

**COUNTY OF MILWAUKEE**  
**Inter-Office Communication**

DATE: May 20, 2013

TO: Supervisor Marina Dimitrijevic, Chairwoman  
Milwaukee County Board of Supervisors

FROM: Julie Esch, Director of Operations   
Department of Administrative Services

**SUBJECT: Transfer of Seven Milwaukee County Water Utility Customers  
and West Water Tower to the City of Wauwatosa**

**History**

As Milwaukee County (County) government's presence on the County Grounds has diminished over the years, the County has considered the possible transfer of its water utility (County Utility) to the City of Wauwatosa (Wauwatosa). Likewise, Wauwatosa has considered consolidation of the two water systems due to unnecessary redundancies in water service infrastructure. The Zoo Interchange mitigation projects for Swan Boulevard and Watertown Plank Road have revived these discussions largely due to the significant costs that would be borne by the County's Utility customers for the relocation of water mains and other related infrastructure that is located within the Watertown Plank Road and Swan Boulevard rights-of-way.

**Background**

In the fall of 2012, the County and the City met to discuss the possibility of transferring the County Utility to the City. Representatives of the County and City agreed to engage the Public Policy Forum (PPF) in a professional services agreement for the analysis of the pros and cons of transferring the County Utility to the City. The County and City agreed to share equally in the \$20,000 cost of the contract. Originally, the County and City requested that the PPF provide an analysis of the entire water system. However, the Wisconsin Department of Transportation's (WisDOT) deadlines for submission of plans and specifications related to the reconstruction of Swan Boulevard and Watertown Plank Road forced the PPF, with the permission of the County and City, to analyze those parts of the water system (described as Phase I and Phase II) directly impacted by the Swan Boulevard and Watertown Plank Road mitigation projects immediately. The remainder of the County Utility (described as Phase III) would be analyzed separately in order for the County to meet WisDOT deadlines.

In January of 2013, the County and City executed separate professional service agreements with the PPF for the analysis. Staff from the Department of Administrative Services (DAS), including Facilities Management and Fiscal Affairs and the Office of the Comptroller participated in meetings and provided data to the PPF for the analysis. The final report was presented to the County and City in April of 2013. Subsequently, the County and City agreed to commence negotiations for the transfer of seven customers and the west water tower (Tower) to the City.

### **Analysis**

Transfer of the seven County Utility customers, which include the UWM Real Estate Foundation's Innovation Park LLC, Milwaukee County's Camp Wil-O-Way building on Underwood Parkway, UW Milwaukee County Cooperative Extension's Urban Gardens, Milwaukee County's Fleet building, Wisconsin Lutheran College, Milwaukee County Research Park Corporation (MCRPC) and Milwaukee County's Children's Court Center, will result in a positive fiscal impact to Milwaukee County.

This positive fiscal impact is achieved, in part, by the County receiving an annual minimum of \$20,000 from the City based upon the net revenue the City expects to realize from gaining the seven customers. In addition, County departments transferred to the City's water service are projected to realize a water charge savings of approximately \$7,079 due to lower water rates. Those County departments remaining on the County Utility are anticipated to see an increase of approximately \$3,977<sup>1</sup>. Overall, the County is projected to achieve an estimated annual net savings of \$23,102.

Additionally, County and non-County users of the County Utility are anticipated to benefit from cost-avoidance due to the transfer of the County Utility to the City. This includes costs related to the ongoing maintenance and future demolition and reconstruction of the Tower in the amount of \$1,418,000. Furthermore, cost avoidance of approximately \$1,714,250 is projected as a result of County Utility relocation costs associated with the construction of the Zoo Interchange project. Overall, total estimated cost avoidance for all utility users is \$3,132,250.

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<sup>1</sup> Remaining County departmental users of the Utility include DHHS-BHD, CATC, and Parks.

<b>Net Annual Expenditure Increase/(Decrease)</b>	<b>Explanation</b>
<u>(\$20,000)</u>	Payment from Wauwatosa to County (i.e. Net Revenue from 7 transferred County customers).
<u>(\$7,079)</u>	Net savings realized from the County users transferred to the Wauwatosa water utility.
<u>\$3,977</u>	Increase in Milwaukee County water charge due to lower user base.*
<b>(\$23,102)</b>	<b>Total County Levy Increase/(Decrease)</b>

*\*As a result of the transferred user to the Wauwatosa water system, Milwaukee County water rates to the remaining users will increase.*

<b>Cost Avoidance to All Users</b>	<b>Explanation</b>
<u>\$58,000</u>	Ongoing Maintenance of West Water Tower.
<u>\$1,300,000 (2013 dollars)</u>	Building a new West Water Tower in 10 yrs.
<u>\$30,000-\$60,000 (2013 dollars)</u>	West Water Tower Demolition.
<u>\$1,714,250</u>	Construction Costs Related to Zoo Interchange.
<b>\$3,132,250</b>	<b>Total Cost Avoidance to All Users</b>

Therefore, based on the Public Policy Forum's report on the Phase I and Phase II transfer of the seven water utility customers and Tower from the County to the City and the subsequent negotiation of the proposed Memorandum of Agreement, the following terms are proposed:

1. This Agreement shall be for a term of 10 years. Ten years represents that length of time required to defease the general obligation bonds issued by the County to finance the Tower. Upon the conclusion of year ten, ownership of the Tower and underlying land shall be transferred to WAUWATOSA at a cost of \$1.00.
2. During the term of the Agreement, WAUWATOSA shall pay MC an annual sum, which will be the greater of \$20,000 or fifty-percent (50%) of the total net revenue realized by the WAUWATOSA from the transfer of the seven water utility customers to the WAUWATOSA's water utility system.
3. During the term of this Agreement, MC will retain the current cell antenna revenue collected at this location. Any additional revenues from the siting of additional cell tower equipment on the Tower will accrue to WAUWATOSA.
4. WAUWATOSA will maintain the Tower and MC shall provide WAUWATOSA with technical support as necessary to effectuate transference of the Tower and seven water utility customers.

5. As part of the transfer, MC agrees to execute an easement agreement with Wauwatosa for the water mains that will become part of the WAUWATOSA Water Utility through the transfer of the seven customers (as named in the recitals) and the Tower.
6. MC and WAUWATOSA will negotiate costs for the capping, abandonment, valve adjustments and cross-connections needed to complete Phases I and II.
7. Neither MC nor the seven customers transferred to WAUWATOSA shall be responsible for any costs not directly associated with the provision of water service or other services actually provided by WAUWATOSA to MC or those customers.
8. MC and WAUWATOSA shall pursue the implementation of the recommendations of the Public Policy Forum upon receipt of the Public Policy Forum's independent analysis.
9. MC and WAUWATOSA agree to discuss the fire protection fee charged to MC government as part of the next phase the water utility transfer.

**Recommendation**

The Department of Administrative Services respectfully requests authorization to transfer the seven water utility customers and the west water tower from the Milwaukee County Water Utility to the City of Wauwatosa's water service by entering into the above referenced Memorandum of Agreement.

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(ITEM NO. ) A resolution to transfer seven of Milwaukee County's Water Utility customers and west water tower to the City of Wauwatosa, recommending adoption of the following:

**A RESOLUTION**

WHEREAS, as Milwaukee County government's presence on the County Grounds has diminished over the years, the County has considered the possible transfer of its water utility to the City of Wauwatosa; and

WHEREAS, the Zoo Interchange mitigation projects for Swan Boulevard and Watertown Plank Road have revived these discussions largely due to the significant costs that would be borne by the County's water utility customers for the relocation of water mains and other related infrastructure that is located within the Watertown Plank Road and Swan Boulevard rights-of-way; and

WHEREAS, in the fall of 2012, Milwaukee County (County) and the City of Wauwatosa (City) met to discuss the possibility of transferring the County's water utility to the City and agreed to engage the Public Policy Forum (PPF) in a professional services agreement for the analysis of the pros and cons of transferring the County's water utility to the City; and

WHEREAS, the County and City agreed to share equally in the \$20,000 cost of the contract and, in January of 2013, the County and City executed separate professional service agreements with PPF for the analysis; and

WHEREAS, due to the Wisconsin Department of Transportation's (WisDOT) deadlines for submission of plans and specifications related to the reconstruction of Swan Boulevard and Watertown Plank Road forced PPF, with the permission of the County and City, to analyze those parts of the water system (described as Phase I and Phase II) directly impacted by the Swan Boulevard and Watertown Plank Road mitigation projects immediately with the remainder of the system (described as Phase III) to be analyzed separately in order for the County to meet WisDOT deadlines.

WHEREAS, the final report for Phases I and II was presented to the County and City in April of 2013, and subsequently, the County and City agreed to commence negotiations for the transfer of seven customers and the west water tower (Tower) to the City; and

43 WHEREAS, transfer of the seven water utility customers, which include the UWM  
44 Real Estate Foundation's Innovation Park LLC, Milwaukee County's Camp Wil-O-Way  
45 building on Underwood Parkway, UW Milwaukee County Cooperative Extension's  
46 Urban Gardens, Milwaukee County's Fleet building, Wisconsin Lutheran College,  
47 Milwaukee County Research Park Corporation (MCRPC) and Milwaukee County's  
48 Children's Court Center, will result in a positive fiscal impact to Milwaukee County; and  
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50 WHEREAS, this positive fiscal impact is achieved by County receiving net  
51 realized revenue the City would gain from the addition of the County's seven customers  
52 to its water system, for a total savings to the County of approximately \$23,102 annually;  
53 and  
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55 WHEREAS, the most significant fiscal savings would result from avoiding costs  
56 related to the relocation of water utility infrastructure for the reconstruction of Swan  
57 Boulevard and Watertown Plank Road and for the future demolition and reconstruction  
58 of the Tower for a total approximate savings, to all County water utility customers, of  
59 \$3,132,250; and  
60

61 WHEREAS, based on the Public Policy Forum's report on the Phase I and Phase  
62 II transfer of the seven water utility customers and Tower from the County to the City  
63 and the subsequent negotiation of the proposed Memorandum of Agreement; and  
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65 WHEREAS, the Memorandum of Agreement includes the terms as follows:  
66

- 67 1. This Agreement shall be for a term of 10 years. Ten years represents that length  
68 of time required to defease the general obligation bonds issued by the County to  
69 finance the Tower. Upon the conclusion of year ten, ownership of the Tower and  
70 underlying land shall be transferred to WAUWATOSA at a cost of \$1.00.  
71
- 72 2. During the term of the Agreement, WAUWATOSA shall pay MC an annual sum,  
73 which will be the greater of \$20,000 or fifty-percent (50%) of the total net revenue  
74 realized by the WAUWATOSA from the transfer of the seven water utility  
75 customers to the WAUWATOSA's water utility system.  
76
- 77 3. During the term of this Agreement, MC will retain the current cell antenna  
78 revenue collected at this location. Any additional revenues from the siting of  
79 additional cell tower equipment on the Tower will accrue to WAUWATOSA.  
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- 81 4. WAUWATOSA will maintain the Tower and MC shall provide WAUWATOSA with  
82 technical support as necessary to effectuate transference of the Tower and  
83 seven water utility customers.  
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- 85 5. As part of the transfer, MC agrees to execute an easement agreement with  
86 Wauwatosa for the water mains that will become part of the WAUWATOSA  
87 Water Utility through the transfer of the seven customers (as named in the  
88 recitals) and the Tower.  
89  
90 6. MC and WAUWATOSA will negotiate costs for the capping, abandonment, valve  
91 adjustments and cross-connections needed to complete Phases I and II.  
92  
93 7. Neither MC nor the seven customers transferred to WAUWATOSA shall be  
94 responsible for any costs not directly associated with the provision of water  
95 service or other services actually provided by WAUWATOSA to MC or those  
96 customers.  
97  
98 8. MC and WAUWATOSA shall pursue the implementation of the recommendations  
99 of the Public Policy Forum upon receipt of the Public Policy Forum's independent  
100 analysis.  
101  
102 9. MC and WAUWATOSA agree to discuss the fire protection fee charged to MC  
103 government as part of the next phase the water utility transfer

104  
105 ; now, therefore,  
106

107 BE IT RESOLVED, the Milwaukee County Board of Supervisors hereby  
108 authorizes and directs the Director of the Department of Administrative Services,  
109 Corporation Counsel, and Risk Management to negotiate, prepare, review, approve,  
110 execute and record all documents and perform all actions required to enter into an to  
111 enter into a Memorandum of Agreement (Agreement) with the City of Wauwatosa for  
112 the aforementioned terms related to the transfer of seven Milwaukee County water utility  
113 customers and the west water tower to the City of Wauwatosa.

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**MILWAUKEE COUNTY FISCAL NOTE FORM**

**DATE:** May 20, 2013

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:**

**FISCAL EFFECT:**

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

*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.*

	<b>Expenditure or Revenue Category</b>	<b>Current Year*</b>	<b>Subsequent Year</b>
<b>Operating Budget</b>	Expenditure	0	(\$3,102)
	Revenue	0	0**
	Net Cost	0	(\$3,102)
<b>Capital Improvement Budget</b>	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

\*Current Year impact was not included as the commencement date for a proposed agreement is not yet known.

\*\*Additional revenue provided by the City of Wauwatosa will result in an unknown net operating budget decrease for the remaining county departmental customers.

## 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. <sup>1</sup> 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 Department of Administrative Services is requesting authority to execute a Memorandum of Agreement with the City of Wauwatosa (City) for the transfer of seven Milwaukee County Water Utility (Utility) customers (of which, five are County departments) and the west water tower to the City's water service.
- B. Milwaukee County will receive a minimum of \$20,000, on an annual basis, from the City in additional revenue from transferring the seven customers to the City's service. As a result of the transfer of the seven Utility customers to the City water service, the remaining Utility customers will realize an increase in costs. Remaining departmental users of the Utility are anticipated to see an increase of approximately \$3,977<sup>2</sup>. However, County departments transferred to the City's water service are projected to realize a water charge savings of approximately \$7,079 due to lower water rates. Overall, the County is projected to achieve an estimated annual net savings of \$23,102.

Net Annual Expenditure Increase/(Decrease)	Explanation
<u>(\$20,000)</u>	Payment from Wauwatosa to County (i.e. Net Revenue from 7 transferred County customers).
<u>(\$7,079)</u>	Net savings realized from the County users transferred to the Wauwatosa water utility.
<u>\$3,977</u>	Increase in Milwaukee County water charge due to lower user base.*
<u>(\$23,102)</u>	<b>Total County Levy Increase/(Decrease)</b>

<sup>1</sup> 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.

<sup>2</sup> Remaining County departmental users of the Utility include DHHS-BHD, CATC, and Parks.

Additionally, County and non-County users of the Utility are anticipated to benefit from cost-avoidance due to the transfer of the Utility to the City. This includes costs related to the ongoing maintenance and future demolition and reconstruction of the west water in the amount of \$1,418,000. Furthermore, cost avoidance of approximately \$1,714,250 is projected as a result of utility relocation costs associated with the construction of the Zoo Interchange project. Overall, total estimated cost avoidance for all utility users is \$3,132,250.

<b>Cost Avoidance to All Users</b>	<b>Explanation</b>
<u>\$58,000</u>	Ongoing Maintenance of West Water Tower.
<u>\$1,300,000 (2013 dollars)</u>	Building a new West Water Tower in 10 yrs.
<u>\$30,000-\$60,000 (2013 dollars)</u>	West Water Tower Demolition.
<u>\$1,714,250</u>	Construction Costs Related to Zoo Interchange.
<b>\$3,132,250</b>	<b>Total Cost Avoidance to All Users</b>

C. The impact of executing the Memorandum of Agreement on the entire Water Utility Account (Org. 5500) is largely associated with avoidance of costs related to relocating water utility infrastructure for the Zoo Interchange mitigation projects and future demolition and reconstruction of the west water tower.

D. No assumptions were made.

Department/Prepared By: Julie A. Esch, DAS – Director of Operations

Approved By: 

Did DAS-Fiscal Staff Review?  Yes  No

Did CDBP Review?<sup>3</sup>  Yes  No  Not Required

<sup>3</sup> Community Business Development Partners' review is required on all professional service and public work construction contracts.  
TPWT (Special) 06/19/2013 Page 10

## Memorandum of Agreement

MILWAUKEE COUNTY ("MC") and the WAUWATOSA ("WAUWATOSA"), enter into this Memorandum of Agreement (Agreement) as of the \_\_\_ day of \_\_\_\_\_, 2013, by and between MC and WAUWATOSA as it relates to the transfer of seven water utility customers from MC's water utility to the WAUWATOSA's water utility. MC and WAUWATOSA are collectively referred to as the "Parties," and individually as a "Party."

### RECITALS

WHEREAS, in an effort to avoid certain new capital construction costs associated with construction of the Zoo Interchange, estimated to be approximately \$1,700,000, which costs would be borne by the customers of the MC, MC wishes to transfer to WAUWATOSA and WAUWATOSA wishes to receive, seven customers currently served by the MC's water utility. These customers include (1) UWM Real Estate Foundation's Innovation Park LLC, (2) MC's Camp Wil-O-Way building on Underwood Parkway, (3) UW-Milwaukee County Cooperative Extension's Urban Gardens, (4) MC's Fleet building, (5) Wisconsin Lutheran College Athletic Facilities, (6) Milwaukee County Research Park Corporation (MCRPC) and (7) MC's Children's Court Center. MC wishes to lease the West Water Tower ("Tower") located in the MCRPC to WAUWATOSA in exchange for the provisions described herein; and

WHEREAS, a transfer of associated MC water service facilities to the Wauwatosa Water Utility would provide an opportunity to significantly improve Wauwatosa Water Utility service to its customers in the southwestern portion of the service area;

The Parties hereby agree as follows:

1. This Agreement shall be for a term of 10 years. Ten years represents that length of time required to defease the general obligation bonds issued by the County to finance the Tower. Upon the conclusion of year ten, ownership of the Tower and underlying land (see Exhibit A) shall be transferred to WAUWATOSA at a cost of \$1.00.
2. During the term of the Agreement, WAUWATOSA shall pay MC an annual sum, which will be the greater of \$20,000 or fifty-percent (50%) of the total net revenue realized by the WAUWATOSA from the transfer of the seven water utility customers to the WAUWATOSA's water utility system.
3. During the term of this Agreement, MC will retain the current cell antenna revenue collected at this location. Any additional revenues from the siting of additional cell tower equipment on the Tower will accrue to WAUWATOSA.
4. WAUWATOSA will maintain the Tower and MC shall provide WAUWATOSA with technical support as necessary to effectuate transference of the Tower and seven water utility customers.
5. As part of the transfer, MC agrees to execute an easement agreement with Wauwatosa for the water mains that will become part of the WAUWATOSA Water Utility through the transfer of the seven customers (as named in the recitals) and the Tower.
6. MC and WAUWATOSA will negotiate costs for the capping, abandonment, valve adjustments and cross-connections needed to complete Phases I and II.

7. Neither MC nor the seven customers transferred to WAUWATOSA shall be responsible for any costs not directly associated with the provision of water service or other services actually provided by WAUWATOSA to MC or those customers.
8. MC and WAUWATOSA shall pursue the implementation of the recommendations of the Public Policy Forum upon receipt of the Public Policy Forum's independent analysis.
9. MC and WAUWATOSA agree to discuss the fire protection fee charged to MC government as part of the next phase the water utility transfer.
10. IN WITNESS WHEREOF, the Parties have caused this instrument to be executed on the stated day and year.

**SIGNATURES ON FOLLOWING PAGE**

**MILWAUKEE COUNTY**

By: \_\_\_\_\_  
Don Tyler  
Director, Department of Administrative Services

\_\_\_\_\_  
Date

*Approved as to form:*

By: \_\_\_\_\_  
Kimberly R. Walker  
Milwaukee County Corporation Counsel

\_\_\_\_\_  
Date

**CITY OF WAUWATOSA**

\_\_\_\_\_  
Kathleen Ehley, Mayor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Carla M. Ledesma, City Clerk

\_\_\_\_\_  
Date

\_\_\_\_\_  
John Ruggini, Finance Director

\_\_\_\_\_  
Date

*Approved as to form and execution:*

\_\_\_\_\_  
Alan R. Kesner, City Attorney

\_\_\_\_\_  
Date

**COUNTY OF MILWAUKEE**  
**Inter-Office Communication**

**DATE:** June 17, 2013

**TO:** Supervisor Marina Dimitrijevic, Chairwoman  
 Milwaukee County Board of Supervisors

**FROM:** Julie Esch, Director of Operations   
 Department of Administrative Services

**SUBJECT: Transfer of Seven Milwaukee County Water Utility Customers  
 and West Water Tower to the City of Wauwatosa**

**History**

As Milwaukee County (County) government's presence on the County Grounds has diminished over the years, the County has considered the possible transfer of its water utility (County Utility) to the City of Wauwatosa (Wauwatosa). Likewise, Wauwatosa has considered consolidation of the two water systems due to unnecessary redundancies in water service infrastructure. The Zoo Interchange mitigation projects for Swan Boulevard and Watertown Plank Road have revived these discussions largely due to the significant costs that would be borne by the County's Utility customers for the relocation of water mains and other related infrastructure that is located within the Watertown Plank Road and Swan Boulevard rights-of-way.

**Background**

In the fall of 2012, the County and the City met to discuss the possibility of transferring the County Utility to the City. Representatives of the County and City agreed to engage the Public Policy Forum (PPF) in a professional services agreement for the analysis of the pros and cons of transferring the County Utility to the City. The County and City agreed to share equally in the \$20,000 cost of the contract. Originally, the County and City requested that the PPF provide an analysis of the entire water system. However, the Wisconsin Department of Transportation's (WisDOT) deadlines for submission of plans and specifications related to the reconstruction of Swan Boulevard and Watertown Plank Road forced the PPF, with the permission of the County and City, to analyze those parts of the water system (described as Phase I and Phase II) directly impacted by the Swan Boulevard and Watertown Plank Road mitigation projects immediately. The remainder of the County Utility (described as Phase III) would be analyzed separately in order for the County to meet WisDOT deadlines.

In January of 2013, the County and City executed separate professional service agreements with the PPF for the analysis. Staff from the Department of Administrative Services (DAS), including Facilities Management and Fiscal Affairs and the Office of the Comptroller participated in meetings and provided data to the PPF for the analysis. The final report was presented to the County and City in April of 2013. Subsequently, the County and City agreed to commence negotiations for the transfer of seven customers and the west water tower (Tower) to the City.

### **Analysis**

Transfer of the seven County Utility customers, which include the UWM Real Estate Foundation's Innovation Park LLC, Milwaukee County's Camp Wil-O-Way building on Underwood Parkway, UW Milwaukee County Cooperative Extension's Urban Gardens, Milwaukee County's Fleet building, Wisconsin Lutheran College, Milwaukee County Research Park Corporation (MCRPC) and Milwaukee County's Children's Court Center, will result in a positive fiscal impact to Milwaukee County.

This positive fiscal impact is achieved, in part, by the County receiving an annual minimum of \$25,000 from the City based upon the net revenue the City expects to realize from gaining the seven customers. The \$25,000 is based on Wauwatosa's projected total annual net revenue of \$38,077. In addition, County departments transferred to the City's water service are projected to realize a water charge savings of approximately \$7,079 due to lower water rates. Those County departments remaining on the County Utility are anticipated to see an increase of approximately \$3,977<sup>1</sup>. Overall, the County is projected to achieve an estimated annual net savings of \$28,102.

Additionally, County and non-County users of the County Utility are anticipated to benefit from cost-avoidance due to the transfer of the County Utility to the City. This includes costs related to annual maintenance, future demolition and reconstruction of the Tower estimated at \$1,418,000 in 2013 dollars. Cost avoidance of approximately \$1,714,250 is projected as a result of County Utility relocation costs associated with the construction of the Zoo Interchange project. Overall, total estimated cost avoidance for all utility users is \$3,132,250.

Finally, approximately 10,000 square feet of land would be transferred to Wauwatosa. Recent appraisals for adjacent parcels average about \$6.00/sq.ft., for an estimated value of \$60,000 in 2013 dollars. In comparison, the net present value of the annual \$25,000 payments to the County (over a 10-year period) is estimated to be \$207,915 in 2013 dollars. As a result, the \$60,000 estimated

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<sup>1</sup> Remaining County departmental users of the Utility include DHHS-BHD, CATC, and Parks.

land value does not exceed the total of the annual (minimum) payments the County will receive from Wauwatosa.<sup>2</sup>

Net Annual Expenditure Increase/(Decrease)	Explanation
<u>(\$25,000)</u>	Payment from Wauwatosa to County (i.e. Net Revenue from 7 transferred County customers).
<u>(\$7,079)</u>	Net savings realized from the County users transferred to the Wauwatosa water utility.
<u>\$3,977</u>	Increase in Milwaukee County water charge due to lower user base.*
<u>(\$28,102)</u>	<b>Total County Levy Increase/(Decrease)</b>

\*As a result of the transferred user to the Wauwatosa water system, Milwaukee County water rates to the remaining users will increase.

Cost Avoidance to All Users	Explanation
<u>\$58,000</u>	Ongoing Maintenance of West Water Tower.
<u>\$1,300,000 (2013 dollars)</u>	Building a new West Water Tower in 10 yrs.
<u>\$30,000-\$60,000 (2013 dollars)</u>	West Water Tower Demolition.
<u>\$1,714,250</u>	Construction Costs Related to Zoo Interchange.
<u>\$3,132,250</u>	<b>Total Cost Avoidance to All Users</b>

Therefore, based on the Public Policy Forum's report on the Phase I and Phase II transfer of the seven water utility customers and Tower from the County to the City and the subsequent negotiation of the proposed Memorandum of Agreement, the following terms are proposed:

1. This Agreement shall be for a term of 10 years. Ten years represents that length of time required to defease the general obligation bonds ("the Bonds") issued by the County to finance the Tower (See Attachment A). Upon the conclusion of year ten, ownership of the Tower and underlying land shall be transferred to WAUWATOSA at a cost of \$1.00.

<sup>2</sup> Based on data from the U.S. Labor Department - Bureau of Labor Statistics' Consumer Price Index-All Urban Consumers (CPI) for the Milwaukee Metropolitan Statistical Area, the average year-to-year CPI increase has been under 3.0% for the past 10 years. Considering the volatility resulting from the downturn in the economy, the CPI from the past five years was also reviewed. The average year-to-year CPI change for the past five years is also under 3.0%.

The net present value (npv) calculation (shown above) assumes a slightly more conservative discount rate (i.e. inflation) of 3.5%. For instance, a 3.0% discount rate returns an estimated npv of \$170,600 while the 3.5% returns an NPV of approximately \$166,300.

2. During the term of the Agreement, WAUWATOSA shall pay MC an annual sum, which will be the greater of \$25,000 or forty-percent (40%) of the total net revenue realized by WAUWATOSA from the transfer of the seven water utility customers to WAUWATOSA's water utility system. The payment shall be made by April 1 for the preceding year.
3. During the term of this Agreement, MC will retain the current cell antenna revenue collected at this location. Any additional revenues from the siting of additional cell tower equipment on the Tower will accrue to WAUWATOSA.
4. WAUWATOSA will maintain the Tower and MC shall provide WAUWATOSA with technical support as necessary to effectuate transference of the Tower and seven water utility customers.
5. As part of the transfer, MC agrees to execute an easement agreement with Wauwatosa for the water mains that will become part of the WAUWATOSA Water Utility through the transfer of the seven customers (as named in the recitals) and the Tower.
6. MC and WAUWATOSA will negotiate costs for the capping, abandonment, valve adjustments and cross-connections needed to complete Phases I and II.
7. Neither MC nor the seven customers transferred to WAUWATOSA shall be responsible for any costs not directly associated with the provision of water service or other services actually provided by WAUWATOSA to MC or those customers.
8. MC and WAUWATOSA shall pursue the implementation of the recommendations of the Public Policy Forum upon receipt of the Public Policy Forum's independent analysis.
9. MC and WAUWATOSA agree to discuss the fire protection fee charged to MC government as part of the next phase the water utility transfer.
10. WAUWATOSA will not take any action, omit to take any action, cause any action to be taken or cause the omission of any action that would adversely affect the exclusion of the interest on the Bonds from the gross income of the owners of the Bonds for federal income tax purposes, including without limitation any private use of the Tower (or the water stored therein); provided that WAUWATOSA is not responsible for the effect that the continuation or renewal of any existing contracts or use arrangements made by MC with respect to the Tower have on the tax-exempt status of the interest on the Bonds.
11. IN WITNESS WHEREOF, the Parties have caused this instrument to be executed on the stated day and year.

### **Recommendation**

The Department of Administrative Services respectfully requests authorization to transfer the seven water utility customers and the west water tower from the Milwaukee County Water Utility to the City of Wauwatosa's water service by entering into the above referenced Memorandum of Agreement. Because the Agreement is for the sale or lease of property, and pursuant to Wisconsin State Statute 59.17(2)(b)3, the County Executive's action must be consistent with

established County Board policy and the Agreement must be approved by the County Board in order to take effect. Per that same statute, the County Board may only approve or reject the contract as negotiated by the County Executive.

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(ITEM NO. ) A resolution to transfer seven of Milwaukee County's Water Utility customers and west water tower to the City of Wauwatosa, recommending adoption of the following:

**A RESOLUTION**

WHEREAS, as Milwaukee County government's presence on the County Grounds has diminished over the years, the County has considered the possible transfer of its water utility to the City of Wauwatosa; and

WHEREAS, the Zoo Interchange mitigation projects for Swan Boulevard and Watertown Plank Road have revived these discussions largely due to the significant costs that would be borne by the County's water utility customers for the relocation of water mains and other related infrastructure that is located within the Watertown Plank Road and Swan Boulevard rights-of-way; and

WHEREAS, in the fall of 2012, Milwaukee County (County) and the City of Wauwatosa (City) met to discuss the possibility of transferring the County's water utility to the City and agreed to engage the Public Policy Forum (PPF) in a professional services agreement for the analysis of the pros and cons of transferring the County's water utility to the City; and

WHEREAS, the County and City agreed to share equally in the \$20,000 cost of the contract and, in January of 2013, the County and City executed separate professional service agreements with PPF for the analysis; and

WHEREAS, due to the Wisconsin Department of Transportation's (WisDOT) deadlines for submission of plans and specifications related to the reconstruction of Swan Boulevard and Watertown Plank Road the PPF, with the permission of the County and City, analyzed those parts of the water system (described as Phase I and Phase II) directly impacted by the Swan Boulevard and Watertown Plank Road mitigation projects immediately with the remainder of the system (described as Phase III) to be analyzed separately in order for the County to meet WisDOT deadlines; and

WHEREAS, the final report for Phases I and II was presented to the County and City in April of 2013, and subsequently, the County and City agreed to commence negotiations for the transfer of seven customers and the west water tower (Tower) to the City; and

43 WHEREAS, transfer of the seven water utility customers, which include the  
44 UWM Real Estate Foundation's Innovation Park LLC, Milwaukee County's Camp Wil-  
45 O-Way building on Underwood Parkway, UW Milwaukee County Cooperative  
46 Extension's Urban Gardens, Milwaukee County's Fleet building, Wisconsin Lutheran  
47 College, Milwaukee County Research Park Corporation (MCRPC) and Milwaukee  
48 County's Children's Court Center, will result in a positive fiscal impact to Milwaukee  
49 County; and

50  
51 WHEREAS, this positive fiscal impact is achieved by County receiving a portion  
52 of net realized revenue the City would gain from the addition of the County's seven  
53 customers to its water system, for a total savings to the County of approximately  
54 \$28,102 annually; and

55  
56 WHEREAS, the most significant fiscal savings would result from avoiding costs  
57 related to the relocation of water utility infrastructure for the reconstruction of Swan  
58 Boulevard and Watertown Plank Road and for the future demolition and reconstruction  
59 of the Tower for a total approximate savings, to all County water utility customers, of  
60 \$3,132,250; and

61  
62 WHEREAS, based on the Public Policy Forum's report on the Phase I and  
63 Phase II transfer of the seven water utility customers and Tower from the County to  
64 the City and negotiation of the following terms of a Memorandum of Agreement was  
65 negotiated as follows; and

- 66  
67 1. This Agreement shall be for a term of 10 years. Ten years represents that  
68 length of time required to defease the general obligation bonds ("the  
69 Bonds") issued by the County to finance the Tower (See Attachment A).  
70 Upon the conclusion of year ten, ownership of the Tower and underlying  
71 land shall be transferred to WAUWATOSA at a cost of \$1.00.  
72 2. During the term of the Agreement, WAUWATOSA shall pay MC an annual  
73 sum, which will be the greater of \$25,000 or forty-percent (40%) of the total  
74 net revenue realized by WAUWATOSA from the transfer of the seven  
75 water utility customers to WAUWATOSA's water utility system. The  
76 payment shall be made by April 1 for the preceding year.  
77 3. During the term of this Agreement, MC will retain the current cell antenna  
78 revenue collected at this location. Any additional revenues from the siting  
79 of additional cell tower equipment on the Tower will accrue to  
80 WAUWATOSA.  
81 4. WAUWATOSA will maintain the Tower and MC shall provide  
82 WAUWATOSA with technical support as necessary to effectuate  
83 transference of the Tower and seven water utility customers.  
84 5. As part of the transfer, MC agrees to execute an easement agreement with  
85 Wauwatosa for the water mains that will become part of the WAUWATOSA  
86 Water Utility through the transfer of the seven customers (as named in the  
87 recitals) and the Tower.

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6. MC and WAUWATOSA will negotiate costs for the capping, abandonment, valve adjustments and cross-connections needed to complete Phases I and II.
7. Neither MC nor the seven customers transferred to WAUWATOSA shall be responsible for any costs not directly associated with the provision of water service or other services actually provided by WAUWATOSA to MC or those customers.
8. MC and WAUWATOSA shall pursue the implementation of the recommendations of the Public Policy Forum upon receipt of the Public Policy Forum's independent analysis.
9. MC and WAUWATOSA agree to discuss the fire protection fee charged to MC government as part of the next phase of the water utility transfer.
10. WAUWATOSA will not take any action, omit to take any action, cause any action to be taken or cause the omission of any action that would adversely affect the exclusion of the interest on the Bonds from the gross income of the owners of the Bonds for federal income tax purposes, including without limitation any private use of the Tower (or the water stored therein); provided that WAUWATOSA is not responsible for the effect that the continuation or renewal of any existing contracts or use arrangements made by MC with respect to the Tower have on the tax-exempt status of the interest on the Bonds.
11. IN WITNESS WHEREOF, the Parties have caused this instrument to be executed on the stated day and year.

; now, therefore,

BE IT RESOLVED, pursuant to Wisconsin State Statute 59.17(2)(b)3, the Milwaukee County Board of Supervisors hereby approves the Memorandum of Agreement (Agreement) between Milwaukee County and the City of Wauwatosa for the transfer of seven Milwaukee County water utility customers and the west water tower to the City of Wauwatosa.

## MILWAUKEE COUNTY FISCAL NOTE FORM

**DATE:** June 17, 2013

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:**

**FISCAL EFFECT:**

- |  |  |
|--|--|
| <input type="checkbox"/> No Direct County Fiscal Impact<br><input type="checkbox"/> Existing Staff Time Required<br><input type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below)<br><input type="checkbox"/> Absorbed Within Agency's Budget<br><input type="checkbox"/> Not Absorbed Within Agency's Budget<br><input checked="" type="checkbox"/> Decrease Operating Expenditures<br><input checked="" type="checkbox"/> Increase Operating Revenues<br><input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures<br><input type="checkbox"/> Decrease Capital Expenditures<br><input type="checkbox"/> Increase Capital Revenues<br><input type="checkbox"/> Decrease Capital Revenues<br><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
<b>Operating Budget</b>	Expenditure	0	(\$3,102)
	Revenue	0	0**
	Net Cost	0	(\$3,102)
<b>Capital Improvement Budget</b>	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

\*Current Year impact was not included as the commencement date for a proposed agreement is not yet known.

\*\*Additional revenue provided by the City of Wauwatosa will result in an unknown net operating budget decrease for the remaining county departmental customers.

**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. <sup>1</sup> 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 Department of Administrative Services is requesting authority to execute a Memorandum of Agreement with the City of Wauwatosa (City) for the transfer of seven Milwaukee County Water Utility (Utility) customers (of which, five are County departments) and the west water tower to the City's water service.
- B. Milwaukee County will receive a minimum of \$25,000, on an annual basis, from the City in additional revenue from transferring the seven customers to the City's service. As a result of the transfer of the seven Utility customers to the City water service, the remaining Utility customers will realize an increase in costs. Remaining departmental users of the Utility are anticipated to see an increase of approximately \$3,977<sup>2</sup>. However, County departments transferred to the City's water service are projected to realize a water charge savings of approximately \$7,079 due to lower water rates. Overall, the County is projected to achieve an estimated annual net savings of \$28,102.

Net Annual Expenditure Increase/(Decrease)	Explanation
<u>(\$25,000)</u>	Payment from Wauwatosa to County (i.e. Net Revenue from 7 transferred County customers).
<u>(\$7,079)</u>	Net savings realized from the County users transferred to the Wauwatosa water utility.
<u>\$3,977</u>	Increase in Milwaukee County water charge due to lower user base.*
<u>(\$28,102)</u>	<b>Total County Levy Increase/(Decrease)</b>

<sup>1</sup> 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.

<sup>2</sup> Remaining County departmental users of the Utility include DHHS-BHD, CATC, and Parks.

Additionally, County and non-County users of the Utility are anticipated to benefit from cost-avoidance due to the transfer of the Utility to the City. This includes costs related to the ongoing maintenance and future demolition and reconstruction of the west water in the amount of \$1,418,000. Furthermore, cost avoidance of approximately \$1,714,250 is projected as a result of utility relocation costs associated with the construction of the Zoo Interchange project. Overall, total estimated cost avoidance for all utility users is \$3,132,250.

Cost Avoidance to All Users	Explanation
<u>\$58,000</u>	Ongoing Maintenance of West Water Tower.
<u>\$1,300,000 (2013 dollars)</u>	Building a new West Water Tower in 10 yrs.
<u>\$30,000-\$60,000 (2013 dollars)</u>	West Water Tower Demolition.
<u>\$1,714,250</u>	Construction Costs Related to Zoo Interchange.
<b>\$3,132,250</b>	<b>Total Cost Avoidance to All Users</b>

- C. The impact of executing the Memorandum of Agreement on the entire Water Utility Account (Org. 5500) is largely associated with avoidance of costs related to relocating water utility infrastructure for the Zoo Interchange mitigation projects and future demolition and reconstruction of the west water tower.
- D. No assumptions were made.

Department/Prepared By: Julie A. Esch, DAS – Director of Operations

Approved By: 

Did DAS-Fiscal Staff Review?  Yes  No

Did CDBP Review?<sup>3</sup>  Yes  No  Not Required

<sup>3</sup> TPWT (Special) 06/19/2013 Page 25  
Community Business Development Partners' review is required on all professional service and public work construction contracts.

## Memorandum of Agreement

MILWAUKEE COUNTY ("MC") and WAUWATOSA ("WAUWATOSA"), enter into this Memorandum of Agreement (Agreement) as of the \_\_\_ day of \_\_\_\_\_, 2013, by and between MC and WAUWATOSA as it relates to the transfer of seven water utility customers from MC's water utility to WAUWATOSA's water utility. MC and WAUWATOSA are collectively referred to as the "Parties," and individually as a "Party."

### RECITALS

WHEREAS, in an effort to avoid certain new capital construction costs associated with construction of the Zoo Interchange, estimated to be approximately \$1,700,000, which costs would be borne by the customers of the MC, MC wishes to transfer to WAUWATOSA and WAUWATOSA wishes to receive, seven customers currently served by the MC's water utility. These customers include (1) UWM Real Estate Foundation's Innovation Park LLC, (2) MC's Camp Wil-O-Way building on Underwood Parkway, (3) UW-Milwaukee County Cooperative Extension's Urban Gardens, (4) MC's Fleet building, (5) Wisconsin Lutheran College Athletic Facilities, (6) Milwaukee County Research Park Corporation (MCRPC) and (7) MC's Children's Court Center. MC wishes to lease the West Water Tower ("Tower") located in the MCRPC to WAUWATOSA in exchange for the provisions described herein; and

WHEREAS, a transfer of associated MC water service facilities to the Wauwatosa Water Utility would provide an opportunity to significantly improve Wauwatosa Water Utility service to its customers in the southwestern portion of the service area;

The Parties hereby agree as follows:

1. This Agreement shall be for a term of 10 years. Ten years represents that length of time required to defease the general obligation bonds ("the Bonds") issued by the County to finance the Tower (See Attachment A). Upon the conclusion of year ten, ownership of the Tower and underlying land shall be transferred to WAUWATOSA at a cost of \$1.00.
2. During the term of the Agreement, WAUWATOSA shall pay MC an annual sum, which will be the greater of \$25,000 or forty-percent (40%) of the total net revenue realized by WAUWATOSA from the transfer of the seven water utility customers to WAUWATOSA's water utility system. The payment shall be made by April 1 for the preceding year.
3. During the term of this Agreement, MC will retain the current cell antenna revenue collected at this location. Any additional revenues from the siting of additional cell tower equipment on the Tower will accrue to WAUWATOSA.
4. WAUWATOSA will maintain the Tower and MC shall provide WAUWATOSA with technical support as necessary to effectuate transference of the Tower and seven water utility customers.
5. As part of the transfer, MC agrees to execute an easement agreement with Wauwatosa for the water mains that will become part of the WAUWATOSA Water Utility through the transfer of the seven customers (as named in the recitals) and the Tower.
6. MC and WAUWATOSA will negotiate costs for the capping, abandonment, valve adjustments and cross-connections needed to complete Phases I and II.

7. Neither MC nor the seven customers transferred to WAUWATOSA shall be responsible for any costs not directly associated with the provision of water service or other services actually provided by WAUWATOSA to MC or those customers.
8. MC and WAUWATOSA shall pursue the implementation of the recommendations of the Public Policy Forum upon receipt of the Public Policy Forum's independent analysis.
9. MC and WAUWATOSA agree to discuss the fire protection fee charged to MC government as part of the next phase of the water utility transfer.
10. WAUWATOSA will not take any action, omit to take any action, cause any action to be taken or cause the omission of any action that would adversely affect the exclusion of the interest on the Bonds from the gross income of the owners of the Bonds for federal income tax purposes, including without limitation any private use of the Tower (or the water stored therein); provided that WAUWATOSA is not responsible for the effect that the continuation or renewal of any existing contracts or use arrangements made by MC with respect to the Tower have on the tax-exempt status of the interest on the Bonds.
11. IN WITNESS WHEREOF, the Parties have caused this instrument to be executed on the stated day and year.

**SIGNATURES ON FOLLOWING PAGE**

**MILWAUKEE COUNTY**

By: \_\_\_\_\_  
Chris Abele, Milwaukee County Executive

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Joseph J. Czarnecki, Milwaukee County Clerk

\_\_\_\_\_  
Date

By: \_\_\_\_\_  
Don Tyler  
Director, Department of Administrative Services

\_\_\_\_\_  
Date

*Approved as to form:*

By: \_\_\_\_\_  
Kimberly R. Walker  
Milwaukee County Corporation Counsel

\_\_\_\_\_  
Date

**CITY OF WAUWATOSA**

\_\_\_\_\_  
Kathleen Ehley, Mayor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Carla M. Ledesma, City Clerk

\_\_\_\_\_  
Date

\_\_\_\_\_  
John Ruggini, Finance Director

\_\_\_\_\_  
Date

*Approved as to form and execution:*

\_\_\_\_\_  
Alan R. Kesner, City Attorney

\_\_\_\_\_  
Date