

# COUNTY OF MILWAUKEE

## Interoffice Memorandum

DATE: May 1, 2012

TO: Supervisor Willie Johnson, Jr., Chairman, Committee on Finance and Audit

FROM: Steve Cady, County Board Fiscal & Budget Analyst  
Jerome J. Heer, Director of Audits

SUBJECT: **REQUEST FOR ADDITIONAL REVIEW OF THE COST TO MODIFY THE O'DONNELL PARK PARKING STRUCTURE FROM METAL PANEL TO CEMENT-BASED FINISH (FILE NO. 11-477)**

### REQUEST

At its meeting on October 27, 2011, the Committee on Finance and Audit requested additional information from County Board and Department of Audit staff related to the projected savings from changing the O'Donnell Park parking structure repair project from metal panel to stucco finish. In addition, the Committee wanted to know the maintenance requirements of each and the cost difference, if any, over the life cycle of the facility. The preparation of this report was delayed after consultation with DAS – Fiscal Affairs indicated that project was still open and incurring costs that could impact our analysis.

### BACKGROUND

A fatal accident in June 2010 at the O'Donnell Park parking structure forced the facility to be closed in order to repair the structure and guarantee the safety of the public. The 2011 Adopted Capital Improvements Budget included \$6,560,231 to repair the O'Donnell Park parking structure; \$6,019,849 in general obligation bonds and \$540,382 in cash financing for items that may be determined to be major maintenance and not eligible for cash financing. On February 28, 2011, a Milwaukee County Board Committee of the Whole received an informational briefing from the Director, Department of Transportation and Public Works (DTPW), outlining the proposed repairs to the facility and explaining two options for the façade design: 1) an aluminum and glazed wall panel (“metal panel”) system, or 2) a direct applied polymer-modified cement-based (stucco-like) finish (“cement-based”). After consulting with representatives of the County Parks (facility landlord), adjacent tenants and neighboring facilities, County and contract design staff decided to choose and recommend the metal panel finishing system option.

The metal panel system was originally estimated to cost \$1.2 million more than the cement finishing option, but was warranted for 20 years and would require much less maintenance than the cement-based finish, which was warranted for only five years and will require approximately \$100,000 to \$150,000 of cash financed major maintenance every five years to recoat, repair and repaint the cement-based finish.<sup>1</sup> Even recommending the higher cost metal panel finishing system, the total project was expected to cost approximately \$5 million or \$1.5 million less than budget.

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<sup>1</sup> Based on testimony of Director, Department of Transportation and Public Works to the Committee on Finance and Audit on April 14, 2011.

At its meeting on April 14, 2011, the Committee on Finance and Audit reviewed an informational status report dated March 16, 2011, from the Director, DTPW regarding the O'Donnell Park parking structure improvements that indicated a contract was awarded for the metal panel finish alternative. In a communication dated March 16, 2011, from the Director, Department of Transportation and Public Works the metal panel versus the cement-finish alternative decision was summarized as:

*“AE&ES Division staff and the design consultant staff of Carl Walker, Inc. reviewed the bids submitted and consulted with representatives of the County Parks, adjacent tenants and neighboring facilities in considering whether to award the base bid cement finish or add the metal panel alternative. The total bid, including the metal panel alternative, is within the established construction budget. While the cement finish is less expensive, the metal panel system will provide more than the specified 25 years of service life with minimal maintenance compared to the significant maintenance required for the base bid cement finish. The product warranty for the metal panels is 20 years versus 5 years for the cement finish. The metal panel system will provide a new look for the previously troubled structure, emphasizing the improved and safer structure.”*

However, the committee was informed that the County Executive-elect preferred the cement-based finish and the Director was going to issue a project change order to implement the request. The Committee directed (Vote 5-0) that a resolution be developed to direct the Director of DTPW to implement the metal panel finish alternative that was already selected and started. The resolution [(File No. 11-19(a)(a))] was approved by the County Board on April 21, 2011 (Vote 13-5).

On April 26, 2011, the new County Executive vetoed the resolution adopted by the County Board directing that the metal panel finish alternative be used for the O'Donnell Park parking structure. In his veto message, he cited the metal panels as “...decorative additions” and “Despite a cost of \$1.2 million, the glass and aluminum panels are cosmetic.” He also cited the Long Range Lakefront Planning Committee that the Board created on March 17, 2011, (File No. 11-154, Vote 15-0) that, among other things, was charged with looking at the short and long-term future of O'Donnell Park and the Downtown Transit Center. On April 27, 2011, County Board staff conveyed via e-mail to the County Board new information from the Director of DTPW that the project change order to the cement-based finish system would result in a “credit” of \$400,000 to \$500,000. Hence, the full \$1.2 million savings would not be realized because expenditures had already been made on the metal-panel finish alternative; the savings from changing to the cement-based finish would be approximately \$400,000 to \$500,000 based on estimates at that time. On April 28, 2011, the County Board sustained the County Executive's veto by a vote of 8-11.

In a memo dated October 17, 2011, the DAS - Interim Fiscal and Budget Administrator reported a cash financing deficit related to the O'Donnell Park parking structure of \$349,964 primarily due to the change order from the metal panel to cement-based finish. Although expenditures were made for the metal panels, it was not eligible for bond financing since the

assets were recycled and no longer part of the project. Despite the cash financing deficit, the project was estimated to have a surplus of approximately \$1.5 to \$1.8 million of bond eligible expenditure authority. At the request of the Chairman of the Committee on Finance and Audit, DTPW was directed to submit an informational report on cost related to the project change order to the cement-based finish. In a memo dated October 21, 2011, the Director of DTPW indicated that the cost savings from the switch from the metal panel finish to the cement-based finish was approximately \$345,261. At its meeting on October 27, 2011, the Committee on Finance and Audit reviewed both of the aforementioned reports and directed County Board and Audit staff to further explore the cost savings from switching to the cement-based finish.

**ANALYSIS**

County Board and Department of Audit staff met with staff from DAS – Fiscal Affairs and DAS – Architectural, Engineering, and Environmental Services staff to discuss the referral from the Committee on Finance and Audit. Discussion centered on additional architectural/design charges related to the switch from the metal panel to cement-based finish on the parking structure. Based on pending invoices, it was estimated by DAS staff that an additional \$64,000 in costs related to the project change order is still outstanding. Therefore, that would further reduce the savings related to switching to the lower cost finishing system from \$345,261 to \$281,261.

Policymakers were also interested in a comparison of the maintenance costs of the two different finishing systems. As explained in Resolution 11-19(a)(a) which directed the installation of the metal panel finish (which was vetoed and sustained), the metal panel system is warranted for 25 years and requires much less maintenance (washing windows) compared to the cement-based finish which is warranted for only five years and will require \$100,000 to \$150,000 of cash-financed major maintenance every five years to recoat, repair and repaint. Assuming a 25-year life cycle, the maintenance cost for the cement-based finish will be approximately \$677,000 more than the cost of the required maintenance would have been on the metal panel system.<sup>2</sup> After 10-years, the maintenance costs on the cement-based finish will exceed the metal panels by approximately \$295,186, wiping out the projected construction cost savings of \$281,261.

Initial Construction/Future Maintenance Costs (Cumulative)			
	Cement Finish	Metal Panel	Cumulative (Savings) or Cost Difference
Initial Construction	(\$281,261)	\$0	(\$281,261)
5 Years	\$144,909	\$8,203	(\$144,505)
10 Years	\$312,898	\$17,712	\$13,925
15 Years	\$507,644	\$28,735	\$197,648
20 Years	\$733,408	\$41,515	\$410,632

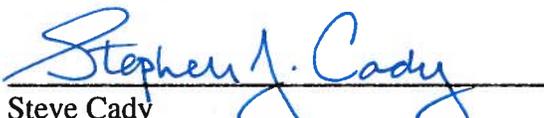
<sup>2</sup> Assumes \$125,000 to perform major maintenance every five years on the cement-based finish and \$1,500 annually to wash to power wash the metal panel finish. Both estimates are adjusted annually to reflect a 3% inflationary factor.

One of the arguments for a lower initial cost rehabilitation of the facility was the possibility that the parking structure could soon be sold for potential redevelopment of the site, as envisioned by Michael Cudahy in presentations in early 2011 to the County Board. On August 24, 2011, the Long Range Lakefront Planning Committee released its final report. In regards to the O'Donnell facility, the recommendation was "Redevelopment of the O'Donnell Park site should be considered more long-term because there are more logistical obstacles here than with the Downtown Transit Center site." Further, the report stated that "Any redevelopment of this site would have to take into consideration the replacement parking to accommodate the needs of various Downtown employees and patrons, as well as the relocation of O'Donnell Park's current tenants." Given these constraints, as well as the difficult economy for redevelopment initiatives, it can be reasonably concluded that removing the O'Donnell Park parking structure is unlikely to occur anytime soon.

#### SUMMARY

**The estimated initial cost savings of installing the cement-based rather than the metal panel finishing system to the O'Donnell Park parking structure is approximately \$281,261.** Said another way, the cement-based finishing system will cost approximately \$918,739 more than it would have if there had not been a major change order to switch from the metal panel finish at that point in the project timeline. On-going maintenance costs associated with the cement-based finish will erode the initial installation savings the longer the building remains operational. **Beginning at 10 years, the cost savings with the cement-finish is completely eroded by higher on-going maintenance costs compared to the metal panel system.**

In addition to lower on-going maintenance costs, the metal panel finish was also selected because of the added aesthetic benefit it provided to project in a high visibility area, the value of which this report does not attempt to quantify. Architectural renderings of both finish systems are attached to this report, as a timeline outlining key dates in the construction change order to the O'Donnell parking garage finishing system.

  
Steve Cady  
County Board Fiscal and Budget Analyst

  
Jerome J. Heer  
Director of Audits

ATTACHMENTS: Attachment A: Project timeline  
Attachment B. Architectural renderings of both finish systems

cc: Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors  
County Executive Chris Abele  
Pat Farley, Director, DAS  
Craig Kammholz, Acting FABAs, DAS  
Pamela Bryant, Capital Finance Manager, DAS  
Greg High, Director, DAS – Architectural, Engineering, and Environmental Services  
Carol Mueller, Chief Committee Clerk, County Board

<b>Timeline of Change Order of Façade Restoration of O'Donnell Park Parking Structure</b>	
June 24, 2010	Fatal accident at O'Donnell Park parking structure
November 8, 2010	2011 Capital Improvements Project for O'Donnell Park parking structure approved by the County Board
February 28, 2011	Committee of the Whole meeting where metal panel finish alternative is explained and recommended by DTPW officials
March 11, 2011	Contract award to KBS Construction, Inc. based on the base bid plus the metal panel alternative
March 23, 2011	Notice to proceed issued to KBS, Inc. ("Contractor")
April 7, 2011	Contractor notified to stop work related to the metal panels and asked to calculate the cost of changing to the cement-based alternative
April 14, 2011	Committee on Finance and Audit reviews informational report on O'Donnell Park parking structure repairs and approves a resolution directing the metal panel alternative after learning the DTPW Director was going to issue a project change order based on the newly elected County Executive's preference of the cement-based alternative
April 21, 2011	County Board approves resolution directing the metal panel finish alternative
April 21, 2011	Contractor notified to begin again on the metal panel finish alternative
April 25, 2011	Newly elected County Executive sworn into office
April 26, 2011	County Executive vetoes County Board resolution directing the metal panel finish alternative
April 27, 2011	County Board staff communicates information from Director, DTPW, that savings from switch from metal panel to cement-based finish is expected to save approximately \$400,000 to \$500,000, not \$1.2 million, since expenditures had already occurred
April 28, 2011	County Board sustains County Executive's veto of the metal panel finish alternative (Note: Special County Board meeting)
April 29, 2011	Contractor notified to stop work related to the metal panel alternative
May 6, 2011	Official project change order submitted to contractor to remove the metal panel alternative and revert to the base bid cement-finish
October 17, 2011	Memo from DAS-Fiscal Affairs regarding cash financing deficit of \$349,964 in the O'Donnell Park parking structure project primarily due to the change order from the metal panel to cement-based finish alternative. Bond proceeds could not be used for expenditures made on metal panels that were not installed
October 21, 2011	Memo from Director, DTPW, that the cost savings from the switch from the metal panel to cement-based alternative was approximately \$345,261
May 1, 2012	Memo from County Board and Department of Audit staff indicate that the cost savings from the switch from the metal panel to the cement-based finish alternative is approximately \$281,261 after reviewing charges received after the October 21, 2011, project update

## Base Bid – Exposed Structure

Concept Perspective



# O'Donnell Park Parking Structure Façade Improvements

## Add-Alternate – Metal Panel

Color Options – White Powder Coated



O'Donnell Park Parking Structure Façade Improvements