

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: January 12, 2015

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Authorization to Execute a Contract with Service Systems (SSA) for Concessions, Catering and Novelty Operations

FISCAL EFFECT:

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

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

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	(3,665,874)	
	Revenue	(3,665,874)	
	Net Cost	\$0	
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

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

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

A. The Zoo Director is requesting the authority to enter into a contract with SSA for concessions, catering and novelty operations at the Milwaukee County Zoo for a ten-year period and with the approval of the County Board, the term of the Agreement may be extended for additional five-year terms.

B. For 2015, revenues will be reduced by \$3,665,874 completely offset with expenditure reductions of \$3,665,874 for a zero net tax levy impact to the operating budget. SSA will provide \$3 million in capital improvements for Zoo facilities improvements during the first five years of the contract, which works out to be \$600,000 per year. Most of the improvements will be completed during the first three years for revenue growth. SSA will also provide \$30,000 in marketing support per year for the first five years of the contract for a total of \$150,000.

SSA is projecting that revenues will increase each year of the contract which will also increase the commission revenue paid to the Zoo. For 2016, commission revenues to the Zoo are projected to increase by \$208,647, \$104,898 in 2017, \$82,953 in 2018 and \$78,037 in 2019 for a total accumulated increase in revenues of \$474,535. Additional revenues are also projected for years six through 10 of the contract. Enhanced visitor experience will also increase attendance and return visits, which increase other Zoo revenue accounts. The County and the State will receive additional sales taxes from SSA purchases whereas the County is exempt for those taxes. Additional full-time staff will be hired at the Zoo where additional income taxes will be paid to the State.

The Zoo and the County will also achieve savings by cost avoidance for the following: wage and benefit cost increases, fuel savings, repair and maintenance of equipment, purchasing replacement equipment, reduction in worker compensation claims and risk transfer to SSA, food

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

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

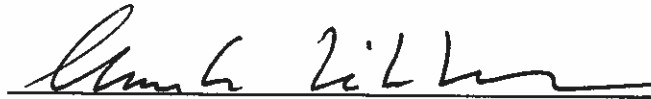
liability issues will be transferred to SSA, HR/Ceridian payroll savings, cash handling risk and transfer to SSA, and a reduction in training costs.

C. The 2015 contract impact is a positive amount of \$630,000. Expenditures and revenues will be reduced by \$3,665,874 for a zero net impact to County's 2015 Budget. The 2016 Budget will be adjusted to reflect the change to a new service model.

D. The revenue projections were provided by SSA and the projections were reviewed and given a high confidence factor by the consultant that was hired to assist the Zoo in developing the RFP. SSA has proven results with 31 other zoos in 16 different states serving over 25 million guests annually.

Department/Prepared By Vera Westphal, Deputy Zoo Director (Administration/Finance)

Authorized Signature



Did DAS-Fiscal Staff Review? Yes No

Did CBDP Review?² Yes No Not Required