

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: August 15, 2024

To: Marcelia Nicholson, Chair, Milwaukee County Board of Supervisors

From: Joe Lamers, Director, Office of Strategy, Budget and Performance

Subject: 2024 Deficit Reduction Proposal

File Type: Action Report

BACKGROUND

At the Committee on Finance meeting on July 25th, 2024, the Office of the Comptroller shared an updated 2024 year-end fiscal projection which indicated a potential deficit in the range of \$17 million to \$19 million. The projected deficit is due to a decline in sales tax revenues, overtime spending in the Office of the Sheriff and Community Reintegration Center, increased health care expenditures, and other departmental projections. An updated fiscal projection will be provided in the September reporting cycle.

While the amount of the projected deficit is subject to change, this report provides recommended budget changes, as well as updates which impact departmental projections, which are intended to eliminate a \$19 million deficit.

PROPOSAL

The chart below shows budget changes and departmental projection updates which would close a potential \$19 million deficit for 2024. Budget changes reflect proposed modifications to the budget. Departmental projection updates reflect changes to department estimates which would reduce the deficit. Below the chart is a description of the changes.

Within the recommended changes there is also a proposal to increase the Office of the Sheriff's budget by \$300,000 to hire an outside consultant to do an evaluation of staffing and overtime needs in the Office of the Sheriff. The study is intended to identify operational improvements, technological enhancements, opportunities for continuous improvement, and the study will provide baseline data regarding staffing needs throughout the department.

2024 Budget Adjustments			
Detail	Item	Amount	Brief Description
Capital WP075301	Lyons Playground Replacement	(170,000)	Capital Project Projected Surplus
Capital WO030301	Public Safety Data Interoperability	(37,381)	Capital Project Projected Surplus
Capital WO055101	CJIS Remediation	(24,628)	Capital Project Projected Surplus
Capital WO072601	911 System Compliance	(93,177)	Capital Project Projected Surplus
Capital WZ013501	Zoo Aquatic and Reptile Center Structural Repairs - Design	(31,522)	Capital Project Projected Surplus (Design)
Capital WT015701	Greenfield Park - Eliminate High Voltage - Design	(15,000)	Capital Project Projected Surplus (Design)
Capital WO072201	Inmate Processing Area/Holding Cell Completion - Design	(25,863)	Capital Project Projected Surplus (Design)
Capital WI020401	Asset Protection-Remediation Services-Phase 2	(126,195)	Capital Project Projected Surplus (Design)
Capital WJ011601	CRC Powerhouse Windows - DESIGN	(175,000)	Capital Project Projected Surplus (Design)
Capital WS014901	Kitchen Upgrades - Clinton Rose Senior Center - Design	(125,000)	Capital Project Projected Surplus (Design)
Capital WP080801	Parks Lighting Improvements - 2024	(300,000)	Capital Project Deferral
Capital WP078801	Park Bridges - Repairs & Replacements Phase 3	(77,000)	Capital Project Deferral (partial deferral of phase 3 to phase 4)
Capital WC016501	Courthouse Monument & Waypoint Signage	(171,503)	Capital Project Reduced Allocation
Levy Reduction	Transit Funding Adjustment	(2,200,000)	Tax levy reduction, increase federal relief funds
Levy Reduction	Compensation Study Funding Adjustment	(2,300,000)	Projected surplus
2023 Surplus / DSR	2023 Surplus / Debt Service Reserve	(5,226,866)	Recognize prior year surplus through reserve transfer
Levy Reduction (former ARPA)	Digital Transformation	(1,271,200)	Capital Project Reduced Allocation (\$10M to \$8.7M)
Levy Reduction (former ARPA)	ARPA Evaluation	(611,000)	Projected Surplus
Levy Reduction (former ARPA)	Clinton/Rose Façade Upgrades	(800,000)	Projected Surplus
Levy Reduction (former ARPA)	Trauma Response Program	(500,000)	Provides one year of operational support instead of two
ARPA LATCF	ARPA Local Assistance Funds (LATCF)	(100,000)	Supplemental ARPA funds not yet allocated
ARPA SLFRF	New DHHS Admin Coggs Building	(900,000)	Projected Surplus (furniture purchases)
ARPA SLFRF	Fuel Inventory Management System	(12,522)	Projected Surplus
ARPA SLFRF	Forensic Science Center	(500,000)	Projected Surplus
ARPA SLFRF	On-Site Health Clinic Creation	(100,000)	Projected Surplus
ARPA SLFRF	DHHS ARPA Administration	(100,000)	Projected Surplus
ARPA SLFRF	Affordable Housing	(1,000,000)	Reduce ARPA allocation from \$16M to \$15M
ARPA SLFRF	Market Match Program	(300,000)	Projected unspent funds at 2024 year end
ARPA SLFRF	Upstart Kitchen	(412,500)	Cancel Project
ARPA SLFRF	MCDOT Fleet Management Bldg Solar PV System	(37,643)	Project completed
Expense Increase	Sheriff staffing study	300,000	Increased funding for external Sheriff Office staffing study
	Subtotal Budget Adjustments	(17,444,000)	
Revised Expense Estimate	Youth Justice Census	(500,000)	Anticipated savings from lower than budgeted youth census
Revised Expense Estimate	Corrections Medical Contract	(500,000)	Unspent funds related to medical contract / dental services
Revenue/Expense	Parks Revenue and Expense Projection Updates	(400,000)	Improved estimates from Parks & encumbrance reductions
Revenue/Expense	Parks - Unspent Matching Funds	(156,000)	Unspent matching amenities funds, separate Parks resolution
	Subtotal Departmental Projection Updates	(1,556,000)	
	Total	(19,000,000)	

Cash Financed Capital Projects – Estimated Surpluses

A review of active cash financed projects has been conducted to identify anticipated surpluses. Administering departments are projecting surpluses in the below stated projects. It should be noted that capital project surpluses are confirmed to be final as part of a project close-out process which has not yet occurred for these projects. If these projected surpluses are not fully materialized, there would be a need for a future budget action. However, this is not currently anticipated. In addition, a portion of funds have been maintained in select projects for potential close out costs.

- WP075301 Lyons Playground Replacement (170,000)
- WO030301 Public Safety Data Interoperability (37,381)
- WO055101 CJIS Remediation (24,628)
- WO072601 911 System Compliance (93,177)
- WZ013501 Zoo Aquatic and Reptile Center Structural Repairs - Design (31,522)
- WT015701 Greenfield Park - Eliminate High Voltage - Design (15,000)
- WO072201 Inmate Processing Area/Holding Cell Completion - Design (25,863)
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- WJ011601 CRC Powerhouse Windows - DESIGN (175,000)
- WS014901 Kitchen Upgrades - Clinton Rose Senior Center - Design (125,000)

Parks Lighting Improvements - 2024 (\$300,000)

The 2024 budget included a \$400,000 allocation for Parks lighting improvements. Design work pertaining to this project has been completed. Under this proposal, construction funding will be separated out into a future phase which is intended to be funded in a future budget action. There are more than \$4.3 million of active parks lighting projects included in the capital plan. As of August 2024, \$1.1 million has been obligated and there is a remaining balance of \$3.2 million.

Park Bridges – Repairs and Replacements Phase 3 (\$77,000)

Park Bridges Phase 3 was funded in the 2024 budget at an amount of \$724,040. Work is still being done on the Park Bridges Phase 2 project. Phase 3 has not yet started. Parks is hiring an Engineer who will be focused on critical safety repairs to bridges. \$77,000 (10.6% of project) is proposed to be reduced from Phase 3 and will be added to a future Phase 4 project.

Courthouse Monument and Waypoint Signage (171,503)

Project budget is proposed to be reduced by \$171,503. Approximately \$20,000 remains in the project to address wayfinding signage needs.

Transit Funding Adjustment (\$2.2 million tax levy reduction, \$2.2 million federal funds increase)

The 2024 Budget included a tax levy increase of approximately \$17 million in Transit. Due to the County's updated budget deficit outlook, 2024 tax levy funding in Transit is proposed to be reduced by \$2,200,000. This reduction in tax levy will be offset by increased utilization of federal ARPA funds dedicated to the transit system, which remain available to support transit operations. At the end of 2024, Transit is projected to have \$23 million of federal ARPA funds remaining available, including \$15 million that is being proposed for transfer from the N-S Transit Enhancement project to operations.

Compensation Study Funding (\$2.3 million)

The 2024 Budget included a \$3.0 million allocation for pay adjustments related to the compensation study being conducted by the Department of Human Resources. To date, approximately \$460,000 in annualized compensation study adjustments have been provided in 2024. In addition, Human Resources is preparing to allocate additional compensation study raises with annualized costs of approximately \$500,000 in the fourth quarter of 2024. Compensation study raises will be effective for a partial year in 2024 and the estimated 2024 cost is expected to be approximately \$700,000 in 2024. This allocation is proposed to be reduced by \$2,300,000.

2023 Surplus / Debt Service Reserve (\$5,226,866)

The 2023 Fiscal Projection for Milwaukee County, prepared by the Comptroller's Office in December 2023 (File 23-69), projected a surplus of \$36.6 million. While the 2023 year-end results have not yet been finalized, it remains anticipated that the 2023 surplus will be approximately \$30 million. Surplus funds at year-end are deposited into the Debt Service Reserve. This action would increase the debt service reserve contribution (in Agency 996, Org 9960) to pay for debt expenses of \$5,226,866 and relocate an equal amount of funds (freed up by the increase in debt service reserve contribution) to departmental or non-departmental orgs as needed to offset projected deficits in 2024. The actual amount of funds withdrawn from the Debt Service Reserve in 2024 will depend on the County's final year-end deficit amount. If the County's deficit ends up being lesser than \$19 million, the Debt Service Reserve withdrawal may be adjusted. The resolution for this file authorizes the Office of Strategy, Budget and Performance and the Office of the Comptroller to transfer "up to" \$5,226,866 of Debt Service

Reserve funds.

ARPA LATCF (\$100,000)

Milwaukee County received a supplemental federal American Rescue Plan Act (ARPA) Local Assistance and Tribal Consistency Fund (LATCF) allocation of \$100,000. This \$100,000 allocation is separate and in addition from the \$183.7 million State and Local Fiscal Recovery Fund (SLFRF) allocation that Milwaukee County received. The \$100,000 in LATCF funding has not yet been allocated. It is now proposed to be allocated to cover increased public safety operational costs in 2024.

Digital Transformation (\$1,271,200)

The Milwaukee County Board of Supervisors approved \$10 million of ARPA-SLFRF funds for Digital Transformation projects in File 22-106. \$5.6 million of the project was subsequently realigned to tax levy funding in File 24-535, with the balance remaining as funded by ARPA. IMSD worked with an outside vendor and County departments on a digital transformation assessment and roadmap which lead to funding of numerous IT innovation enhancements. This project is proposed to be reduced by \$1.27 million, with the reduction being applied to the tax levy component of the project. The following aspects of the project are planned to be reduced:

- Digital Transformation funds not yet allocated to specific projects: (\$500,000)
- HR Benefits System: project completed with surplus (\$159,845)
- Case and Task Management System: project reduced from \$530,000 to \$406,245, or by (\$123,755)
- Employee Self-Service: project cancelled (\$107,000)
- e-Discovery System: project cancelled (\$380,000)

ARPA Evaluation (\$611,000)

\$4.0 million or 2.1% of the County's ARPA SLFRF allocation was dedicated to an ARPA Evaluation project (File 22-560). \$3.6 million of project funds were subsequently reallocated to tax levy funding in File 24-535. The evaluation project will help the county to understand and communicate return on investments, assess progress towards goals and intended outcomes, and share impact on residents, communities, and the County's fiscal health. The project is also intended to build capacity for future performance management, measurement, and evaluation. Phase 1 of this project has been completed. Based on current spending levels as well as planning for future Phases, it is estimated that the budget for this project can be reduced by \$611,000. The reduction will apply to the tax levy funded portion of the project.

Clinton/Rose Façade Upgrades – WY045601 – (\$800,000)

Upgrades to the Clinton/Rose Senior Center façade are funded in the budget at an amount of \$1,460,062. The project was originally funded by ARPA-SLFRF but the majority of project funds were reallocated to tax levy in File 24-535. Updated cost estimates for this project reflect a surplus of \$800,000. Surplus tax levy funds are proposed to be reduced from the project.

Trauma Response Program (\$500,000)

File 22-418, approved in March 2022, included a \$1,971,200 ARPA allocation for the Trauma Response Program which funded additional community crisis beds as well as crisis response staff to assist with non-police responses to crisis calls. From the allocation, approximately \$1.0 million is for the funding of additional community crisis beds. \$971,200 is for crisis response staffing. It was anticipated that this allocation would support two years of staffing costs. The additional crisis beds have not yet been developed but development is in process. The staffing costs will be incurred after the crisis beds are operational. The \$500,000 proposed reduction

would reduce staffing support costs from two years to one year. DHHS is seeking to identify sustainable options for continued funding of the crisis response staffing, which was always part of the plan for this program. File 24-535 reallocated \$942,579 of this allocation to tax levy. The \$500,000 reduction will be applied to tax levy.

New DHHS Admin Coggs Building (\$900,000)

The Department of Administrative Services (DAS) has identified \$900,000 in savings directly related to furniture purchases for the new DHHS Admin Coggs Building project which is under construction. This project (WY045606) has a budget of \$45.2 million including a mix of ARPA funds and County bond financing. \$900,000 of ARPA funds are proposed to be reduced from the project.

Fuel Inventory Management System (\$12,522)

This ARPA funded project has been completed with \$12,522 of surplus proposed to be reduced.

Center for Forensic Science and Protective Medicine (\$500,000)

The Forensic Science Center project is a \$127 million project funded with a combination of county ARPA, state ARPA, county bonding, and other sources. The project is under construction and most of the contracted construction funding has been awarded. To date, there has not yet been a need to utilize contingency funding included in the project budget. DAS is in the process of negotiating and finalizing the final purchase price, and at this time feel confident that the project contingency can be reduced by \$500,000 (less than 0.5% of project). Further savings against project budget may occur next year as we approach the final procurement activities around furniture and equipment. If this surplus is not materialized there would be a need for a subsequent budget action. The \$500,000 reduction will apply to the ARPA-SLFRF funded portion of the project.

On-Site Health Clinic Creation – WY011301 - (\$100,000)

\$1.3 million of ARPA-SLFRF funds have been allocated to creation of on-site health clinics for County employees. Construction of the clinics is close to completion, and DAS is estimating \$100,000 of anticipated surplus in the project.

DHHS ARPA Administration (\$100,000)

\$1,396,500 has been allocated to the Department of Health and Human Services (DHHS) for the purpose of administering more than over 20 ARPA funded projects. DHHS has hired staff and contractors to assist in these efforts. Based on current and projected expenditure levels, the allocation for DHHS ARPA administration is proposed for reduction by \$100,000.

ARPA Affordable Housing (\$1.0 million)

Milwaukee County has dedicated \$16.0 million of its ARPA SLFRF allocation to development of affordable housing. In addition, the 2024 budget included a \$4.0 million allocation of affordable housing funds. \$15.0 million of ARPA funds are obligated or are in the process of being obligated to affordable housing projects recommended by DHHS. The \$4.0 million of tax levy that was dedicated in the 2024 budget is planned for two affordable housing projects. There is \$1.0 million of ARPA funds remaining that have not yet been committed or planned for any specific housing project. The \$1.0 million unallocated balance is recommended to be reduced.

Milwaukee Market Match (\$300,000)

The Milwaukee Market Match program received \$1.1 million of ARPA SLFRF funding in 2022. Through incentives, the program has increased the purchase and consumption of locally grown fruits and vegetables by accepting EBT (FoodShare) benefits at Milwaukee County farmers

markets. When the program was implemented in 2022 it was projected that the \$1.1 million allocation would be expended by the end of 2024. Based on current projections, DHHS anticipates a remaining balance of \$300,000 at the end of 2024. This amount is proposed for reduction.

UpStart Kitchen (\$412,500)

In May of 2023, \$412,500 of ARPA SLFRF funds were allocated to the PRISM Economic Development Corporation UpStart Kitchen Project for the construction of a kitchen at 6th and Walnut which is the main office location for Housing Services. After building out a new kitchen, DHHS Housing Services intended to partner with UpStart to create an employment program to assist with the operations of the café. However, Upstart and the landlord for 6th and Walnut have not reached an agreement for the future operations of the kitchen. As a result, plans for the kitchen expansion are being cancelled, and this allocation is eliminated.

MCDOT Fleet Management Bldg Solar PV System (\$37,643)

\$125,000 of ARPA SLFRF funds were allocated towards a study of solar equipment on the Fleet Management building. The study has been completed with a surplus of \$37,643 that is proposed for reduction.

Sheriff's Office Operational Study: \$300,000 budget increase

This file includes a recommendation to add \$300,000 in funding to the Sheriff's budget to support an external study of Sheriff operations. The study is to be performed by an outside contractor with expertise in operational consulting for municipal law enforcement agencies. The study is intended to evaluate organizational needs to maximize performance. The study will assess operations, technology, policies and procedures, and staffing models. The study is intended to identify operational improvements, technological enhancements, opportunities for continuous improvement, and the study will provide baseline data regarding staffing needs throughout the department.

Departmental Projection Updates

The below items reflect updates to departmental expenditure or revenue projections. These updates are expected to be reflected in future monthly fiscal projections. There are no budget changes being proposed related to these items.

Youth Justice Census (\$500,000)

Correctional placements in the youth justice program continue to trend below budgeted assumptions. It is currently estimated that the DHHS budget will yield an additional \$500,000 surplus in 2024, in addition to its previously projected surplus in the July cycle. Actual spending will depend on placements, so this estimate will be continuously monitored throughout the year.

Correctional Medical Care Contract (\$500,000)

The 2024 Adopted Budget included an amendment which added \$500,000 in funding to increase dental and mental health staffing levels within the County's correctional medical contract. Efforts have been made to add a dentist, dental hygienist, and a mental health specialist to the medical contract. However, rates requested by the County's medical contractor would not allow the County to hire three additional full-time positions within the \$500,000 allocation. Efforts are being made to improve these services within the existing contract and staffing. For example, discussions have occurred with the County's correctional medical care provider regarding improvements in preventative and restorative dental services as required by the contract. The vendor has also recently hired a new dentist that has made significant progress on reducing a backlog of needed dental exams at the CRC. In addition, discussions

are ongoing with the MATC dental hygiene program and Marquette's School of Dentistry regarding partnerships. Both programs have expressed interest in partnership and this option is continuing to be explored. Future projections from the CRC are expected to assume that this \$500,000 in funds are not being spent in 2024.

Parks Department Improved Revenue and Expenditure projections (\$400,000)

Based on actual revenues and updated expenditures into the 2024 summer season, the Parks Department is expected to improve its year-end fiscal projection by at least \$400,000. Parks has also identified \$197,000 of prior year expenditures which are being closed. These encumbrances reflect prior year commitments which were previously planned to be spent. Closing the encumbrances will reduce projected spending in the department.

Parks Department – Unspent Matching Funds (\$156,000)

The Parks Department has identified unspent matching amenities funds which are not being utilized. Parks is preparing a report and resolution to release these funds, which will result in a savings and improved projection for the department.

RECOMMENDATION:

To address a potential deficit of \$19 million in 2024, the Office of Strategy, Budget and Performance recommends authorization to process appropriation transfers which would:

- Reduce tax levy allocations by \$9,054,469 and reallocate an equal amount of funds to cover projected departmental or non-departmental deficits in 2024
- Recognize \$2,200,000 of available ARPA funding dedicated to Transit operations, in order to offset a \$2,200,000 tax levy reduction in Transit operations
- Increase the debt service reserve contribution to pay for debt expenses of up to \$5,226,778 and relocate an equal amount of funds (freed up by the increase in debt service reserve contribution) to cover projected deficits in departmental or non-departmental accounts
- Recognize \$100,000 of ARPA Local Assistance and Tribal Consistency Fund allocation, and allocate an equal amount to Public Safety operational expenses to cover projected deficits
- Reallocate \$3,362,753 of ARPA State and Local Fiscal Recovery Funds to support increased Public Health and Safety Operational costs, or other operational costs eligible for ARPA reimbursement
- Increase the Office of the Sheriff budget by \$300,000 to support a study of Sheriff operations, to be performed by an external vendor with expertise in operational consulting for law enforcement agencies

Budget adjustments are recommended for the above items which would offset the 2024 projected deficit by a total \$17,444,000. In addition, departmental savings items of \$1,556,000 have been identified, resulting in a net total savings of \$19,000,000.

No budget action is proposed pertaining to the \$1,556,000 of departmental savings, but these

items are expected to result in improved projections for departments and the County.

JOSEPH LAMERS

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