

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

Date: June 30, 2014

To: Supervisor Michael Mayo, Chairman, Transportation, Public Works & Transit Committee

From: Don Tyler, Director of Administrative Services
Greg High, Director, AE&ES Section, DAS-FM Division

Subject: 2014-2016 Budget Years Management Strategy Regarding the Consolidated Facilities Plan (CFP)
For Information Only

BACKGROUND

Resolution #14-483 was approved at the Special TPW/T Committee Meeting and the June 26, 2014 Milwaukee County Board Meeting providing direction from the Board to the Department of Administrative Services (DAS) regarding specific actions related to the Consolidated Facilities Plan (CFP). This report is within the scope of the resolution and is meant to provide an informational update to the committee.

UPDATE ON PHASE 2 OF THE CFP

Deliverable # 1 – Detailed Space Program and Relocation Strategy for City Campus

- The CFP Committee has affirmed the new office space standards based on the original CFP report and has been using these standards as a basis for space planning and site analysis and selection related to the relocation of City Campus staff;
- The CFP Committee, working with CBRE and Quorum, an outside architectural firm, completed comprehensive interviews, near term and long-term space needs assessment and space planning efforts with all Milwaukee County departments affected by the relocation of City Campus staff;
- Under the direction of the CFP Committee, CBRE placed an inquiry out through a master database of approximately 1,140 potential interested parties asking for indications of interest to lease 30-40,000 square feet of office space within Milwaukee proper;
- As a result of this query, the CFP Committee, along with CBRE identified potential “swing space” in approximately 45 prospective commercial office spaces, narrowing the prospective locations down to approximately four office buildings potentially suitable based on various criteria;
- The CFP Committee, along with CBRE have toured four office buildings and have provided feedback to CBRE and Quorum to move forward with additional research, discussions and pricing alternatives;
- The CFP Committee, working with CBRE continues to explore opportunities within the Milwaukee County Courthouse as an alternative for some of the departments/divisions within City Campus through a restacking of current space;

- The CFP Committee and Economic Development are accelerating community and municipal discussions regarding a community development plan as Milwaukee County vacates City Campus;
- The CFP Committee, working with AE&ES is finalizing early estimates regarding the potential demolition and remediation of one, two or all three of the City Campus structures;

Deliverable #2 – Agreement with the State for Marsha Coggs Center

- The Economic Development Division has completed a short term lease with the State that transitions the relationship structured under a Memorandum of Understanding to a real estate lease agreement through December 31, 2014; EDD expects to submit this lease agreement for County Board review and approval in the July County Board committee cycle;
- The structure of the new short term lease agreement maintains the original gross financial commitment now structured exclusively as lease revenue;
- The Economic Development Division anticipates responding to a mandated RFP issued by the State in July or August of 2014 for space to house staff and operations currently at the Marsha Coggs Center;

Deliverable #3 – Finalization of an Updated County Master Space Plan

- Under the direction of the Board, as stated in Resolution #14-483, the Department of Administrative Services will present to Committee the plan no later than December 31, 2014;

Deliverable #4 – Disposition Plan for the City Campus Property

- The CFP Committee will be seeking approval during the September board cycle for 2014-15 funding related to the relocation of staff from City Campus and the potential demolition and remediation of the structures.
- Estimated relocation costs of \$1,425,000 - \$2,575,000 are broken down as follows (and will be substantially refined by the September cycle):
 - Space planning costs of approximately \$25-75,000. Detailed space planning work will likely be needed to appropriately and efficiently plan for the transition of approximately 235 staff from City Campus to new office space, maximizing space utilization, department adjacencies and utility. City Campus currently houses approximately 190 staff within 160,000 square feet. Efficient utilization based on the new space standards we anticipate a need for approximately 30-40,000 square feet of space;
 - Relocation costs of approximately \$150-250,000. The CFP Committee is in the process of obtaining estimates of what it would cost to relocate City Campus staff;
 - Furniture and Fixtures of approximately \$500-1,000,000. The estimated cost is fairly broad at this point and will be refined considerably heading into the September cycle as we assess what furniture in storage and at City Campus can be repurposed;
 - Leasehold Improvements costs of approximately \$750,000 - \$1,250,000. This estimated cost is very broad as well and will be driven by the cost/benefit analysis of considering leased space already built out. The CFP Committee will be refining this estimate through the months of July, August and September as we negotiate a lease agreement for Board approval.
- Estimated net annual savings in annual operating costs is expected to be between \$500-600,000, not including at least \$1,750,000 in cost avoidance in capital projects. This estimate will be refined prior to the September cycle but is broken down as follows:
 - New leased space will cost in the range \$400-550,000 a year. This estimate is highly dependent of final footprint, leaseholds and terms. The CFP Committee will be working

with CBRE during the months of July, August and September to finalize a negotiated lease agreement for Board approval.

- Gross annual operating costs savings are approximately \$1,053,000/year. The current operating cost at City Campus, including utilities and maintenance, is approximately \$8.42/square foot, or 60% higher than a comparable facility; this equates to \$8,259 per employee, compared to industry standard of \$5,709 per employee.
- Cost avoidance in City Campus capital projects of approximately \$1,750,000. City Campus is in urgent need for capital improvements were the Board to choose to stay in this facility. Deferred projects include:
 - \$300,000 for general HVAC work
 - \$300,000 for Chiller replacement
 - \$200,000 for Boilers
 - \$250,000 for Roof replacement
 - \$200,000 for Foundation repairs
 - \$300,000 for Parking Lot resurfacing

Additionally, it is estimated that an additional \$100-200,000 in capital costs would be required to keep the facility operational.

- Breakeven ranges from 2016 to 2021 (see attachment). Running three different scenarios, the sooner we vacate City Campus, the quicker the payback:
 - Best Case Breakeven is 2016. Maximum capital outlay would be approximately \$1.4 million in 2014 with an immediate payback in 2016 generating savings to the County of over \$700,000 a year thereafter;
 - Worst Case Breakeven is 2021. Maximum capital outlay would be approximately \$3.8 million with an ongoing payback of over \$600,000 a year after 2021.
 - Reasonable Case Breakeven is 2018. Maximum capital outlay would be approximately \$2.12 million with an ongoing payback of over \$700,000 a year after 2018.

Deliverable #5 – Comprehensive Plan for County Grounds

- The Economic Development Division continues to pursue broad discussions with the City of Wauwatosa, Milwaukee County Research Park, Froedert and Children’s Hospital, Milwaukee Medical College and other community organizations and institutions to begin to shape a long term strategy for maintaining a Milwaukee County government presence at the County Grounds as the Behavioral Health Division (BHD) continues to wind down.

Deliverable #6 – Courthouse Complex Plan

- The CFP Committee is beginning its initial data gathering work specifically related to the development of a strategy for the Safety Building.
- The CFP Committee is aware of and will be phasing into some initial research work regarding various options related to consolidation of Milwaukee County Courts and alternatives for the Office of the Medical Examiner, the Community Correction Center and the 6th & State Street lot.

Deliverable #7 – Facility Management Consolidation

- This effort is an ongoing initiative begun with the creation of DAS-FM in the 2012 adopted budget and currently not specifically in the scope of the 2014 project and will be addressed in 2015.

NEXT STEPS

The purpose of this Informational Report is to keep the Board current and up-to-date in preparation for Board action DAS will be requesting during the September cycle. Importantly, we are also wanting to ensure you have the full scope of costs in 2014 and beyond as we seek approval in the September cycle.

The 2014 budget already includes \$500,000 of funding for this project, subject to Board approval. Working closely with the Comptroller's office, we anticipate requesting approval for funding during the September cycle outlined as follows:

Purpose	Amount	Type	Funding Source
Space Planning	\$25-\$75,000	Cash	2014 Budgeted Item Subject to Board Approval
Relocation Costs	\$150-\$250,000	Cash	2014 Budgeted Item Subject to Board Approval
Furniture & Fixtures	\$500-\$1,000,000	Cash	2014 Budgeted Item and Debt Reserve Fund
Leasehold Improvements	\$750-\$1,250,000	Capital	Debt Reserve Fund

Prepared by: Don Tyler, Director of Administrative Services
Greg High, Project Manager, AE&ES, DAS-FM

Approved By:

Don Tyler, Director
Department of Administrative Services

Gregory G. High, P.E., Director
AE&ES Section, DAS-FM Division
Department of Administrative Services

Attachment: 1. Estimated City Campus (Cost)/Savings to Vacate and Relocate

Cc: Chris Abele, County Executive
Raisa Koltun, Interim Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Josh Fudge, Fiscal & Budget Director, DAS
Vince Masterson, Fiscal & Strategic Asset Coordinator, DAS
Pamela Bryant, Capital Finance Manager, Comptroller's Office
Justin Rodriguez, Capital Finance Analyst, Comptroller's Office

Estimated City Campus (Cost)/Savings to Vacate and Relocate on 1/01/15 (In Today's \$\$\$)

Estimated Cost to Vacate - Best Case

	Type/Source of Funding	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Space Planning	Cash/2014 Budget	\$ (25,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Relocation Costs	Cash/2014 Budget	\$ (150,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Furniture & Fixtures	Capital/DRF/2014 Budget	\$ (500,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leaseholds	Capital/Debt Reserve	\$ (750,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Campus Vacated Savings*	Cash/Operating	\$ -	\$ 750,000	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167
New Lease & Utility Expenses	Cash/Operating	\$ -	\$ (400,000)	\$ (400,000)	\$ (400,000)	\$ (400,000)	\$ (400,000)	\$ (400,000)	\$ (400,000)	\$ (400,000)	\$ (400,000)
Demolition Costs	Cash/Debt Reserve	\$ -	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Project Cost Avoidance**		\$ -	\$ 1,750,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total Annual (Cost) Savings		\$ (1,425,000)	\$ 1,100,000	\$ 753,167	\$ 753,167	\$ 753,167	\$ 753,167	\$ 753,167	\$ 753,167	\$ 753,167	\$ 753,167
Cumulative (Cost) Savings		\$ (1,425,000)	\$ (325,000)	\$ 428,167	\$ 1,181,334	\$ 1,934,501	\$ 2,687,668	\$ 3,440,835	\$ 4,194,002	\$ 4,947,169	\$ 5,700,336

Estimated Cost to Vacate - Worst Case

	Type/Source of Funding	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Space Planning	Cash/2014 Budget	\$ (75,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Relocation Costs	Cash/2014 Budget	\$ (250,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Furniture & Fixtures	Capital/DRF/2014 Budget	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leaseholds	Capital/Debt Reserve	\$ (1,250,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Campus Vacated Savings*	Cash/Operating	\$ -	\$ 750,000	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167
New Lease & Utility Expenses	Cash/Operating	\$ -	\$ (550,000)	\$ (550,000)	\$ (550,000)	\$ (550,000)	\$ (550,000)	\$ (550,000)	\$ (550,000)	\$ (550,000)	\$ (550,000)
Demolition Costs	Cash/Debt Reserve	\$ -	\$ (3,500,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Project Cost Avoidance**			\$ 1,750,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Total Annual (Cost) Savings		\$ (2,575,000)	\$ (1,550,000)	\$ 653,167	\$ 653,167	\$ 653,167	\$ 653,167	\$ 653,167	\$ 653,167	\$ 653,167	\$ 653,167
Cumulative (Cost) Savings		\$ (2,575,000)	\$ (4,125,000)	\$ (3,471,833)	\$ (2,818,666)	\$ (2,165,499)	\$ (1,512,332)	\$ (859,165)	\$ (205,998)	\$ 447,169	\$ 1,100,336

Estimated Cost to Vacate - Reasonable Case

	Type/Source of Funding	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Space Planning	Cash/2014 Budget	\$ (50,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Relocation Costs	Cash/2014 Budget	\$ (200,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Furniture & Fixtures	Capital/DRF/2014 Budget	\$ (750,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leaseholds	Capital/Debt Reserve	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Campus Vacated Savings*	Cash/Operating	\$ -	\$ 750,000	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167	\$ 1,053,167
New Lease & Utility Expenses	Cash/Operating	\$ -	\$ (425,000)	\$ (425,000)	\$ (425,000)	\$ (425,000)	\$ (425,000)	\$ (425,000)	\$ (425,000)	\$ (425,000)	\$ (425,000)
Demolition Costs	Cash/Debt Reserve	\$ -	\$ (2,500,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Project Cost Avoidance**			\$ 1,750,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total Annual (Cost) Savings		\$ (2,000,000)	\$ (425,000)	\$ 728,167	\$ 728,167	\$ 728,167	\$ 728,167	\$ 728,167	\$ 728,167	\$ 728,167	\$ 728,167
Cumulative (Cost) Savings		\$ (2,000,000)	\$ (2,425,000)	\$ (1,696,833)	\$ (968,666)	\$ (240,499)	\$ 487,668	\$ 1,215,835	\$ 1,944,002	\$ 2,672,169	\$ 3,400,336

* Based on CBRE Report presented to the Board on January 14, 2014; includes existing debt service, utilities, and support services; 2015 savings to be less due to ramp up of demolition work.

* Staying at City Campus will require immediate remediation to invest \$300,000 in HVAC, \$300,000 Chiller Replacement, \$200,000 Cooling Tower, \$200,000 in Boilers, \$250,000 Roof Replacement, \$200,000 Foundation Repairs, \$300,000 Parking Lot Resurfacing; additionally, ongoing capital projects are expected to range between \$100,000 and \$150,000. Critically, this analysis DOES NOT factor in the cost avoidance related to having to invest at least \$16 million required to renovate City Campus for a long term viable facility.