budgets was transferred from the Department of Transportation and Public Works to DAS.

Table 7, which breaks down total expenses of the entire water utility by broad program category, shows that operating costs nearly doubled from 2010 to 2012, from \$2.2 million to \$4.2 million. The budgeted cost for 2014 show a continued increase, though it is important to note the distinction between actual costs and budgeted costs. At the end of the year, the county's Comptroller's Office reviews the utility's actual operating costs, recalculates rates based on those costs, and makes adjustments to user charges (this process is called the "breakeven"). Actual amounts can differ substantially from the budget (in fact, between 2009 and 2012, actual costs exceeded budgeted costs by an average of 11%), but they are shown side by side in the table to give a sense of the overall trend in water utility expenses.

Table 7: Water utility operating costs, 2010–2014

	2010	2012	2014 Budget	Change 2010-14	% Change
Other agency charges	856,689	1,057,375	1,103,016	246,327	29%
Fire Charge	0	1,294,228	1,333,532	1,333,532	NA
Minor and Major Mtc	221,197	733,638	497,943	276,746	125%
Misc Svcs/Commodities	33,281	40,483	130,761	97,480	293%
Depreciation/Interest	268,990	240,491	494,322	225,332	84%
County Charges	824,981	854,326	908,590	83,609	10%
Direct Revenue	(48,237)	(55,990)	(56,000)	(7,763)	16%
Total	2,156,900	4,164,551	4,412,164	2,255,264	105%

In order to make budgeted numbers comparable to breakeven amounts, Contribution to Reserve was removed and an estimate for revenue from Wauwatosa residents was added.

More than one half of the increase in overall utility costs shown above is attributed to the county's attempt to bill water utility customers for Wauwatosa fire service charges. Prior to 2012, the Wauwatosa fire service charge was paid by the County's General Fund. In the 2012 budget, it was instead included in the water utility budget in an attempt to pass along this cost to customers.¹⁶

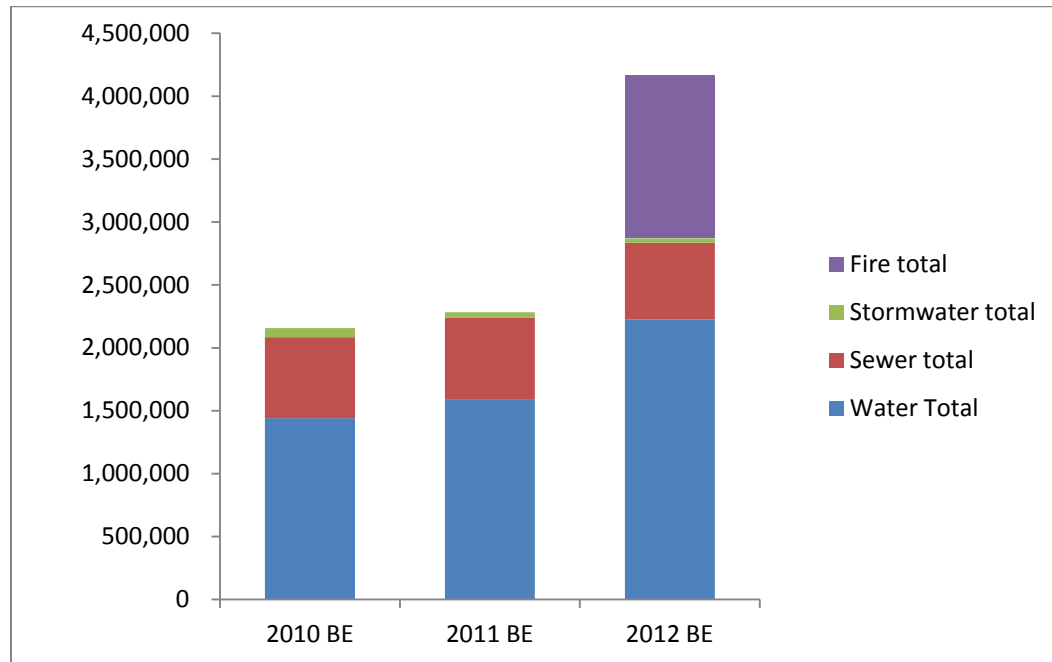
Figure 2 illustrates the sizable impact of the fire charge on overall costs by showing the four major functional areas of the water utility's operating budget for 2010 through 2012 (the last three years in which actual expenditures are available). This breakdown also shows that while the fire service charge

¹⁶ It should be noted that this attempt has been largely unsuccessful, as most customers have refused to pay the fire service portion of their bill and only \$157,000 of the \$1.3 million billed had been received by the County as of March 2013.



accounts for the largest portion of the increase, water charges also have increased substantially, and overall expenses still would have increased by about \$783,000 (or 54%) had the fire service billing change not occurred. Per **Figure 3**, the county utility’s approximate annual cost of providing water service at the County Grounds (not including sewer, stormwater, and fire service charges) is \$2.3 million in 2012.

Figure 3: Total Cost Basis, Water Utility



The following provides details on specific expenditure categories within the water utility’s operating budget that have experienced significant increases since 2010.

- Other agency charges:** These charges include the cost of purchasing water from Milwaukee Water Works (MWW), Milwaukee Metropolitan Sewerage District (MMSD) sewer charges, and charges from the City of Wauwatosa for stormwater management. In total, these charges have increased by \$246,327 between 2010 and the 2014 budget, including an increase of \$136,000 (31%) from MWW. In addition, in 2011, MWW added a charge relating to the additional water volume required for fire protection. This charge is expected to total \$43,656 in 2014.
- Interest expense:** In the 2014 budget, the amount of interest allocated to the water utility is \$188,713, an increase of \$119,797 from the 2013 budget. This tripling of the interest expense reflects the addition of interest related to the central water tower, which was completed in 2012.
- Major maintenance:** As described above, this line item pays for contracted labor for maintenance and emergency work which exceed the capacity of county staff. The County regularly budgets \$450,000 for major maintenance for the water utility, though actual expenses vary depending on a



variety of factors, such as the need for emergency repairs and the number projects that can be scheduled. Since 2010, major maintenance expenses have ranged from \$208,393 to \$677,438. Because of this wide variance, trend analysis does not have much significance. In general, increased major maintenance expenses reflected in **Table 7** can be attributed to the increased attention to improving the physical assets of the water utility resulting from the GRAEF analysis.

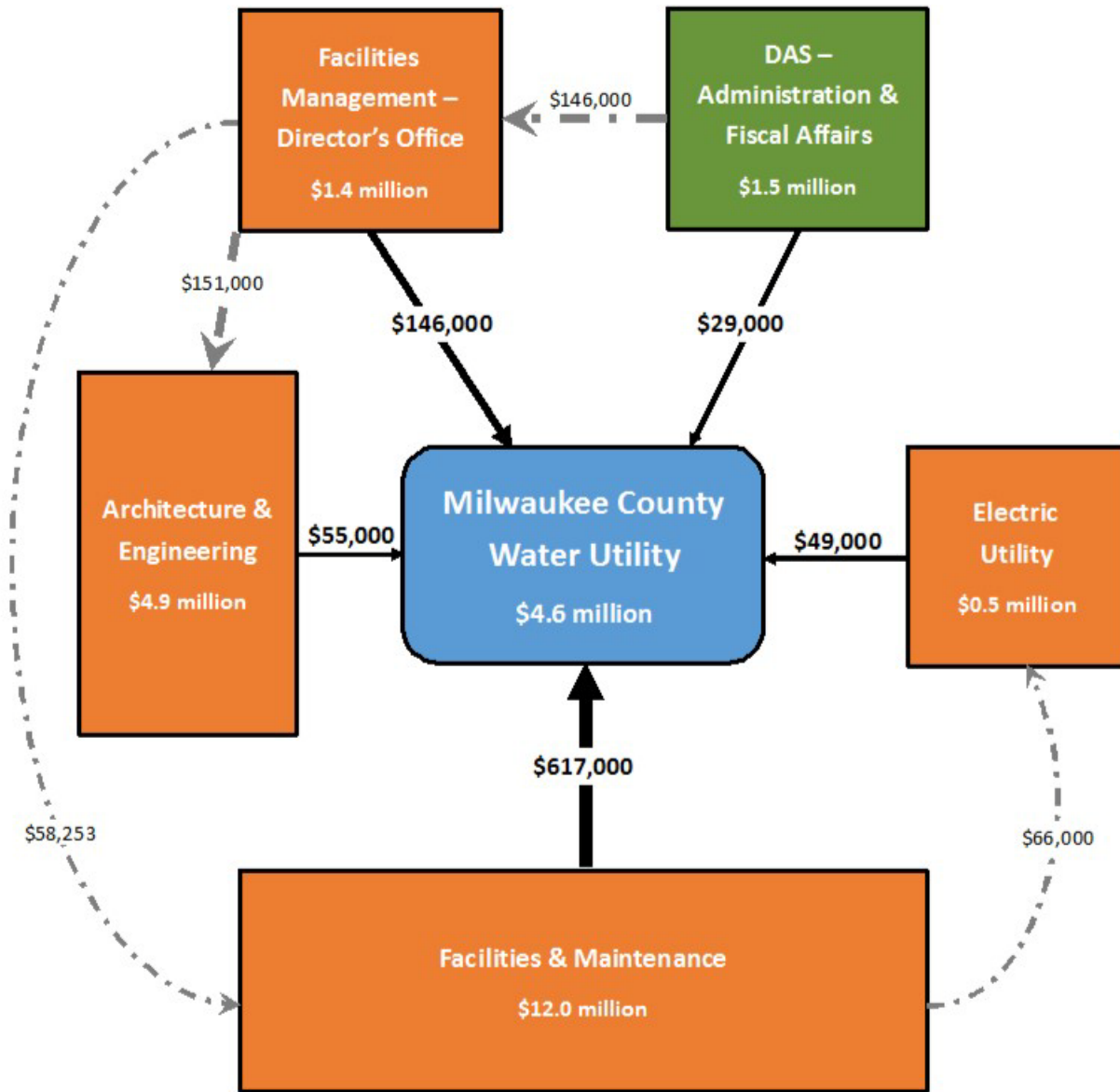
- **County service charges:** County service charges often are referred to as “crosscharges.” These largely reflect charges that are billed to one county department for work done on its behalf by another county department, such as legal services provided by the Corporation Counsel’s office or financial services provided by the Fiscal Affairs Division.¹⁷ In the case of the water utility, the most prominent crosscharge is for services provided by Facilities Maintenance staff, which are crosscharged to the utility (see Staffing section, above). The reverse of the crosscharge – which appears in the charging department’s budget as a negative expenditure – is called an abatement. Crosscharges make up about 21% of the water utility budget and have increased by \$84,000 between 2010 and the 2014 budget.

Figure 4 visually maps the various crosscharges to the water utility and their impacts on its 2014 budget. As we will explain in later sections, understanding the various crosscharges that impact the water utility is essential for assessing the financial impacts to the County should a transfer of ownership be contemplated. **Figure 4** also shows various crosscharges between other DAS divisions to illustrate the complex way in which crosscharges are woven through the county budget. An increase in the Facilities Management-Director’s Office expenditure budget, for example, not only will increase its direct crosscharge to the water utility, but also will affect other divisions and the crosscharges that they bill to the water utility.

¹⁷ Crosscharges allow the County to include administrative and support department costs in the total expenses of other departments. This enables the County to maximize non-local sources of revenue, such as grants, state and federal funding, and airport lease revenues.



Figure 4: Map of 2014 Crosscharges to the Water Utility



As noted above, the largest crosscharge to the water utility, making up about two thirds of the total, derives from DAS–Facilities Maintenance. This is because the expense for county personnel assigned to the water utility is budgeted in Facilities Maintenance and crosscharged to the water utility. Additional details on the Facilities Maintenance and other crosscharges are provided below.

- **DAS–Facilities Maintenance** has a budgeted crosscharge to the water utility of \$617,426 in 2014. DAS–FM provides all of the direct labor to the water utility, as well as supervision and management. During budget development, Facilities Management calculates a per-hour rate for each of the trades (electricians, plumbers, steamfitters, etc.). This rate reflects each position’s average salary and benefit costs. The rate also incorporates costs associated with

each active position that are related to retirees (“legacy costs”), which total about \$21,000 per current employee in the 2014 budget. The crosscharge in the 2014 budget is an estimate, as the actual Facilities Maintenance crosscharge to the water utility, which is incorporated into the breakeven analysis at the end of the budget year, will be based on the number of hours billed by the skilled tradespeople during the year. Direct labor costs have been relatively steady over the five-year period.

Approximately 10% of the rates charged by the trades covers a portion of the personnel expense of three Facilities Maintenance managers: 40% of the Mechanical Manager, 10% of the Assistant Division Head, and 10% of the Division Head.

- **DAS–Facility Management Director’s Office** has a budgeted crosscharge to the water utility of \$146,751. The office of DAS–FM Dir was established in the 2013 budget, and includes 10 FTEs of management and support staff. This office provides budget, management, and support functions to the other divisions of DAS–Facilities Management, namely Facilities Maintenance, Architecture and Engineering (A&E), Environmental Services, and the water utility.
- **DAS–A&E** has a budgeted crosscharge to the water utility of \$55,132. Based on a Wisconsin Department of Justice stipulation, A&E was given responsibility for maintenance and operation of the sanitary sewer and stormwater systems countywide. A&E manages these operations and its workload includes annual reports to MMSD and DNR, as well as oversight of maintenance projects. The crosscharge represents staff time charged to sewer and stormwater issues.
- **Electric Utility** has a budgeted crosscharge to the water utility of \$48,971. In the mid 1990s, the County sold its electric utility to We Energies, but We Energies did not want to take one portion of the system, referred to as the 4160-volt distribution system. The 4160V system transfers power purchased from We Energies through three electrical distribution lines. The system serves the county-owned Mental Health Complex buildings (including the former Children and Adolescent Treatment Center, which is now leased to other entities) and its Parks Administration building. In addition, it powers the We Energies steam tunnel, the central water tower, and one privately-owned building. The majority of the electric utility’s total expense, \$407,211, represents charges from We Energies for electricity.

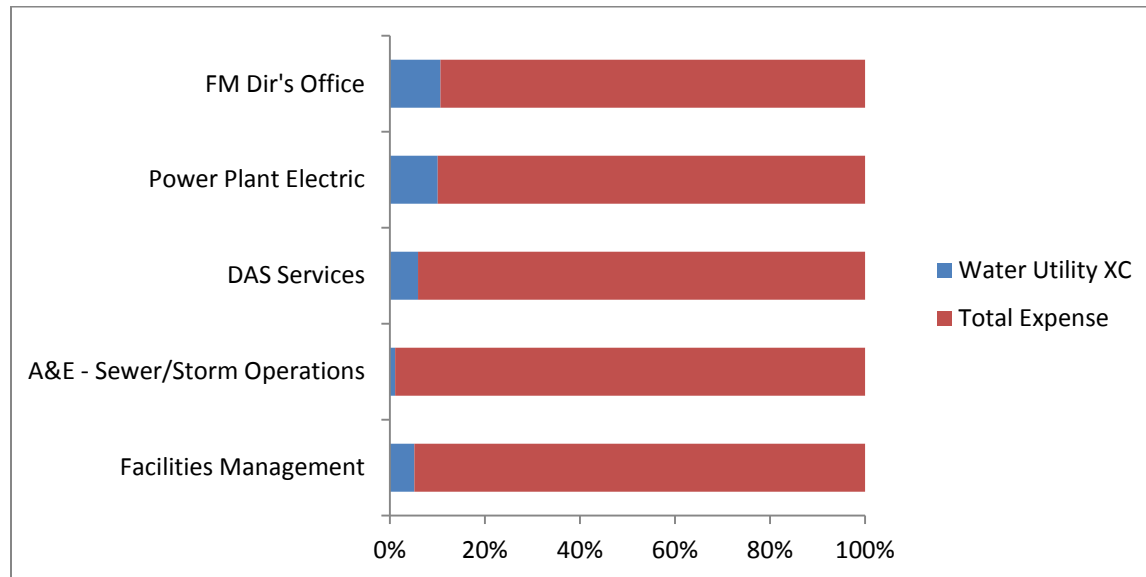
The county reviewed the cost allocation of electric utility charges as part of the 2013 breakeven process. Service to the water utility from the 4160V system has declined, primarily because new pumps in the booster station are now served directly by We Energies. The actual 2013 crosscharge is estimated at about \$7,000 (compared to a budgeted amount of \$48,971). A similar adjustment to the electric utility crosscharge should be made in the 2014 breakeven process and this lower crosscharge should be reflected in the 2015 budget.



- **DAS – Administrative and Fiscal Services** has a budgeted crosscharge to the water utility of \$28,676. This crosscharge was initiated in 2013 and was associated with a portion of the cost of three DAS employees: two managers and one support staff. This crosscharge decreased by \$14,500 in the 2014 budget. According to DAS staff, the crosscharge is based on the same number of FTEs, but the percentage charged to the water utility declined.
- **Central service allocation** to the water utility in 2014 is budgeted at \$11,634. This allocation spreads the cost of several administrative departments among other budget units. The central service allocation to the water utility has increased by 66% since 2010, but it is still a relatively small amount.

Figure 5 shows the water utility crosscharge for each charging entity as a percentage of that entity’s total expenditure budget in 2014.¹⁸ While the Facilities Maintenance crosscharge comprises a sizable share of the water utility’s budget at more than \$617,000, the crosscharge represents a relatively small proportion of the Facilities Maintenance division’s budget. The water utility charge is more important to the FM–Director’s Office, which would experience about a 10% reduction in “revenue”¹⁹ if the water utility were transferred outside of county government.

Figure 5: Water utility crosscharge as a percentage of each charging entity’s 2014 expenditure budget



¹⁸ The central service allocation is not considered here because it is so small as to be irrelevant.

¹⁹ Technically, the Director’s Office would experience a reduction in abatements.

Water Utility Rates

The water rates charged by the county water utility to its users are calculated by dividing its costs by water usage expressed in 1,000 cubic feet. The cost per 1,000 cu ft is then applied to each customer's actual water usage. Stormwater, sanitary sewer, and the fire protection fee also are charged based on water usage (with the exception of the We Energies facility sanitary sewer charge). At the end of the year, the Comptroller's Office conducts a "breakeven" process which, as noted above, involves a review of actual operating costs, a recalculation of budgeted rates based on actual costs, and a resulting adjustment to charges. The breakeven allows the County to issue a rebate to customers if charges during the year were too high, or to collect an additional amount if charges did not cover the actual costs for that year.

Table 8 shows the rates charged by the County for water, sanitary sewer, stormwater, and fire protection services based on the breakeven analyses for 2010 through 2012. An estimate of the 2014 rates, based on the adopted budget, also is shown.

Table 8: Water rates per 1,000 cu ft of water, 2010–2012 and 2014 budget

	2010	2011	2012	2014 Budget
Water	28.31	34.49	43.80	43.73
Sewer	19.28	19.92	17.17	17.54
Storm	1.41	0.95	0.69	0.69
Fire			24.27	24.44
Total	49.00	55.36	85.93	86.40

Note: 2014 rates are estimated based on 2014 budgeted expense amounts divided by estimate of 2014 consumption.

Not surprisingly, water rates have grown in a manner consistent with the increase in overall costs described earlier in this section. This is because while costs have increased, usage has not changed substantially.

Future Staffing Needs

County managers have indicated that if the water utility stays under county ownership, additional staff time is likely to be allocated to the utility in future years. In its 2014 budget proposal, DAS-FM requested seven additional FTEs to meet the ongoing workload of the water utility. In addition to providing more capacity to better manage existing tasks and responsibilities, the request reflected the need to address areas of the system that have received little attention in recent years, such as maintenance of the 400 stormwater catch basins.



The position request was made before the transfer of services west of Highway 45 and north of Watertown Plank Road to the city utility. The Division’s original request has since been revised to reflect that change. **Table 9** summarizes the original request and the revised request.

Table 9: Enhanced staffing requests for water utility

	Original 2014 Request	Revised Request
Clerical Assistant	1	1
Facilities Worker 4	2	1
Electrical Mechanic	1	1
Plumber	2	1
Engineer	1	0.5
Total	7	4.5

While the increased staffing was not included in the 2014 budget pending the outcome of this study, some or all of these positions can be expected to be added to the DAS–FM budget should the county retain its ownership of the water utility. Based on 2014 personnel costs, the 4.5 positions would cost \$454,000. This amount would increase the cost basis of the water utility by about 20%.²⁰ As with all expenses of the water utility, the cost of any additional positions would be charged to the customers of the water utility. (An estimate of rates assuming higher staffing levels is included in the next section).

²⁰ 2012 cost basis for water portion is \$2.33 million



ANALYSIS OF PROPOSED TRANSFER OF COUNTY WATER UTILITY TO THE CITY

This section uses the detailed fiscal information presented in the previous section to analyze the fiscal impacts of a possible transfer of the county water utility to the City of Wauwatosa. In doing so, it considers impacts on the County, the City, and the utility's customer base. It also reviews previous discussions and negotiations between the City and County to provide context for possible renewed consideration.

Previous Discussions and Negotiations

Given the mutual interest of the City and the County in encouraging economic development on the County Grounds and the County's vastly reduced presence there, county and city officials have had several previous discussions about transferring county water service to the city utility. From 2001 through 2003, staff from the City and County met extensively to discuss the possible transfer of several municipal services on the Grounds to Wauwatosa. The County even went so far as to prepare a proposed memorandum of understanding (MOU) for a transfer of the water utility to the City. Although the MOU was not adopted, it does reflect the work and thought of many key players and provided a proposed framework for negotiation.

The draft MOU, dated January 2003, begins by recognizing that the City is better situated than the County to provide municipal services of all kinds at the County Grounds. These municipal services included the water utility, police protection, and public works (road maintenance and snow removal). It was clear, however, that in order for the City to agree to assume responsibility for municipal services, some kind of offsetting revenue would be required. The conclusion was that the City would need to enter into an agreement with the private MRMC members, similar to the Cost Sharing Ordinance, to pay for its increased service costs.

The 2003 draft MOU also proposed that in exchange for receiving county assets – including the firehouse and associated land, the water utility, roadways, lighting, and signage – the City would forgive the fire charge and would provide the County with municipal services at a reduced rate.

More recently, in 2012, the City and County jointly asked the Public Policy Forum to analyze the advantages and disadvantages of the County's continued ownership of the utility and a possible transfer to the City. Because of scheduling pressure related to the Zoo Interchange project – which would have required near-term movement and reconstruction of county water mains – the consideration of water service to seven properties located west of Highway 45 and north of Watertown Plank Road was prioritized. Those properties included the TIC, Children's Court, the County's fleet maintenance building, athletic fields operated by Wisconsin Lutheran College, the Wil-O-Way Center, the County's parks administration building, and the community gardens.

The Forum produced a report in April 2013 that identified substantial reconstruction costs that would be incurred by the County to maintain services to those seven properties, and that identified a more cost-



effective approach that would involve transferring those customers to the city utility. The County and City were able to agree on terms to implement the transfer, which will include the ultimate transfer of ownership of the west water tower, which no longer is connected to the remainder of the county system.

The specific provisions for the water tower transfer are that the County will retain ownership of the land on which the tower is located, but lease the tower to the City for 10 years. The County will receive a rental payment that is the larger of \$25,000 or 40% of total net revenue related to the seven services. Meanwhile, the revenue generated through the leasing of cell phone antennae on the tower will be retained by the County to offset outstanding debt, though any incremental cell phone revenues will benefit the City. At the end of the 10-year term, ownership of the tower and underlying land shall be transferred to the City for one dollar.

Fiscal Impacts of a Possible Transfer

Milwaukee County

If the City were to take over the remainder of the water utility, a majority of the utility's costs would simply transfer to the City along with associated revenues, resulting in no net fiscal impact on the county budget. Several other issues would emerge, however, that could negatively impact the County's bottom line, including the treatment of certain crosscharges from other county departments, outstanding debt service, and revenue from cell phone antennae leases. In addition, it is possible that the County would be required to fund several capital repair projects before the City would take ownership of the utility, though a reserve maintained by the County possibly could be used to offset new capital costs. The following provides additional details on these issues.

Crosscharges

The previous section of this report noted that \$909,000 of the annual expense of the water utility relates to charges from other county departments (**Table 7**). The majority of these crosscharges support staff costs for plumbers, electricians, construction supervisors, and engineers. Administrative overhead also accounts for some portion of crosscharges in the water utility's budget.

To determine how crosscharges would be affected by removing the water utility from the county budget, it is first necessary to consider the extent to which the crosscharging department would be able to reduce service expenditures. If the loss of the water utility would not allow the crosscharging department to eliminate staff or otherwise reduce costs, then it would need to make up for the loss of revenue from the water utility by increasing its charges to other county departments. Hence, the cost would remain with the County, but its ability to recover that cost from external water utility customers would be eliminated, thus producing a negative fiscal impact. A second important question is then whether the increased cost must be borne exclusively by the County with property tax levy, or whether some might be offset by charges to external users of other county services.



To answer the first question, this analysis assumes that those departments that crosscharge the water utility would not be able to reduce their expenses. Given the shortage of Facilities Maintenance staff countywide, the maintenance and A&E staff who charge their time to the utility logically would be assigned to other projects. This would increase the capacity of both Facilities Maintenance and A&E to address a backlog of repair and maintenance needs throughout the County. So, while crosscharges to other departments would increase, those departments also would realize an important benefit as outstanding repair and maintenance needs are met.

Crosscharges to the water utility also incorporate personnel costs related to administrative staff – primarily in the DAS–FM Director’s Office, but also in DAS–Administration and related to the central service allocation. Because the water utility is a relatively small proportion of the overall budget of each of those divisions (see **Figure 5**), it is unlikely either would be able to eliminate positions to make up for the reduced abatements from the water utility. As a result, this analysis assumes that *all* of the crosscharges currently supported by the water utility would need to be reabsorbed into the county budget.

While the county, therefore, would experience a negative fiscal impact, the increase in property tax levy to address that impact would be less than the total cost. Because the county budget includes a mix of revenues – including some that are direct reimbursements from external customers that are derived directly from service expenditures – as certain costs increase, so do certain outside revenues. For the 2014 budget, the county budget office assumed that for every \$1.00 increase in certain general costs, the property tax levy needed to offset those costs would be \$0.83.²¹

There are two exceptions to this general rule as it pertains to the water utility:

- 1) A&E staff that currently support the sanitary sewer system would be reassigned to other projects, and many of those projects are funded from the capital budget, which has additional external reimbursement mechanisms. As a result, the levy impact of reabsorbing the A&E crosscharge is estimated to be 50%, not the 83% assumed for general operating expenses.
- 2) The electric utility crosscharges the water utility, but if the water utility were transferred to the City, then the electric utility would instead bill the City for the same amount, resulting in no levy impact.

Table 10 shows the crosscharges to the water utility by department or division and the estimated levy impact should ownership of the entire utility be transferred. Based on our assumptions, the County would experience a negative annual property tax levy impact of about \$695,000 from crosscharges should ownership of the water utility be transferred.

²¹ This percentage was determined during budget development based on the change in levy associated with changes in the cost of fringe benefits.



Table 10: Estimated tax levy impact from crosscharges if ownership of the water utility is transferred (water, sanitary sewer and stormwater)

	2014 Crosscharge	% Levy	Levy impact if ownership transferred	Notes
DAS – FM labor	617,426	83%	512,464	Direct labor applied to other projects
DAS – A&E labor	55,132	50%	27,566	Direct labor applied to other projects
DAS - Fiscal Services	28,676	83%	23,801	
Power Plant Electric	48,971	0%	0	
Central Service Alloc	11,634	83%	9,656	Reallocated to other departments
DAS – FM Dir’s Office	146,751	83%	121,803	Reallocated to other Fac Mtc divisions, which will in turn increase crosscharges countywide
Total	908,590		695,290	

Table 11 applies the same methodology but isolates the crosscharges that are specific to the water system. In other words, the crosscharges and levy estimate shown in **Table 11** would pertain if only the water utility were transferred to the City, while the sewer and stormwater systems remained under County ownership. The percentage of the crosscharges assumed for the water system for certain overhead departments (DAS Services, FM Director’s Office, and Central Services) is based on the distribution of the Facilities Maintenance crosscharge, of which 78% of the total crosscharge is charged to the water system.

Table 11: Estimated tax levy impact from crosscharges if ownership of water system only is transferred

	2014 Crosscharge	% Levy	Levy impact if ownership transferred	Notes
DAS - FM Labor	484,515	83%	402,148	Direct labor applied to other projects
DAS - A&E labor	0	50%	0	Direct labor applied to other projects
DAS Fiscal Services	22,503	83%	18,678	
Power Plant Electric	48,971	0%	0	
Central Service Alloc	9,130	83%	7,578	Reallocated to other departments
DAS - FM Dir's Office	115,161	83%	95,583	Reallocated to A&E and FM
Total	680,279		523,987	

Cell Tower Antenna Revenue

Cell phone antennae located on top of the east water tower are leased to mobile phone companies and generate \$61,000 in revenue annually, according to the County’s Division of Economic Development. This revenue is currently budgeted in DAS–Economic Development and would need to be replaced with property tax levy or offset by a reduction in expenditures.



Debt Service, Capital Needs, and Reserve

Based on data provided by the Milwaukee County Comptroller's Office, debt service charged to the water utility stems from bond funding of three capital projects: rehabilitation of the east and west water towers, and construction of the central water tower. **Table 12** shows about \$5.4 million of principal and interest payments associated with those projects at the end of 2013.

Table 12: 2013 outstanding debt service associated with Milwaukee County Water Utility

	Principal	Interest	Total Debt Service
Central Tower	\$2,784,087	\$1,012,786	\$3,796,873
East Tower	\$609,491	\$126,350	\$735,841
West Tower	\$712,587	\$153,862	\$866,449
Total	\$4,106,165	\$1,292,998	\$5,399,163

As of 2014, \$4.1 million in principal payments are outstanding on the three water towers. Because the west water tower already has been the subject of negotiation as part of the 2013 transfer of seven users, it likely would be excluded from future deliberations. The County would retain responsibility for the \$3.4 million of outstanding principal related to the remaining towers in the event of a transfer, which means that issue would emerge as an important consideration in the event that negotiations take place to transfer the utility to Wauwatosa.

It also is important to note that city and county staff have identified several improvements that likely would need to be completed before the City would take ownership of the utility. These include repositioning water mains that are located beneath buildings or in steam tunnels and the relocation of equipment located inside the We Energies plant. The cost and extent of these improvements are unknown at this point, as is the mechanism for funding them.

City staff also have expressed concern about the condition of the North Avenue main, one of two supply lines to the County Grounds. This line is about three miles long, is deeply buried, and is roughly 100 years old. The City estimates that the cost of an eventual North Avenue main replacement will be between \$4 million and \$6 million.

One option is for the County to fund all or some of these outstanding capital improvements and then incorporate the cost of the projects into the overall valuation of the utility. If these new capital projects are financed with county-issued debt prior to a transfer of ownership, then the debt service totals shown in **Table 12** would increase.

Finally, the County has built up a reserve of about \$745,000 that potentially could offset debt service or future capital costs. The reserve has been funded via a 5% surcharge added to water, sewer, and stormwater rates each year. Its purpose is to fund capital improvements that are needed on an emergency basis or that cannot be funded through the capital budget. The reserve pertains to all three areas of the water utility plus the 4160V electric utility. Only a portion of the reserve, although a large portion, would be available to fund new water projects or to retire debt relating to the water towers.



City of Wauwatosa

The Wauwatosa Water Utility also operates as an enterprise fund, which means that its budget is distinct from the general city budget and that its costs are fully charged to users. The water utility is not supported by property tax and, in fact, the water utility makes an annual payment in lieu of taxes (PILOT) to the City based on the value of its assets. The City's 2014 budget includes a PILOT from the water utility to the General Fund of \$848,000.

Based on a three-year average of water consumption at the County Grounds, the City estimates that it would impose annual water charges of \$1.2 million to the customers transferred from the county utility. This is approximately 58% of the comparable County water charges.

Table 13 details the City's projected costs to operate the County water utility. After paying initial expenses in the first year of ownership, the City anticipates that revenues will exceed expenses from the annexed area by around \$107,000. Based on an estimated county expense of \$2.07 million,²² the city utility's estimated operating expense is roughly 53% of the County's.

Table 13: Costs of Wauwatosa Water Utility

	City Est. Expense (2014)
Cost of water	430,952
Personnel	440,064
PILOT	67,000
Misc Services and materials	30,700
Billing and meter costs	13,202
Tower painting expense	111,111
Total Ongoing Expenses	1,093,028
Estimated Revenue	1,200,000
Estimated Net Income	106,972
One-time expenses	79,100

One reason for the City's lower cost is its more advantageous agreement with MWW for water purchases. Annual savings due to water purchases alone would be about \$70,000 if the City were to operate the water utility.

In terms of staffing levels, the City projects that it would need to increase its existing staff by 5.5 FTEs to handle the workload associated with the county utility (three system operators and two-and-a-half

²² In 2012, the County charged out \$2.3 million for water according to the 2012 breakeven analysis. The City's estimated charges are based on three-year averages of consumption and there are some discrepancies in billing to be resolved. The comparable County charge is \$2.07 million, based on the City's consumption basis and the County's rate of \$43.80 per cu ft.



maintenance positions to provide 24/7 coverage). The number of FTEs projected by the City is comparable to the direct operating staff currently employed by the County (see **Table 6**). The City’s overall personnel costs are lower, however, because of lower projected salary and benefit levels, as shown in **Table 14**.

Table 14: Comparison of Staffing and Personnel Expenses

	City (2014 Budget)	County (2013 Budget)
FTEs	5.5	4.7
Salary/FTE	55,041	67,394
Benefits/FTE	24,971	30,695
Legacy Expense/FTE ²³	0	23,235
Total Personnel Expense	440,064	553,969

The City’s ability to operate the utility at a much lower cost than the County also relates to economies of scale. For example, the County charges the water utility \$237,000 for administrative and managerial support (DAS–Fiscal Affairs and DAS–FM Director’s Office crosscharges and 10% of the DAS–FM crosscharge). The City projects that its existing overhead would be able to absorb the county utility without increasing overhead expenses. Similarly, the County relies on contractors to complete many repair and maintenance projects, whereas the City would be able to manage that workload with existing staff. Essentially, a medium-sized municipal water utility can be operated more cost-efficiently than a small, independent water system.

Impact on City Utility’s Rate of Return

Although the revenues gained by the city utility from assuming the county service area are projected to exceed its operating costs, per PSC regulations, the city utility cannot generate a “profit.” Consequently, any potential fiscal benefit to the city utility likely would be passed along to ratepayers as a decrease in water rates citywide at some point in the future, or a moderation of any proposed increase in future rates.

The PSC bases the utility’s rate structure on its rate of return, which compares net revenue (revenues minus expenses) to the value of its operating plant. Based on a valuation of assets of \$28.1 million and net operating income of \$592,708, the utility’s rate of return for 2014 was estimated at 2.11%.

²³ The City does not allocate legacy expenses to the water utility’s active employees, but instead accounts for those expenses in a central account. According to fiscal officials, if the City did allocate those costs to active employees, then the current annual allocation likely would be in the range of \$5,000-\$8,000 per employee. This does not alter the conclusion that personnel expenses for new city utility employees would be considerably lower than those for existing county utility staff.



For descriptive purposes only, **Table 15** shows a hypothetical financial scenario for the city utility if it assumed ownership of the county utility. We assume that the transfer of the county utility would increase the value of the city utility’s physical plant by \$3.6 million²⁴ to \$31.7 million. If we combine that assumption with the estimate of additional net operating income of \$106,972 (**Table 13**), then the rate of return (ROR) would grow from 2.11% to 2.21%. An increase to the ROR could prompt the PSC to mandate a decrease in rates, or alternatively it could moderate future rate increases.

Table 15: Hypothetical Example of City Utility Rate of Return

	Projected Income
Plant Value	31,689,942
Change in Operating Income	106,972
Total Operating Income	699,680
Rate of Return	2.21%

It is critical to note, however, that this scenario could change dramatically should the PSC’s actual valuation of the county utility, or the actual growth in operating income, be markedly different from the assumptions shown in the table. In fact, there may be scenarios under which the ROR for the city utility would *diminish* from the transfer of the county utility, which could lead the city utility to petition the PSC for a rate increase.

Another critical financial variable is how future capital improvement needs, such as the replacement of the North Avenue water main, would be funded. City officials have indicated that if the ownership transfer were to occur before improvements were made to the North Avenue water main (or without addressing other potential major infrastructure challenges), then they likely would recommend directing any increase in net income to a capital reserve, thus limiting the direct financial benefit to ratepayers. Ironically, if substantial repairs and improvements instead were addressed by the County *prior* to a transfer to the City, then the value of the utility would increase, thus reducing the ROR and also potentially limiting the positive impact for ratepayers.

Water Customers

In **Table 16**, we compare the water charges that would have been billed by the County for selected large users in 2012 (based on a three-year average of water use) to the estimated charges that would have been imposed by the city utility based on 2013 water rates. While the rate for the county utility is calculated by dividing total utility expenses by usage, the rate structure of regulated municipal utilities also includes a per meter charge which varies with size of the meter. Our analysis shows that if the city utility had provided water service to these customers, then their costs would have been 35% to 45% lower.

²⁴ This estimate of plant value is speculative. The PSC will require that the value of the water utility be established by determining the depreciated value of all fixed assets using its own definitions and historical cost data.



Table 16: Comparison of County and City Charges, Selected Large Users

	County	City	Hypothetical savings
BHD	89,612	62,037	(27,575)
We Energies	865,462	462,315	(403,147)
Froedtert Hospital	449,159	265,948	(183,211)
Children's Hospital	175,088	104,805	(70,283)

Source: 2012 breakeven County, City of Wauwatosa Water Utility

The largest savings would have been realized by We Energies, which is the provider of steam heat and chilled water to the MRMC and other facilities. It seems reasonable that the reduced expenses to We Energies may result in reduced rates for steam and chilled water, providing additional cost savings to water utility customers.

While **Table 16** provides an indication of the magnitude of savings that could be realized by users of the county water utility under a potential transfer to the City, actual savings would be predicated on the rates that would be in existence at the time that a transfer occurred. It is important to note that both the City and County anticipate that water rates will rise in the near future. For example, the City's five-year projection – based on anticipated increases in a variety of expenditure items – indicates that its rates will increase by 22% over the next three years.²⁵

The County has not developed a set of similar multi-year estimates, but we project that the potential staffing increases referenced earlier in this report would produce an increase in water rates of 17% (though that increase may be tempered somewhat by reductions in employee health care expenses that occurred in 2013 and 2014). Another important factor in projecting county rates is major maintenance expenses that might be required to service the utility in future years, but that expense is difficult to predict with any accuracy. In addition, both utilities would be impacted by an increase in the cost of water purchased from MWW that has been proposed to the PSC. The proposed rate revision would increase the City's water supply costs by approximately 35%, while MWW notified county staff that their water supply costs would increase by a more modest 10%.

To provide context for consideration of potential water customer savings that might occur if a transfer took place three years from now, **Table 17** shows two scenarios for 2017 water savings for the selected large users shown previously. Because it is uncertain whether the staffing increases proposed by county staff will be accepted by elected officials, or whether other cost reductions might offset the cost of additional staff, Scenario 1 assumes no change in county rates. For Scenario 2, we assume a 17% increase in the county rate, based on an increase in staffing costs of \$454,000 (see **Table 9**).

²⁵ The City projects a 3% rate increase in 2015, a 15% rate increase in 2016, and a 3% increase in 2017.



Table 17: Comparison of Estimated County and City Water Charges in 2017, Selected Large Users

	2013 Savings Estimate	Scenario 1: 2017 Savings Estimate Assuming City Increase of 22% and No Increase in County Rates	Scenario 2: 2017 Savings Estimate Assuming City Increase of 22% and County Increase of 17%
BHD	27,575	13,925	28,928
We Energies	403,147	301,421	446,321
Froedtert	183,211	124,693	199,893
Children's	70,283	47,223	76,537

This table shows that if county rates remain at 2013 levels for the next four years while city rates increase by 22%, then the benefit to customers from a utility transfer narrows, although there still is a financial gain. Conversely, if county rates increase by 17%, then annual savings to customers would grow. Again, it is important to emphasize that our projection of future county water rates is highly speculative. Perhaps more important from the standpoint of current county utility customers is the unpredictable nature of county water charges given that they are not subject to PSC review.

Summary of Fiscal Analysis

Projections by the city utility indicate that if it were to assume the county utility’s infrastructure and operations, then it would be able to serve the current county customers at a substantial discount. Reasons for the disparity include cheaper water supply, lower personnel costs, economies of scale, and the manner in which overhead costs are allocated by the two jurisdictions. It is unclear if this discount would continue into the future given that the City is projecting a substantial increase in water rates over the next three years. Based on the likely need for additional staffing for the county utility, however, it is likely that county water rates also will increase, which means that county customers likely would experience future savings with a switch to the city utility.

While a transfer of the water utility likely would benefit the County’s existing customers, it would have a negative budgetary impact on the County. Approximately \$910,000 in crosscharges would need to be absorbed into different areas of the county budget, which translates into an annual property tax levy impact of about \$695,000. If only the water portion of the utility is transferred, then the levy impact in terms of crosscharges is \$523,000. On the capital side, the County could be left with about \$2.8 million²⁶ in outstanding debt which also potentially would fall entirely on the property tax levy.

From the City of Wauwatosa’s standpoint, our initial analysis suggests that the city’s water utility would realize an increase in net operating income from annexing the county water utility. The effect of an annexation on city water *rates* is less predictable. Changes in the City’s rate of return and water rates will depend on several factors, including how the PSC ultimately values the utility and the cost of future capital improvement needs for the infrastructure the city utility would inherit.

²⁶ Outstanding principal relating to central and east water towers is \$3.4 million, reduced by 75% of reserve or \$559,000, for a total of \$2.8 million.



NON-FISCAL CONSIDERATIONS

Beyond the fiscal impacts described above, there are a variety of other issues that are relevant to the City's and County's decision regarding the ownership of the water utility. This section considers some of these issues from the perspective of the two governments and the MRMC private members.

City of Wauwatosa Fire Charge

The fire services agreement between the City and County encompasses fire protection services to the entire County Grounds, including county departments, private businesses, the non-profit hospitals, and other private members of MRMC . The fire charge is only connected to the water utility in that the County recently attempted to pass on the charge to other occupants of the County Grounds through the water charge. Should the utility transfer to the City, the County still would be liable for the full amount of the fire charge until 2040.

County leaders have expressed concerns about the equity of the fire charge for the past several years. In particular, the *amount* of the charge has been questioned given that the fire station on the County Grounds serves other areas of Wauwatosa, and the *need for* the charge has been challenged in light of the County's diminished presence and the increased tax revenues gained by the City from county policies on the County Grounds.

Given those concerns – and the fact that the County likely would experience negative property tax levy impacts if a water utility transfer were to take place – reconsideration of the terms of the fire service agreement may have a place in the context of water utility negotiations. In light of the savings in water costs that likely would accrue to the private nonprofit occupants, county and/or city policymakers might approach those occupants to consider taking part in the development of a new fire services agreement that would take into account the County's negative property tax levy impact. The County has indicated that renegotiation of the fire charge would be an essential element of any agreement regarding transfer of the water utility.

Stormwater and Sanitary Sewer Services

The water utility encompasses water, stormwater, and sanitary sewer services. If the City were to take ownership only of the water system, then the County would need to continue to maintain the other two systems. As the County shifts operations away from the County Grounds, operating remnants of infrastructure such as stormwater, sanitary sewer, and the 4160V electrical systems would become highly inefficient for the County, thus suggesting that the County should logically consider a transfer of ownership of those functions to other parties, as well.



Liability for Future Maintenance

The age and condition of the county water utility represent a potential liability to the City if it were to take ownership of the system. This liability has decreased since 2006, when the County commissioned the GRAEF report and began to invest in system improvements. In fact, according to the County's Mechanical Services Manager, most of the recent water main breaks have occurred in areas to the west and north, which are now served by newer city infrastructure. He estimates that there is one main failure a year in the southeastern quadrant of the system. City and county staff already have identified other mains that could be a concern, such as the North Avenue supply line, and county staff are now compiling a review of the age of facilities. If negotiations regarding a transfer of the utility take place, then the City may wish to engage a third-party engineering consultant to review the physical condition of the water utility.

Ownership of the laterals that connect water mains to customer buildings represents another potential liability concern. Currently, the County owns both water mains and service laterals. The city utility, however, has indicated that it only would take ownership of infrastructure to the edge of the right-of-way and would require customers to take ownership of laterals and other equipment not located in the right-of-way. It should be noted that while the County owns customer laterals and currently is responsible for any repair costs, all of those costs eventually are passed on to customers through utility rates.



CONCLUSION

One hundred years ago, when the County Grounds were occupied exclusively by large public institutions, there was a logical basis for a Milwaukee County-owned water utility. In 2014, that logic largely has disappeared. The County has vastly diminished its own operations on the site, and that trend is likely to continue in the near future. In terms of infrastructure, the county utility has become an island completely surrounded by city water mains. In addition, while the water utility does not pose a property tax levy cost to the County (and in fact subsidizes levy to some extent), it does not fit programmatically within the Department of Facilities Management or within the general mission of Milwaukee County government.

From the perspective of the City of Wauwatosa and its water utility, the direct fiscal impacts of annexing the remaining portion of the County Grounds water utility are unclear, as the increase in infrastructure value and net income would have to be weighed against increased liability for future infrastructure repairs. Also, while city ratepayers may benefit from a transfer in ownership given that the city utility likely would spend less to provide water service to the area than it would receive in new revenue, a final determination cannot be made without further consultation with the PSC. Potential positive elements for the city would include an increase in PILOT revenue and new cell tower revenue opportunities. Beyond fiscal considerations, taking ownership of the water utility is one avenue for the City to assume a greater role in economic development and long-range planning at the County Grounds.

The biggest winners under an ownership transfer could be We Energies and the MRMC private members, who potentially could save hundreds of thousands of dollars annually under the city's rate structure. Furthermore, as part of a city utility that is regulated by the PSC, they would have greater assurance that future rate increases would be limited. Finally, users likely would benefit from the fact that the city water utility has a sole focus on providing water service. That contrasts with the county utility, which is just a small component of a Facilities Management operation that has a daunting array of responsibilities and challenges.

Despite this list of possible public and private benefits, a transfer in ownership of the water utility also would encounter some sizable potential stumbling blocks. Those include potential negative budgetary impacts to the County and the inheritance of aging infrastructure by the City. With regard to the former, the loss of the water utility could produce an annual negative property tax levy impact of close to \$700,000, as well as an inability to charge users for several million dollars of outstanding debt service costs. Any negotiations regarding transfer of the utility must take into account those potential costs, as well as the County's loss of annual cell tower revenue. For the City's perspective, further analysis of the utility's physical condition and future infrastructure repair and replacement costs will be crucial to determining how it would approach any potential negotiations.

A broader issue for the County as it contemplates action on the water utility is the desirability of truly shedding obsolete operations without leaving "loose threads" behind. One example of this type of "loose thread" is the 4160-volt electric system that was not included in the sale of the former electric utility in the 1990s. If the County were to transfer the water utility, but retain electric, sewer, and



stormwater systems, then its ability to reduce maintenance responsibilities and expenses would be limited.

While several details must be further examined and complicated negotiations still must occur, it would be a mistake for the County to lose sight of the bigger picture on the County Grounds as it considers this report. On the contrary, the apparent logic of pursuing a water utility transfer should be seen as a potential first step toward a broader reconsideration of the County's continued presence on the Grounds.

The fire services agreement with Wauwatosa and the Cost Sharing Ordinance with private members have generated criticism from county leaders in recent years who charge they are unfair and anachronistic. Those leaders now have an opportunity to engage their counterparts from Wauwatosa and the MRMC not only with regard to those issues, but in the pursuit of an overall plan to re-organize County Grounds service provision and ownership in a manner that will meet the 21st century economic development needs and objectives of the respective governments, tenants, and taxpayers in general.



GLOSSARY OF TERMS

Breakeven – an accounting process that occurs at year end whereby a review of actual costs is made and adjustments to charges made during the year are taken into account. If actual expenses were lower than budgeted amounts (and charges), a refund is issued to customers. If actual expenses were higher, then customers owe the utility an additional amount.

Cost Sharing Ordinance – an agreement between the County and the MRMC members regarding payment for various municipal-type services like road maintenance, landscaping, and snow removal.

Crosscharge/Abatement – the way two departments of the County charge each other for services. A charging department, such as the electric utility, issues a crosscharge to DAS – FM for electricity usage. The crosscharge shows as an expense in the DAS – FM budget. The corresponding revenue in the electric utility budget is called an abatement.

Department of Administrative Services (DAS) – the county department that includes divisions of Facilities Maintenance, Budget, Procurement, Risk Management and other administrative functions.

Enterprise Fund – a budget unit or separate budget which is maintained apart from General Fund budgets and the expenses for which are fully funded with charges for services or other revenues. An Enterprise fund is self-supporting and has no fiscal impact on the General fund.

Levy – property tax and other locally-generated revenues, the County’s primary source of discretionary funds.

Major Maintenance – a budget category in the operating budget of Milwaukee County departments that funds projects over \$50,000 in cost or funds time and materials contracts.

Milwaukee Regional Medical Center (MRMC) - a consortium of five hospitals and the County which jointly plans for the southeastern quadrant of the County Grounds and allocates upkeep costs for common areas.

Milwaukee Water Works (MWW) - the supplier of treated water from Lake Michigan to both the Milwaukee County water utility and the City of Wauwatosa water utility.

PILOT –payment in lieu of taxes, a payment made by the City utility to the City’s General Fund based on an estimate of taxable value of utility assets and the city tax rate.

Public Service Commission (PSC) – an independent regulatory agency responsible for the regulation of Wisconsin public utilities including electric, natural gas, water, combined water, and sewer.

Rate of Return – an evaluation of a utility’s profitability which compares net income (revenues minus expenses) to total investment in capital assets. The PSC uses Rate of Return as a basis for setting water rates.



Tax Increment Financing (TIF)/Tax Increment District (TID) – a method of financing infrastructure by dedicating the growth (or increment) in property tax dollars in a specified area towards infrastructure funding. A Tax Increment District is special district within which property tax increment accrues to a special district for funding infrastructure.

Zoo Interchange Reconstruction Project – a highway reconstruction project encompassing the state’s busiest interchange, which connects Interstate 94 and Highway 45 in Wauwatosa. Highway 45 bisects the County Grounds.

