

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : September 1, 2016

TO : Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors

FROM : Scott Manske, Comptroller

SUBJECT : Estabrook Dam Project Costs and Financing

BACKGROUND

Per your August 29, 2016 request the Office of the Comptroller has prepared a supplementary memo detailing the updated project costs and all funding sources for Project WP063 – Estabrook Dam Rehabilitation (the “Project”). The scope of the analysis includes information from the Legislative Fiscal Bureau as well as funding from the Estabrook Trust Fund that was reallocated in June 2016.

ANALYSIS

The Project scope consists of the reconstruction/rehabilitation of the dam structure and spillway, concrete ice breakers and other work. Financing for the Project is provided from general obligation bonds and grant revenue. In 2014, an appropriation transfer of \$1,380,716 was approved to increase expenditure authority and recognize grant revenue from the Wisconsin Department of Natural Resources (WDNR) Municipal Dam Grant and WDNR Stewardship Grant. In 2016, \$750,000 was budgeted for the construction of the fish passage along the Milwaukee River in the area of the dam. Table 1 displays the budget for the combined Estabrook Dam and Fish Passage projects.

Table 1

Category	Estabrook Dam	Fish Passage	Total
Budget	\$2,100,000	\$750,000	\$2,850,000
Transfers*	\$1,421,008		\$1,421,008
Lapsed	(\$2,157)		(\$2,157)
Expenditures	\$682,055		\$682,055
Encumbrances	\$94,597		\$94,597
Available Balance	\$2,742,199	\$750,000	\$3,492,199

*Includes transfer of \$1,380,716 that consists of a \$400,000 Municipal Dam Grant and \$980,716 Stewardship Grant.

The Project was bid in June 2016 and the bids were higher than anticipated. As a result, the estimated costs for the Project increased to \$4,105,244, which is approximately \$613,045 over the \$3,492,199 available budget. The increase was primarily due to the higher mobilization and demobilization costs, temporary cofferdams and the addition of the gate heat system and automatic gating system.

During the design process, and after funds had been appropriated, it was determined that an automatic gating system and a gate heat system would be needed. The gate heat system was included in the bid but the automatic gating system was not. This was primarily due to the timing of receiving the information for the gating system. The consultant provided an estimate for the automatic gating system of \$253,063.

Table 2

Description	Amount
Available Project Budget	\$3,492,199
Bid	\$3,475,181
Construction Contingency	\$185,000
Consultant Engineering	\$142,000
County Engineering	\$50,000
Automatic Gating System	\$253,063
Total Estimate Project Costs*	\$4,105,244
Estimated Project Deficit	(\$613,045)

*The June project budget amount was \$4,105,181, which is \$63 less than the amount reported in the table above. The June amount included \$253,000 for the automatic gating system. The actual estimate is \$253,063.

The estimated shortfall has increased to \$613,045 as of September 1, 2016. The modest increase is due to expenditures for county engineering and cost relating to the bidding process, such as advertising and printing that were entered in the County's financial system after the June analysis.

Project Grant Funding

The grant funding for the project is based on a percent of eligible costs. At your request, we have reviewed the memo from the Legislative Fiscal Bureau (LFB) that provides updated calculations for the estimated grant amounts for the Project. Table 3 is based on the information from that memo and shows that there is additional grant funding that could offset the estimated project deficit amount of \$613,045.

Table 3

Grant Name	Initial Estimated Grant Award	Revised Estimated Grant Award	Change
Dam Safety Grants	\$400,000	\$400,000	\$0
Stewardship Dam Safety Grants	\$891,561	\$1,592,590	\$701,030
Estimated State Grant	\$1,291,560	\$1,992,590	\$701,031
10% Contingency	\$89,156	\$114,259	\$25,103
Total Estimated Grant Amount	\$1,380,716	\$2,106,849	\$726,134

The Office of the Comptroller verified the calculations and updated amount with the WDNR (the LFB indicated that the calculations were from the WDNR). The primary drivers of the additional \$726,134 in grant funding are the following:

- An additional \$547,884 was available due to the increase in grant eligible costs for the Estabrook Dam Rehabilitation Project. The original grant award was based on approximately \$3.6 million in grant eligible costs. The updated grant funding amount is based on approximately \$4.7 million in grant eligible costs.
- An additional \$178,250 was available due to the increase in costs for PCB Clean-up Project. The County is eligible to receive Stewardship Dam Safety Grants based on an agreed upon 9 percent of the PCB clean-up project that was completed in 2015. The original grant award was based on \$12 million of estimated costs. The final accounting for the Estabrook Dam Impoundment Remediation project is not complete but the total costs are estimated to be \$20 million at this point.

The allocations are based on the known scope of work as of September 1, 2016. According to the County Architecture, Engineering and Environmental Services Division, the WDNR will only reimburse for County Engineering Cost that relate to construction management, which is \$40,000 and \$2,000 for advertising. Approximately \$146,718 in A&E costs are not eligible for grant reimbursement.

Due to the cost overruns and based on the updated calculation from the WDNR and stated in the memo from the LRB, the grant amount would increase to \$2,106,849 for an increase of \$726,134. The estimated grant revenue increase of \$726,134 would be sufficient to cover the estimated project shortfall of \$613,045.

Estabrook Dam Weigel Hearst Trust

The 2012 Adopted Budget established a trust account for the Estabrook Dam. The trust would be financed with revenue from the Broadcasting towers leased to the Hearst Corporation and Weigel Broadcasting (Channel 58). The purpose of the trust account is for the maintenance of the Estabrook Dam, improvements to the recreational access of the upstream areas of the river, and uses approved by the County Board. The current balance for the Estabrook Dam Weigel Hearst Trust is \$202,978.

The establishment of the trust amended the existing lease agreement with Weigel Hearst Broadcasting.

Table 4

Estabrook Dam Project including Fish Passage Project Status as of August 30, 2016					
	<u>Budgeted</u>	<u>Actual</u>	<u>Remaining</u>	<u>Addl Cost</u>	<u>Needed</u>
Expenditures	\$ 4,271,008	\$ 684,212	\$ 3,586,796	\$ 613,045	\$ 4,199,841
Encumbrances	-	94,597	(94,597)		(94,597)
	4,271,008	778,809	3,492,199	613,045	4,105,244
	<u>Budgeted</u>	<u>Actual</u>	<u>Remaining</u>	<u>Available</u>	<u>Rev Rev</u>
Bond Revenue	\$ 2,890,292	\$ 778,809	\$ 2,111,483		\$ 2,111,483
Grant Revenue	1,380,716	-	1,380,716	726,133	2,106,849
Trust Fund		-	-	202,978	202,978
Total Revenue	4,271,008	778,809	3,492,199	929,111	4,421,310
Excess (Shortfall)	\$ -	\$ -	\$ -	\$ 316,066	\$ 316,066

Based on the bids for the Estabrook Dam Project, the costs to complete the project are estimated to be \$4,105,244. Appropriations available to cover this project are \$3,492,199, which leaves a shortfall of \$613,045, based on estimates. An appropriation transfer would be needed to cover the shortfall. Based on our review, revenues are available from two sources to cover the appropriation increase: State Grant funding of \$726,113 and the Estabrook Dam Trust of \$202,978. Legislative and Executive action and approval would be needed to increase current appropriations and the funding to offset the additional cost.

Scott Manske
Comptroller

Attachments

Attachment 1

Legislative Fiscal Bureau Memo



Legislative Fiscal Bureau

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August 17, 2016

TO: Senator Alberta Darling
Room 317 East, State Capitol

FROM: Erin Probst, Fiscal Analyst

SUBJECT: Estabrook Dam Repair Project

In response to your request, this memorandum provides information regarding the eligibility of Milwaukee County for funds from the Department of Natural Resources (DNR) dam safety program for a proposed project to repair the Estabrook Dam.

DNR administers the municipal dam safety grant program under section 31.385 of the statutes. The program provides matching grants to counties, cities, villages, towns and public inland lake protection and rehabilitation districts for the repair, reconstruction, or removal of municipal dams. To qualify for a grant, the locality must own a dam that has been inspected and be under a DNR directive to repair or remove the dam. Dam safety grants may also be awarded to remove abandoned dams or to any dam owner to voluntarily remove their dam. To date, a total of \$24.1 million in bonding revenues for dam safety grants has been authorized by the Legislature for this program, including \$4 million in each of the last three biennia.

In addition, 2011 Act 32 specified that DNR set aside not less than \$6,000,000 in existing bonding revenue, from the land acquisition subprogram of the Warren Knowles Gaylord Nelson Stewardship program for dam safety grants to counties. The grants may only be awarded for a county-owned dam that is under an order by DNR for maintenance, modification, abandonment or removal as of July 1, 2011. Further, the Act specifies that these grants may be provided for up to 25% of eligible project costs, with a maximum grant award of \$2,500,000 (\$10,000,000 project).

The Estabrook Dam safety project is eligible for funds under both of these categories (the original dam safety program and the dam safety funds from the stewardship program). Funding would differ depending on whether Milwaukee County decided to repair the dam or remove the dam. Further, a portion of county sediment remediation costs to remove the polychlorinated biphenyl (PCB) contaminated sediment near the dam, which has already been conducted, would be eligible for stewardship dam safety funding. This project was overseen, and primarily funded, by the Environmental Protection Agency. The county paid approximately \$4.2 million for this cleanup, out of total estimated costs of \$20 million for the project. The county would be eligible for reimbursement for a portion of these costs from the stewardship dam safety funds. DNR states

that up to 25% of estimated eligible costs of \$1.8 million related to a dam repair project or approximately \$450,000 would be available.

DNR grant staff note that they conduct an initial review of eligibility at the time of the dam safety grant award and then also review any request for payment of DNR grant funds, which may be submitted after at least 50% of total estimated project costs have been expended by the grant recipient. For grant planning purposes, the Department sets aside a 10% contingency amount in case project costs exceed initial estimates. For dam repair, there would not be a contingency set aside for the already conducted PCB sediment cleanup costs as those costs are known.

According to the Department, a 2016 updated estimated cost from Milwaukee County for a project to repair the dam is approximately \$4.7 million, not including any eligible sediment remediation costs. Based on this estimated cost for the repair project, DNR indicates that the project would be eligible for a grant under the original dam safety grant program of the maximum \$400,000. In addition, the project would be eligible for a dam safety grant from stewardship funds of \$1,175,000 (25% of total estimated project costs). In addition, a 10% contingency amount (\$117,500) would be set-aside. Including the sediment cleanup reimbursement, the grant set-aside for dam repair may total approximately \$2,142,500 as shown in the table.

The following table summarizes the current estimated project costs for repair of the dam and eligible state grant amounts based on those estimated costs. It should be noted that actual grant funds provided will vary depending on actual eligible project costs incurred.

Estabrook Dam Repair: Estimated Costs and DNR Grant Eligibility

<u>Project</u>	<u>Eligible Cost Estimate</u>	<u>Estimated Grant Award</u>	
Dam Repair:	\$4,700,000		
		\$400,000	Dam Safety Grants (Original Program)
		<u>1,175,000</u>	Stewardship Dam Safety Grants
		\$1,575,000	Estimated State Grant
		<u>117,500</u>	10% Contingency
		\$1,692,500	Estimated Grant Set-aside
PCB Sediment Cleanup	\$1,800,000	<u>\$450,000</u>	Stewardship Dam Safety Grants
Dam Repair Total Grant Set-aside		\$2,142,500	

DNR grant staff indicate that it is their understanding that Milwaukee County has also been pursuing other fund sources for the dam safety project. It is also possible that the county would incur costs related to the project that are not eligible for the state dam safety grant program.

I hope this information is useful. Please contact me with any additional questions.

ER/sas