

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: August 22, 2014

Original Fiscal Note

Substitute Fiscal Note

SUBJECT:

FISCAL EFFECT:

- No Direct County Fiscal Impact
- Existing Staff Time Required
- Increase Operating Expenditures (2014 CY)
(If checked, check one of two boxes below)
 - Absorbed Within Agency's Budget
 - Not Absorbed Within Agency's Budget
- Decrease Operating Expenditures (Subsequent Years)
- Increase Operating Revenues
- Decrease Operating Revenues
- Increase Capital Expenditures
- Decrease Capital Expenditures
- Increase Capital Revenues
- Decrease Capital Revenues
- 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	\$1,107,050	(\$228,874)
	Revenue	0	0
	Net Cost	\$1,107,050	(\$228,874)
Capital Improvement Budget***	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

* Total expenditure is \$1.76 Million, less \$650,000 in 2014 budget nets to current year 2014 impact of \$1.1 Million. Of the \$650,000 included in the 2014 budget, \$250,000 is contingent upon "release" by the County Board. Please see Item A (footnote #2) on the following page.

** Capital Improvement Budget assumes demolition of City Campus in 2015 at a cost of approximately \$3,800,000, budgeted in 2015 CEX Recommended Budget.

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. *To provide funding related to the relocation costs associated with moving staff from City Campus to one of three different locations, Board approval is requested for funding from 1.) Debt Service Reserve of \$1.107 Million; 2.) \$250,000 in the DAS-Facilities Management Budget.² Please see report for further detail.*

B. *In summary, relocating existing City Campus tenants is anticipated to reduce future Operating Expenses associated with the costs of housing approximately 200 MC employees. Cost savings are assumed to begin in (2nd QTR) 2015 at approximately \$229,000 for that year and then average approximately \$401,000 per year thereafter (for the next four years). The projected breakeven point by vacating City Campus and relocating to another leased facility is estimated to be in 2019. Please see report for further detail.*

A capital expenditure of approximately \$3.8 Million (cash financed) is budgeted in the 2015 CEX Recommended budget for the demolition of one, two or three of the buildings at City Campus in preparation of the site to be redeveloped. Relocating staff to other facilities postpones near-future capital expenditures (bond financed) for rehabilitation of the existing facility (approximately \$23.2 Million).³ This allows time for the County to better plan for the most efficient and cost effective alternative.

C. *Please see report and item B.*

D. *Assumptions included: 1.) City Campus annual operating costs of approximately \$1 Million (based on CBRE report/DAS-Facilities Management data); 2.) Estimated Lease/Rent (average of \$661,000 annually over the next five years) and related costs (approximately \$1.76 Million in 2014 for furniture, relocation costs, design fees, etc.) based on weekly CBRE*

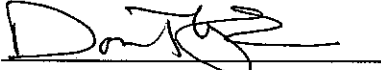
¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

² The 2014 Adopted Budget includes \$250,000 in the DAS-Facilities Management Budget to be used "to more effectively plan for county-wide space needs... for services related to the potential relocation of staff within county-owned facilities to improve operational efficiencies and reduce ongoing costs." The County Board can authorize release of this funding after a comprehensive update is provided as to how the initial funds were spent and the specific plans on how the remaining monies will be used to more efficiently use county-owned space. This specific requirement is included in the attached report to committee for the September 2014 committee cycle.

³ Bond financing for the rehab of City Campus includes principal of \$18.5 Million plus interest and debt issuance costs of approximately \$4.7 Million for a total of \$23.2 Million amortized over 15 years and paid with Tax Levy via the Debt Service Fund. See "Table 2" of the attached report. The original CBRE report, as presented during the January 2014 committee cycle, assumed \$18.5 million in principal plus \$7.5 million in interest costs.

and Facility Planning Committee meetings/updates; 3.) Near-Future Capital Cost Avoidance for rehabilitation of the existing facility for \$23.2 Million (CBRE Report w/ updated Bonding scenario). Please see report for further detail.

Department/Prepared By: Don Tyler – Director of Administrative Services

Approved By: 

Did DAS-Fiscal Staff Review? Yes No

Did CBDP Review?⁴ Yes No Not Required

⁴ Community Business Development Partners' review is required on all professional service and public work construction contracts.