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(ITEM) From the Capital Finance Manager, Office of the Comptroller, requesting authorization to execute an administrative fund transfer to receive lease payment revenue from the Milwaukee Yacht Club and to deposit the funds into the Debt Service Reserve to offset \$18.7 million in debt issued for improvements to McKinley Marina; and notifying policymakers of a change in use for the \$150,000 payment from 2008 and the payment plan for the \$175,000 payment from 2013, by recommending adoption of the following:

A RESOLUTION

WHEREAS, Milwaukee County (the County) entered into a lease agreement with the Milwaukee Yacht Club (MYC) that included the construction of a facility with ownership to revert to the County at the end of the term; and

WHEREAS, the initial lease was from 1966 to 1991, with renewal for another 25 years upon approval by County policymakers; and

WHEREAS, the current lease is for the years 1992-2017, with renewal for another 25 years upon agreement and approval by County policymakers; and

WHEREAS, the current lease specifies that the MYC must notify the County of its intention to negotiate a renewal term two years prior to January 10, 2017, and the MYC did so on March 20, 2015; and

WHEREAS, the Department of Parks, Recreation, and Culture (DPRC) is in the process of drafting a lease for the MYC that will be negotiated in the Spring of 2016; and

WHEREAS, the DPRC began receiving annual rent and MYC parking fees in 1994 and these amounts have been included and budgeted as general revenues for the DPRC; and

WHEREAS, the agreement also included the payment by the MYC of five balloon payments totaling \$750,000 over the term of the lease:

- 1999 - \$100,000
- 2003 - \$125,000
- 2008 - \$150,000
- 2013 - \$175,000
- 2018 - \$200,000

; and

46 WHEREAS, in 1999, the first balloon payment of \$100,000 was due and
47 budgeted in the Miscellaneous Revenue budget to offset costs associated with the
48 construction of the breakwater and dockage at McKinley Marina and the County spent
49 approximately \$18.7 million from 1994 to 2001 for these improvements; and

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51 WHEREAS, the balloon payments for the years 1999, 2003, and 2008 were
52 budgeted in the Miscellaneous Revenue budget for the respective years and the County
53 did not receive the \$150,000 balloon payment budgeted in 2008; and

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55 WHEREAS, the DPRC is responsible for collecting the lease payments and
56 although it is not clear why the revenue was not collected, there were a number of staff
57 changes in the DPRC's fiscal department as well as in the Fiscal Affairs Division,
58 Department of Administrative Services (DAS) (now known as the Office of Performance,
59 Strategy, and Budget, DAS); and

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61 WHEREAS, in 2011, the MYC requested permission from the DPRC to use the
62 \$150,000 (2008 balloon payment), along with \$50,000 of MYC funds, to pay for the
63 dredging of the Flushing Channel; and

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65 WHEREAS, in February of 2012, the DPRC sent correspondence to the MYC
66 allowing them to use the \$150,000 to dredge the Flushing Channel; and

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68 WHEREAS, in addition, the County did not receive the \$175,000 balloon
69 payment that was due in 2013; and

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71 WHEREAS, a 2015 communication from the DPRC to the MYC indicates that
72 they were in default of the lease due to non-payment of the 2013 balloon payment; and

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74 WHEREAS, the DPRC met with the MYC in May of 2015 and developed a
75 payment plan for the MYC to pay the \$175,000 that was due in 2013 in installments in
76 lieu of finding the MYC in default and all payments are due 15 days after the end of the
77 quarter; and

78
79 WHEREAS, the MYC has signed the payment plan and the DPRC
80 communicated to the MYC that if it failed to make the payments that the MYC would be
81 in immediate default of the existing lease and, to date, the MYC has made all payments
82 in accordance with the plan; and

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84 WHEREAS, the plan is contingent on the MYC's successful completion of its due
85 diligence obligations by July 15, 2015, and successful completion of all subsequent and
86 timely lease negotiations with the DPRC; and

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88 WHEREAS, preliminary financial statements were submitted to the DPRC by
89 July 15, 2015; and

90

91 WHEREAS, all other due diligence requirements will be due closer to lease
92 execution, by the current timeline of June 2016, and if lease negotiations with the MYC
93 are not timely, the DPRC reserves the right to find the MYC in default under the terms of
94 the lease; and

95
96 WHEREAS, all parties are meeting timeline established deadlines; and

97
98 WHEREAS, the Committee on Finance, Personnel, and Audit, at its meeting of
99 December 10, 2015, recommended adoption of the Capital Finance Manager's request
100 (vote 6-0); now, therefore,

101
102 BE IT RESOLVED, the Milwaukee County Board of Supervisors hereby
103 authorizes and directs the Department of Administrative Services, with assistance from
104 the Office of the Comptroller, to prepare and execute an administrative transfer to
105 receive lease payment revenue from the Milwaukee Yacht Club and deposit the funds
106 into the Debt Service Reserve to offset approximately \$18.7 million in debt issued for
107 improvements to McKinley Marina.

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