

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE: October 17, 2011

TO: Lee Holloway, Chairman, County Board of Supervisors
Johnny Thomas, Chairman, Committee on Finance and Audit

FROM: Pamela Bryant, Interim Fiscal and Budget Administrator, Department of Administrative Services

SUBJECT: **Revenue Deficit in Excess of \$75,000 – Department of Administrative Services**

Policy Issue

County Ordinance 56.02 requires each person in charge of any County office, department agency, or any non-departmental account to "...submit a written report to the County Executive, the committee on Finance and Audit of the County Board and the Department of Administration whenever such person has reason to know or believe that a deficit of seventy-five thousand dollars (\$75,000.00) or more in any revenue account will occur for the division of county government under the supervision of that person.

Background- O'Donnell Project

The 2011 Adopted Budget included an appropriation of \$6,560,231 for repairs to the O'Donnell Park parking structure. Financing was to be provided from \$6,019,849 in reallocated bond proceeds and \$540,382 in UWM land sale revenue.

The project was divided into three different components. The components included demolition, façade restoration, and internal repairs and improvements. The scope of the façade restoration component included the removal of the precast panels on the parking structure, with the exposed cast-in-place concrete parapet needing some improvements and some form of aesthetic treatment.

An advertisement for construction bids was issued in February of 2011 for the façade restoration of the project. The construction bid documents directed respondents to submit a base bid and an alternative bid. Both bids included the removal of the precast panels system. The base bid provided for a direct applied polyer-modified cement based finish system and the alternative bid provided for a metal wall panel system and glazed entry structure.

In March 2011, a contract was awarded to KBS Construction Inc. (KBS) for the façade restoration based on the base bid plus the cost of the metal panel alternative.

Background- UWM Land Sale Revenue

The 2011 Adopted Capital Improvements Budget included \$5,000,000 of UWM land sale financed capital projects. This included \$540,382 of UWM land sale revenue budgeted in Project WO11401 O'Donnell Park Improvements.

In February 2011, a Real Property Purchase Agreement with UWM Innovation Park, LLC for County-owned land located in the Northeast Quadrant of the County Grounds was approved. The purchase price was \$13.55 million. The payments were amended from the schedule originally adopted in May 2009. Instead of the second \$5 million payment being received by Milwaukee County in February 2012 (available for fiscal year 2011), it will be received in February 2014 (available for fiscal year 2013).

Project Deficit

The \$540,382 in UWM land sale revenue included in the 2011 Adopted Capital Improvements Budget was provided to finance components of the project that are not eligible for bond financing will not be realized in 2011. The cash financed components included repairing spalls, routing and sealing of cracks/joints, painting of pavement markings, landscaping/irrigating, monitoring of leaks, and other miscellaneous items.

An analysis conducted by the Department of Administrative Services (DAS) estimates that the costs of the cash financed components of the project totaled \$226,700.

Subsequent to the letting of the contract with KBS for the façade restoration of the project, a change in scope was approved. The change in scope resulted in the use of a direct applied polyer-modified cement based finish system instead of the metal wall panel system and glazed entry structure that was included in the contract.

The change in scope occurred subsequent to the expenses having been incurred by the subcontractors for the costs associated with the specialty glazed structure and the metal panels. A total net cost of \$506,166 was incurred for the metal panels and a total net cost of \$157,480 was incurred for the specialty glazed structure. The total costs identified above are net of credits for the materials that were recycled after the change of scope. Since the \$663,646 expenses are related to assets that were recycled, they are not eligible to be financed with bond proceeds.

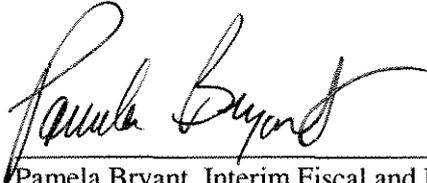
In total, there is \$890,346 in cash financing needed for the project, which assumes that none of the UWM land sale revenue is received in 2011.

Surplus of Bond Proceeds

The project is in the process of final billing, but it is anticipated that there will be an estimated surplus of \$1.5 to \$1.8 million in bond eligible expenditure authority.

Recommendation

This is an informational report. No action is necessary.



Pamela Bryant, Interim Fiscal and Budget Administrator

- cc: County Executive Chris Abele
George Aldrich, County Executive's Office
Pat Farley, Director, Department of Administrative Services.
Terrence Cooley, Chief of Staff, County Board
Pamela Bryant, Interim Fiscal and Budget Administrator
Jack Takerian, Director, Transportation and Public Works
Sue Black, Director, Parks
Greg High, Director, Architecture & Engineering Div. DTPW
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