

9-28-17 FINANCE AND AUDIT COMMITTEE APPROPRIATION TRANSFERS
 E UNALLOCATED CONTINGENCY FUND

Action Required
 Finance Committee
 County Board (2/3 Vote)

WHEREAS, your committee has received from the Department of Administration, Fiscal Affairs, the following department requests for transfer to the 2017 appropriations from the allocated contingent fund and finds that the best interests of Milwaukee County will be served by allowance of such transfers;

THEREFORE, BE IT RESOLVED, that the Director, Department of Administration, is hereby authorized to make the following transfers in the 2017 appropriations from the unallocated contingent fund:

1)	<u>From</u>	<u>To</u>
<u>WT087 Kinnickinnic Maintenance Bay Improvements #</u>		
8509 – Other Building Improvements (CAP)		\$300,000
<u>Org. Unit 1945 Appropriation for Contingency</u>		
8901 – Appropriation for Contingency- Unalloc	\$300,000	
# Existing Project, + Included in 5-Year Plan, * New Project		

A 2017 appropriation transfer of \$300,000 is requested by the Director of the Department of Administrative Services to allocate \$300,000 from the appropriation for contingencies account to provide an additional \$500,000 of expenditure authority to Project WT087 Kinnickinnic (KK) Maintenance Bay Improvements (Formerly Kinnickinnic Maintenance Pits).

The KK Garage is the largest of the three Milwaukee County Transit System (MCTS) operating garages. It conducts over 1,000 inspections across roughly 160 buses each year, amounting to roughly four inspections per day. The inspections are conducted over two pits which are designated specifically for routine and urgent inspections. A third pit at the KK garage is not currently used for inspection work because the oil drain lines inside the pit deteriorated years ago. In 2016, damaged concrete around the perimeter of the pits was first detected as a concern. The damage is likely caused by salt penetrating the concrete slabs, rusting the rebars, and causing spalling and cracking. The deteriorating and falling concrete presents a safety hazard for maintenance workers and as a result, the center pit has been closed since May 2016.

Since closing the center pit there has only been one pit open and available for use. This situation causes operational challenges and inefficiencies. The loss of this pit makes four bus spaces inaccessible and mechanics must now spend time shuffling buses to/from the other inspection pit. This shuffling of buses takes time away from the inspection work and creates restrictions to the order in which work must be performed on a given bus. This contributes to a loss of flexibility in managing a typical day’s workload. The goal of this construction is to get all three pits back into safe working order.

In September 2016, an appropriation transfer of \$130,000 was approved for improvements of the center pit. The improvements were to include the removal and replacement of the concrete slabs, the replacement of steel netting anchors above the pits, and addressing other general conditions in the area. Financing was provided from surplus 2016 bonds in the bus replacement project.

In March 2017, an appropriation of \$500,000 was approved to include removal and replacement of the damaged concrete structural slabs, the installation of new trench drains at both the north and south ends of the pits, the installation of electrical outlets within the pits, replacement of lighting in the pits, replacement of the fluid lines

running from the Oil Room to the pits, and the installation of new water supply to each of the three maintenance pits.

In July 2017, two competitive bids were received, with the low responsive responsible bid at \$734,865. This exceeded the pre-bid estimate by \$218,000. The County's design consultant has indicated a number of reasons for the overage including:

- Lack of capacity in the local contracting community;
- Time of year of the bid;
- Potential unknown site conditions due to the age and poor condition of the facility;
- Tight construction timeline (due to safety issues)

The consultant also indicated that while a re-bid of the project for construction next year might yield some savings, significant safety considerations and ongoing impacts to transit inspection and repair operations preclude the delay of the project completion to mid-2018 if the County were to re-bid. The requested fund transfer amount also includes an added 10% contingency to cover unknown site conditions.

Assuming approval of this appropriation transfer, it is anticipated that the project will be completed in the 2nd quarter of 2018.

This fund transfer has no tax levy impact.

TRANSFERS SIGNED BY THE COUNTY EXECUTIVE AUGUST 25, 2017.

2)	<u>From</u>	<u>To</u>
<u>1945- Appropriation for Contingencies</u>		
8901 – Appropriation for Conting	\$273,000	
	<u>\$398,000</u>	
<u>1961- Litigation Reserve</u>		
6149 – Prof. Services Non-recur		\$273,000
Oper		<u>\$398,000</u>

\$545,591 was budgeted for the Litigation Reserve in 2017. Most of that amount has been spent or encumbered for contracts. We anticipate that only \$70,595.98 will be available by mid-August once two pending contracts are encumbered. Although not immediately likely, that remaining balance could be encumbered due to the spending authorization in File 17-465 (if needed to avoid funding loss under 8 U.S.C. § 1373) and another contract, leading to a possible \$28,404.02 deficit.

File No. 16-229, adopted March 17, 2016, authorized the transfer of the Kahler Building, the 2015 East Addition, portions of the Saarinen Building, and the O'Donnell Park parking structure improvements to the Milwaukee Art Museum, and portions of the Saarinen Building to Milwaukee County War Memorial, Inc. The Agreement included a provision to reimburse the War Memorial, Inc. (WMC) \$25,000 for legal services related to the Milwaukee Art Museum's (MAM) acquisition of the O'Donnell Parking Structure and nearby properties. It was anticipated that the real estate transaction would be completed in the spring of 2017, but has not yet closed. Due to complexities related to the transaction, the \$25,000 authorized in File No. 16-229 for the WMC legal fees was never encumbered in 2016, and ultimately lapsed to the bottom line in 2017. It is reported that the

legal fees for the WMC now exceed \$125,000. Therefore, an additional \$125,000 is transferred to the Litigation Reserve designated for the WMC to cover legal fees related to the property acquisition.

The Comptroller is authorized to reimburse WMC up to \$125,000 in legal fees related to the real estate transaction outlined in File No. 16-229. The reimbursement to WMC shall occur only after WMC submits legal invoices to the Comptroller (and copied to the Corporation Counsel) that directly relate to the completion of the aforementioned real estate transaction.

Given this year's use of the Litigation Reserve to date, we calculate that this transfer of ~~273,000~~ \$398,000 from contingency may be needed for unanticipated legal expenses.

This fund transfer has no tax levy impact.

2017 BUDGETED CONTINGENCY APPROPRIATION SUMMARY

UNALLOCATED CONTINGENCY ACCOUNT

2017 Budgeted Unallocated Contingency Appropriation Budget	\$5,138,755
Approved Transfers from Budget through August 28, 2017	
Kinnickinnic Maintenance Bay/Bus Replacement Program	(\$266,114)
WPS Workgroup	(\$150,000)
CB Resolution 17-483	\$156,672
Unallocated Contingency Balance August 28, 2017	\$4,879,313
Transfers from the Unallocated Contingency Pending in Finance and Audit Committee through August 28, 2017	
KK Maintenance Garage Repairs	(\$300,000)
Litigation Reserve Refill	(\$273,000 <u>\$398,000</u>)
Total Transfers Pending in Finance and Audit Committee	(\$573,000 <u>\$698,000</u>)
Net Balance	\$4,306,313 <u>\$4,431,313</u>

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