

Report on Material Recovery Facility (MRF) Insurance Claim from May 31, 2023 Fire

Prepared by DPW and Comptroller per **Common Council File No. 252089**:

Communication from the Department of Public Works and the Comptroller relating to an historical accounting of payouts from the disposal of the Materials Recycling Facility and the segregation of final insurance payout from a negotiated depreciation settlement.

Background and Narrative Summary - Travelers Insurance Claim FYC5127:

The City of Milwaukee and Waukesha County entered into an intergovernmental agreement (File No. 131795) in 2014 to construct and operate a joint Materials Recovery Facility (MRF) for single-stream recycling. The facility was completed in early 2015 and operated until a major fire on May 31, 2023, caused significant damage and halted operations. Both parties terminated their operating contracts on August 18, 2023, and the intergovernmental agreement was terminated April 30, 2025 (File No. 250139) after a joint City-County study led to a decision not to rebuild the MRF.

Through the intergovernmental agreement, the City insured the jointly owned equipment through Travelers Insurance on behalf of both parties who shared the cost of the premium associated specifically with the personal property. The City's policy also included coverage for its own building as well as coverage for business interruption and other costs. With the decision not to replace the recyclables processing system, the personal property portion of the claim concluded with the payout of the actual cash value of the partially depreciated assets. When the closure of the period of restoration ended, under which the City's additional operating costs and lost revenues were covered, the only item leaving the insurance claim open was related to the value of the City's building.

In May 2026, the City Attorney's Office and Travelers Insurance executed a \$2 million final settlement and release agreement to resolve the outstanding insurance claim, bringing total insurance payments under the claim to \$20,991,821, of which \$5,759,363 was reimbursed to Waukesha County for its portion of the co-owned damaged equipment. The insurance checks were deposited into capital or general fund accounts as shown below. An appendix is attached for supplementary information.

Deposit ID	Account	Dept	Fund	Program	Amount	Journal ID	Date	Acctg Date	Year	Project
821456	986053	5457	0321	4100	-3,248,054.60	ARR0414663	10/12/2023	10/12/2023	2023	BU110140800
831057	986053	5457	0321	4100	-5,949,478.50	ARR0415226	11/2/2023	11/2/2023	2023	BU110140800
831700	986053	5457	0321	4100	-190,115.49	ARR0415284	11/3/2023	11/3/2023	2023	BU110140800
831700	201104	5457	0001		-5,759,363.01	ARR0415284	11/3/2023	11/3/2023	2023	
886965	986053	5457	0001	4100	-801,024.34	ARR0420217	3/18/2024	3/18/2024	2023	accrual
926300	986053	5457	0321	4100	-508,171.84	ARR0422826	6/11/2024	6/11/2024	2024	BU110140800
1049095	986053	5457	0001	4100	-1,212,281.23	ARR0432157	3/19/2025	2/21/2025	2025	
1105496	986053	5457	0001	4100	-1,263,572.40	ARR0435170	6/23/2025	6/23/2025	2025	
1152531	634005	1490	0001	2627	-59,760.00	ARR0437720	9/23/2025	9/23/2025	2025	
1262968	986053	5457	0321	4100	-1,652,000.00	ARR0446305	5/20/2026	5/20/2026	2026	BU110140800
1262968	987060	5457	0321	6820	-174,000.00	ARR0446305	5/20/2026	5/20/2026	2026	BU110140810
1262968	214202	5457	0791		-174,000.00	ARR0446305	5/20/2026	5/20/2026	2026	
Grand Total Deposits					-20,991,821.41	Full claim payout				
					5,759,363.01	Paid out to Waukesha County: voucher 02112372				
					174,000.00	Deposit to Waukesha County trust fund 0791				
					-15,058,458.40	City of Milwaukee subtotal of insurance payout				

Insurance claim payment summary - MRF fire of May 31, 2023 - Travelers Insurance Claim FYC5127

7/2/2026 RM

<u>Category of Loss Payment</u>	<u>Gross Loss</u>	<u>Less Deductible Applied</u>	<u>Net Payable</u>	<u>% to City</u>	<u>City Milwaukee</u>	<u>Waukesha County</u>
Building Damage (ACV and expenses)	\$ 3,829,050.43	\$ 119,769	\$ 3,709,281.41	100%	\$ 3,709,281.41	\$ -
Building - settlement	\$ 1,652,000.00	\$ -	\$ 1,652,000.00	100%	\$ 1,652,000.00	\$ -
Property disposal - settlement	\$ 348,000.00	\$ -	\$ 348,000.00	50%	\$ 174,000.00	\$ 174,000.00
Personal Property	\$ 11,898,957.00	\$ 380,231	\$ 11,518,726.02	50%	\$ 5,759,363.01	\$ 5,759,363.01
Extra Expense	\$ 2,280,421.24	\$ -	\$ 2,280,421.24	100%	\$ 2,280,421.24	\$ -
Business Interruption	\$ 1,423,632.74	\$ -	\$ 1,423,632.74	100%	\$ 1,423,632.74	\$ -
Claim Data Expense	\$ 50,000.00	\$ (9,760)	\$ 59,760.00	100%	\$ 59,760.00	\$ -
Total	\$ 21,482,061.41	\$ 490,240.00	\$ 20,991,821.41		\$ 15,058,458.40	\$ 5,933,363.01

Summary views of City's portion of insurance proceeds

Deposit breakdown by fund type

capital (0321)	\$ 11,721,820.43
general (0001)	\$ 3,336,637.97
Total:	\$ 15,058,458.40

Breakdown of capital funds

Allocated	\$ 9,387,649.00	<u>Notes:</u> 2025 budget, allocated cash from insurance to MRF rebuild
Unallocated	\$ 2,334,171.43	
Total:	\$ 11,721,820.43	DPW's proposed use is now towards replacement of Electrical Services building (~\$40M)

Unallocated City capital breakdown

Committed	\$ 174,000.00	Deposited to Equipment Reserve Fund to pay for liability of equipment disposition
Uncommitted	\$ 2,160,171.43	Anticipated as cash towards DPW capital needs in 2027 budget
Total:	\$ 2,334,171.43	

Other Notes:

If had chosen to rebuild MRF, could have claimed another \$3.5M for equipment and \$1.2M for building or \$4.7M more in total.

New MRF cost was estimated at \$35.7M.

If had chosen to build a transfer station, replacing capacity to receive & handle recyclables post-collection, could have claimed another \$1.2M for building.