

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : June 5, 2012
TO : Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors
FROM : Scott B. Manske, Comptroller
SUBJECT: Fiscal Report 1st Quarter 2012 for Milwaukee County

Policy Issue

County Ordinance 56.02(2) requires the Comptroller to “report, on a quarterly basis or in a manner determined to be most useful and effective, on the financial condition of the county, which report shall identify all major variances from the adopted budget on a department-by-department basis.” To comply with this ordinance, the Comptroller provides a projection of year-end financial results on a quarterly basis to the County Board and County Executive. This fiscal report is a projection of 2012 financial results based on first quarter financial data. The County’s 2012 fiscal year ends on December 31, 2012. For each fiscal year, the County prepares a balanced budget in which revenues equal expenditures. Therefore, a report of surplus or deficit for the County represents actual results that are in total above (surplus) or below (deficit) net budgeted funds.

Year-end Projection

Based on financial results through March 31, 2012, Milwaukee County’s projected 2012 year-end fiscal status is a deficit of (\$0.5) million. The projected deficit assumes that the full amount appropriated balance in the contingency fund of \$1.5 million is applied to offset departmental and non-departmental deficits. To the extent the contingency fund is used during the year for deficit reduction, the projected deficit will increase.

This report projects year-end departmental operating surpluses of \$3.5 million in DOT - Transit, and \$0.5 million in the Department of Health and Human Services (DHHS).

Significant projected departmental deficits include: Behavioral Health Division (DHHS-BHD) of (\$3.5) million, Parks of (\$1.9) million, and Combined Courts of (\$0.2) million.

Non-departmental surpluses include: a surplus in projected savings from fringe benefits of \$2.8 million, and sales tax revenue of \$0.6 million.

The following attachments provide further detail:

- Attachment A: provides the projected surpluses and deficits in excess of \$100,000 by department.
- Attachment B: provides narrative explanations of the amounts reported in Attachment A.
- Attachment C: provides the projected surplus or deficit for 2012 by agency.

2012 Pension Contribution

The 2012 Budget includes an appropriation of \$27.4 million for contributions toward the County's Employee Retirement System (ERS) plan. Based upon the most recent actuarial report for ERS, the County is only required to contribute \$24.9 million to the pension plan in 2012. The required contribution is \$2.5 million less than the amount budgeted. The County Board and County Executive approved the original appropriation to ERS. Therefore, the County Board must approve any change to the pension contribution from the amount included in the budget. For purposes of the attached projections we did not change the budgeted contribution of \$27.4 million for 2012. A separate report on the 2012 pension contribution will be submitted to the County Board at a future date.

Overview of Process for Determining County-wide Year End Financial Projections:

The projection of year-end results begins with an analysis of year-to-date actual results for the most recent quarter-end. These actual results become the basis for each department projecting twelve months of actual activity. Departments then submit a report of projected year-end results to the Comptroller. The departmental projections include a fiscal report of budget versus projected actual results by appropriation category, a written report of variances between budgeted and projected actual results, and a written report of any corrective action plan that the department intends to implement to reduce any projected deficit.

The Comptroller reviews the reports submitted by departments. During the review, questions may arise regarding departmental projections. Discussions will then occur with department personnel on the expected annual results. In rare instances, when the Comptroller projections differ from departmental financial results, the County-wide report will reflect the Comptroller projection, which will be noted in this report.

The Comptroller analyzes and projects financial results for most non-departmental accounts including fringe benefits, sales taxes, delinquent property taxes, investment income, unallocated contingency fund, debt service fund and capital projects fund. In addition, the Comptroller analyzes departmental salary projections and compares to the salary projections prepared by departments.

The projections by departments and the Comptroller are combined to arrive at a year-end projection of financial results for the County. The fiscal report is then submitted to the County Board and County Executive.

Committee Action

This is an informational report only. This report should be referred to and reviewed by the Finance and Audit Committee.



Scott B. Manske
Comptroller

Attachments

cc: Chris Abele, County Executive
Supervisor William Johnson, Co-Chairman, Finance, Audit and Personnel Committee
Supervisor David Cullen, Co-Chairman, Finance, Audit and Personnel Committee
Finance, Audit and Personnel Committee
Patrick Farley, Director, Department of Administrative Services
Craig Kammholz, Fiscal and Budget Administrator
Stephen Cady, Fiscal and Budget Analyst, County Board
Department Heads

Milwaukee County		
Projection for 2012 - Based on Activity as of March 31, 2012		
Dept	Department Name	31-Mar-12
1150	DAS - Risk Management	\$ 91,100
1160	Information Management Services Division	-
1188	DAS - Employee Benefits	-
2000	Combined Courts	-
2430	Child Support Enforcement	(55,600)
3400	Register of Deeds	400
4000	Sheriff's Office	(3,830,500)
4900	Medical Examiner	51,900
5300	DOT - Fleet Services	33,000
5600	DOT - Transit/Paratransit System	3,539,900
5800	DOT - Administration	-
6300	Behavioral Health Division	(3,561,300)
7900	Department on Aging	-
7990	Department of Family Care (CMO)	-
7990	Contribution to Family Care Reserve	-
8000	Department of Health and Human Services	576,400
9000	Department of Parks, Recreation and Culture	(1,958,000)
9500	Zoological Department	-
	Other	(149,299)
	Departmental Total	(5,261,999)
	Capital Projects Funding	-
1933	Land Sales	-
1945	Unallocated Contingency Fund	1,550,000
1950	Fringe Benefits	2,803,898
1972	Wage and Benefit Modifications	-
1991	Reserve for Delinquent Property Taxes	-
1993	State Shared Revenue	(195,000)
1996	Sales Tax Revenue	600,000
9960	Debt Service Fund/Froedtert Lease Payment	-
	Non-Departmental Total	4,758,898
	Projected County Surplus (Deficit)	\$ (503,101)

Description of Significant Surplus and Deficit Projections for 2012:

Note: The County had an additional vacancy and turnover allowance in a non-departmental budget of \$1,785,000 that was allocated to departments. Departments were required to include in their projections this reduction to salary appropriations for the 2012 budgeted projections. A fund transfer will have to be made in the next month to align the budget with the projections that were made by departments.

Departmental Surpluses and Deficits:

Combined Court Related Operations (Org 2000)

Breakeven

The Combined Courts is projecting a breakeven for 2012. The breakeven includes a deficit in revenues of (\$150,000), offset by a surplus in expenditures of \$150,000. The surplus in expenditures is in contractual services and commodities. The deficit in revenues is in bail forfeitures of (\$100,000) and state revenue of (\$50,000).

The deficit in bail forfeitures is due to a change in state law that allows the bond to be used for restitution. Therefore, forfeitures are being used for restitution, and not being returned to the Courts.

Child Support Enforcement (Org 2430)

< (\$0.1 million) deficit

Child Support Enforcement is projecting a deficit of (\$55,000) due mainly to reduced State match money from the Vacancy and Turnover adjustment allocated to Child Support. Child Support receives 66% State reimbursement for costs incurred. The Vacancy and Turnover adjustment applied to all departments for this quarter did not have a revenue offset applied with it. Child Support was given a Vacancy and Turnover adjustment of (\$186,000).

Sheriff's Department (Org 4000)

(\$3.8 million) deficit

The Sheriff's Department is projecting a 2012 deficit of \$3.8 million due to a revenue deficit of \$2,635,000 and an expenditure deficit of \$1,195,000. The variances are due to surpluses and deficits in a variety of revenue and expenditure categories.

Personal Services and Fringe Benefits are expected to deficit by \$1.8 million for 2012. This deficit assumes a fund transfer later in the year from the fringe benefits budget related to concessions received from the Deputy Sheriffs Association contract. The adopted 2012 budget included many changes to the staffing and related budget for the department. In addition, the Deputy Sheriff's Association entered into a new contract agreement with the County near the end of 2011, which also had an impact on the costs and the adopted budget for 2012. The Sheriff's office is continuing to try to implement certain of the 2012 personnel budget actions, but has indicated in its report to the Comptroller that several of these actions cannot be completed due to concerns with public safety and the Christensen Consent Decree, which is related to inmates and detention services.

The Sheriff provided a detailed explanation of each 2012 budget action related to personnel services and their department's progress on implementing the budget, or reasons that the action cannot be implemented. The fiscal impact of actions will result in a deficit in salaries for continuing positions, higher overtime to fill staffing needs, and higher unemployment costs due to layoffs of positions.

Contractual services are expected to surplus by \$1.1 million for 2012. This includes a surplus in detention meal services due to fewer average inmates than projected, and a surplus of \$700,000 in electronic surveillance costs due to a decision to limit the program. A deficit will occur in electronic surveillance revenue of \$800,000 since inmates are being taken off the program, which will offset this service savings. In addition, detention officers will no longer be needed to monitor the surveillance program, which will reduce overtime costs.

Revenues of the Sheriffs Office will be in deficit for 2012 due to reduced State, Federal and other governmental reimbursement of \$580,000. The largest deficit is Federal inmate revenue of \$455,000. The 2012 budget estimated that 60 federal prisoners would be housed at the correctional facility, however only 35 on average will be housed by the County. Another new initiative was for the charging of bomb and SWAT services to outside communities, instead of the tax levy for \$186,000. According to the Sheriff, this new policy has not been implemented, as it awaits further direction from the Board and County Executive.

Concession revenue will also deficit for the year by \$302,000 based on a reduction in the number of inmates, and a poor economy. The Sheriffs office has reduced the number of staff handling this area to due to the reduction in sales. Other revenue will also deficit for the year by \$1,470,000, which includes an \$800,000 deficit in electronic surveillance, as discussed above.

DTPW - Transit/ Paratransit System (Org 5600)

\$3.5 million surplus

The Transit/Paratransit System reported a projected surplus of \$3.5 million for 2012. This includes a surplus in Transit operations of \$1.7 million, and a surplus in Paratransit operations of \$1.8 million. The Transit operations surplus is based on a recent actuarial report of Other Post Employment Benefit (OPEB) costs. OPEB costs are the accounting for the post-retirement health care costs of Transit and are required to be accrued each year for the cost of providing these benefits to active employees. The recent OPEB report has reduced the required contribution for 2012 by \$1.7 million.

The Paratransit surplus of \$1.8 million is due to a reduction in the number of trips for Paratransit clients and the resulting reduction in costs and related revenues. The projected number of Paratransit trips will be reduced by 25% from the budgeted estimates, therefore reducing costs by \$5.4 million. The reduced projection of trips will also reduce reimbursement revenue from managed care programs and clients by \$3.7 million.

DHHS – Behavioral Health Division (BHD) (Org 6300)

(\$3.5 million deficit)

BHD is projecting a deficit of \$3.5 million for 2012, which consists entirely of a revenue deficit. Expenditures are expected to breakeven.

The revenue deficit is projected to occur in patient revenues of \$2.3 million, State and Federal revenues of \$0.9 million, and other revenue of \$0.4 million. It is unclear what is creating the

issue in patient care revenue, but it appears that the write-off percentage is up from budgeted levels. The revenue deficit in State and Federal revenues will be offset by a reduction in costs, which have been included in this projection. The expenditure breakeven consists of a personal services deficit of \$1,100,000 and a commodities deficit of \$1,000,000, offset by a surplus in other charges of \$2,100,000. The personal services deficit is due primarily to the reduction in \$465,000 of budgeted costs for Vacancy and Turnover allocation described earlier in this report.

Department of Health and Human Services

\$0.5 million surplus

DHHS is projecting a surplus of \$576,000 for 2012 due to a revenue surplus of \$0.7 million offset by an expenditure deficit of \$151,000. Revenue from Youth Aids is expected to exceed the budget by \$1.1 million due to a reduction in the number of juveniles being placed in State institutions. The department is projecting a deficit in personal services due to allocation of the vacancy and turnover budget from the non-departmental budget. The department will be submitting two fund transfers to acknowledge the closing of two programs at DHHS. The Children's Long Term Support program was transferred to a third party administrator by the State, which will reduce revenues and associated expenditures by \$9.2 million. In addition, the Medical Assistance transportation program was transferred by the State to a transportation broker which will reduce revenues and associated expenditures by \$6.0 million.

Parks Division

(\$1.9 million) deficit

The Parks Division deficit consists of a revenue deficit of \$1.6 million and an expenditure deficit of \$0.3 million. The division does not believe it will be able to achieve the revenue budget of \$19.2 million, based on historical revenue collections for the Parks.

Non - Departmental Surpluses and Deficits:

Unallocated Contingency Fund (Org 1945)

\$1.5 million surplus

The unallocated contingency account was appropriated at \$1.5 million. The unallocated contingency fund, for purposes of this report, is being utilized to offset deficits projected by various departments, and in order to arrive at a net deficit for the County of \$0.5 million.

Fringe Benefits (Org 1950)

\$2.8 million surplus

Based on analysis performed by the County's Comptroller, fringe benefit costs are currently projected to surplus for 2012. The County has hired a new actuary to help evaluate fringe benefit costs for 2012 and future budget years. The Comptroller and the Department of Administrative Services will work with the actuary to help monitor and provide any update to the projections for 2012.

Sales Taxes (Org 1996)

\$0.6 million surplus

The Comptroller is projecting a surplus of \$0.6 million in sales tax revenue for 2012. To date, the County has received the January thru March payments for sales tax. These payments are higher than the anticipated revenues for this period. The Comptroller will continue to monitor sales tax revenue for 2012.

Annual Fiscal Report of Surplus/Deficit as of March 31, 2012

		2012	2012			2012	2012			
		Projected	Budgeted Net	Revenue	%	Projected	Budgeted Net	Expense	%	Surplus
		Revenues	Revenues	Variance	Variance	Expenditures	Expenditures	Variance	Variance	(Deficit)
Legislative, Executive & Staff										
1000	County Board	6,165	6,165	-	0%	6,531,433	6,559,766	28,333	0%	28,333
1001	Department of Audit	-	-	-	N/A	2,671,104	2,671,104	-	0%	-
1040	Disadv Bus Development	45,000	45,000	-	0%	956,158	956,158	-	0%	-
County Executive										
1011	General Office	-	-	-	N/A	1,216,774	1,233,898	17,124	1%	17,124
1021	Veterans Service	13,000	13,000	-	0%	320,887	320,887	-	0%	-
1110	Civil Service Commission	-	-	-	N/A	13,821	13,821	-	0%	-
1120	Personnel Review Board	-	-	-	N/A	270,155	270,155	-	0%	-
1130	Corporation Counsel	155,000	155,000	-	0%	1,738,808	1,738,808	-	0%	-
1140	Human Resources	1,375,209	1,375,209	-	0%	4,471,585	4,503,564	31,979	1%	31,979
Dept of Administrative Services										
1019	Persons with Disabilities	142,034	142,034	-	0%	1,018,338	1,018,338	-	0%	-
1135	Labor Relations	-	-	-	N/A	395,157	472,680	77,523	16%	77,523
1150	Risk Management	8,212,237	8,199,237	13,000	0%	8,317,088	8,395,212	78,124	1%	91,124
1151	Fiscal Affairs Division	44,310	77,412	(33,102)	-43%	4,472,305	4,609,433	137,128	3%	104,026
1152	Procurement	-	-	-	N/A	921,157	921,157	-	0%	-
1160	Information Management Services	16,372,264	15,885,303	486,961	3%	17,349,434	16,862,473	(486,961)	-3%	-
1190	Economic Development	2,716,706	2,716,706	-	0%	3,211,262	3,211,262	-	0%	-
3010	Election Commission	80,500	80,500	-	0%	1,023,757	1,023,757	-	0%	-
3090	County Treasurer	3,205,250	3,205,250	-	0%	1,547,559	1,547,559	-	0%	-
3270	County Clerk	470,500	470,500	-	0%	787,057	787,057	-	0%	-
3400	Register of Deeds	4,720,786	4,720,111	675	0%	4,562,020	4,561,707	(313)	0%	362
Total Legislative, Executive & Staff		37,558,961	37,091,427	467,534	1%	61,795,859	61,678,796	(117,063)	0%	350,471
Courts and Judiciary										
2000	Combined Court Related Operations	9,094,809	9,244,809	(150,000)	-2%	38,471,334	38,621,334	150,000	0%	-
2430	Dept. of Child Support Enforcement	19,307,425	19,378,843	(71,418)	0%	20,818,566	20,834,372	15,806	0%	(55,612)
2900	Courts - Pre-Trial Services	653,462	653,462	-	0%	5,373,189	5,373,189	-	0%	-
Total Courts and Judiciary		29,055,696	29,277,114	(221,418)	-1%	64,663,089	64,828,895	165,806	0%	(55,612)
Public Safety										
4900	Medical Examiner	1,791,672	1,953,422	(161,750)	-8%	4,448,111	4,661,807	213,696	5%	51,946
4000	Sheriff	17,236,580	19,871,648	(2,635,068)	-13%	145,317,971	144,122,493	(1,195,478)	-1%	(3,830,546)
4500	District Attorney	6,932,683	6,932,683	-	0%	18,511,366	18,511,366	-	0%	-
Total Public Safety		25,960,935	28,757,753	(2,796,818)	-10%	168,277,448	167,295,666	(981,782)	-1%	(3,778,600)
Non-Departmental's										
1937	Potawatami Revenue	4,011,477	4,011,477	-	0%	-	-	-	N/A	-
1945	Contingency	-	-	-	N/A	-	1,550,000	1,550,000	100%	1,550,000
1950	Fringe Benefits	17,790,896	18,268,761	(477,865)	-3%	14,075,918	17,357,681	3,281,763	19%	2,803,898
1972	Wage and Benefit Modifications	-	-	-	N/A	-	-	-	N/A	-
1991	Property Taxes	275,370,837	275,370,837	-	0%	-	-	-	N/A	-
1993	State Shared Revenue	30,695,224	30,890,224	(195,000)	-1%	-	-	-	N/A	(195,000)
1996	Sales Taxes	64,600,880	64,000,880	600,000	1%	-	-	-	N/A	600,000
	Other Non-Departmental	15,936,750	15,936,750	0	0%	1,115,471	836,228	(279,243)	-33%	(279,243)
1900'S	Total Non-Departmental	406,105,998	406,178,863	(72,865)	0%	15,191,389	19,743,909	4,552,520	23%	4,479,655

March 31, 2012 Fiscal Report										Attachment C
		2012	2012			2012	2012			
		Projected	Budgeted Net	Revenue	%	Projected	Budgeted Net	Expense	%	Surplus
		Revenues	Revenues	Variance	Variance	Expenditures	Expenditures	Variance	Variance	(Deficit)
	Public Works & Development									
5040	DOT - Airport Division	85,547,833	85,547,833	-	0%	89,862,261	89,862,261	-	0%	-
5100	DOT - Highway Maintenance	18,623,395	18,823,395	(200,000)	-1%	19,588,382	19,659,352	70,970	0%	(129,030)
5300	DOT - Fleet Management	10,922,499	10,912,499	10,000	0%	9,564,308	9,587,347	23,039	0%	33,039
5600	DOT - Transit/Paratransit System	101,523,303	105,164,880	(3,641,577)	-3%	118,440,368	125,621,868	7,181,500	6%	3,539,923
5800	DOT - Admin Div	250,000	250,000	-	0%	108,094	108,094	-	0%	-
5500	DAS - Utility	4,193,330	4,193,330	-	0%	4,678,311	4,678,311	-	0%	-
5700	DAS - Facilities Mngmnt	28,179,921	28,179,921	-	0%	27,726,256	27,726,256	-	0%	-
	Total Public Works & Development	249,240,281	253,071,858	(3,831,577)	-2%	269,967,980	277,243,489	7,275,509	3%	3,443,932
	Health & Human Services									
6300	Behavioral Health Division	123,035,584	126,622,504	(3,586,920)	-3%	192,529,650	192,555,224	25,574	0%	(3,561,346)
7900	Department on Aging	16,356,260	16,356,260	-	0%	18,364,774	18,364,774	-	0%	-
7990	Department of Family Care (CMO)	233,372,443	233,372,443	-	0%	233,312,626	233,312,626	-	0%	-
8000	Department of Human Services	65,749,013	80,255,051	(14,506,038)	-18%	92,677,699	107,760,136	15,082,437	14%	576,399
	Total Health & Human Services	438,513,300	456,606,258	(18,092,958)	-4%	536,884,749	551,992,760	15,108,011	3%	(2,984,947)
	Parks, Recreation & Culture									
9000	Department of Parks	17,597,559	19,197,559	(1,600,000)	-8%	42,500,108	42,142,108	(358,000)	-1%	(1,958,000)
9500	Zoological Department	19,683,056	19,683,056	-	0%	25,034,002	25,034,002	-	0%	-
9700	Milwaukee Public Museum	-	-	-	N/A	3,502,376	3,502,376	-	0%	-
9910	University Extension	121,080	121,080	-	0%	458,712	458,712	-	0%	-
	Total Parks, Recreation & Culture	37,401,695	39,001,695	(1,600,000)	-4%	71,495,198	71,137,198	(358,000)	-1%	(1,958,000)
9960	Debt Retirement and Interest	9,905,727	9,905,727	-	0%	66,458,328	66,458,328	-	0%	-
1200-1899	Capital Improvements	103,377,552	103,377,552	-	0%	175,039,167	175,039,167	-	0%	-
	Expendable Trusts									
FUND 3	Zoo Trust Funds	952,424	952,424	-	0%	958,779	958,779	-	0%	-
FUND 5	Parks Trust Funds	-	-	-	N/A	-	-	-	N/A	-
FUND 6	Office on Handicapped Trust Fund	25,000	25,000	-	0%	25,000	25,000	-	0%	-
FUND 7	Behaviorial Health Complex Trust Funds	35,100	35,100	-	0%	35,100	35,100	-	0%	-
FUND 8	Airport PFC	-	-	-	N/A	-	-	-	N/A	-
FUND 11	Fleet Facilities Reserve Trust	-	-	-	N/A	-	-	-	N/A	-
	Total Expendable Trusts	1,012,524	1,012,524	-	0%	1,018,879	1,018,879	-	0%	-
	Projected Surplus (Deficit)	1,338,132,669	1,364,280,771	(26,148,102)	-2%	1,430,792,086	1,456,437,087	25,645,001	2%	(503,101)
	Reserves Expendable Trusts									-
										-
	Total Projected Surplus (Deficit)									(503,101)