

**COUNTY OF MILWAUKEE  
INTEROFFICE COMMUNICATION**

**Date:** July 3, 2014

**To:** Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors

**FROM:** Paul Bargren, County Corporation Counsel  
Josh Fudge, Director, Office of Performance, Strategy & Budget

**SUBJECT:** **Allocation of Courthouse Fire Insurance Proceeds**

**Background**

During the January/February 2014 cycle of the County Board of Supervisors, \$4,069,000 was provided from the 2013 Appropriation for Contingencies to fund work related to the Courthouse Fire (capital project No. WO150). Of this amount, \$2,675,000 was allowed to be carried over into 2014 for work performed during that calendar year (file no. 14-127). The remainder, \$1,394,000, was provided for work done during calendar year 2013. It was anticipated at the time of this action that the County's property insurance carrier would reimburse the County for these costs in the full amount of \$4,069,000. These funds were provided from the 2013 surplus, and fiscal year 2013 is now closed.

The State Office of the Commissioner of Insurance has indicated that the full funding amount, will be paid to the County, including a payment of \$3,500,000 that is expected to be received during the week of July 7.

**Issue**

Because fiscal year 2013 has been closed, the funds will be applied to fiscal year 2014. The attached resolution would allocate these funds to the Debt Service Budget. The 2014 Modified Debt Service Budget includes a contribution of \$15,099,000 from the Debt Service Reserve to offset general debt service costs in order to provide cash financing of several capital projects. The attached resolution would allocate these insurance proceeds to the Debt Service Budget in order to reduce the Debt Service Reserve contribution to \$11,599,000.

This action is being taken because the Office of the Corporation Counsel (Corporation Counsel) indicates that one medical malpractice and civil rights suit has been filed and four additional, similar notices of claim have been received. These cases are related to incidents at the Behavioral Health Center that have happened in recent years and that are not covered by the County's insurance with Wisconsin County Mutual. The Corporation Counsel plans to utilize outside counsel for these cases due to the resources and specialized experience required. A current estimate is that the costs of defense and/or the potential liability costs could be significant over the next several years. It is the opinion of the County Executive and the Office of the Corporation Counsel that, because these incidents took place prior to the implementation of 2014 Wisconsin Act 203, the liability rests with Milwaukee County and not with the Mental Health Board.

Therefore, in order to address the costs of outside counsel and the possibility of liability payments and to mitigate the impact on the 2015 and subsequent years' budgets, it is recommended that the insurance proceeds be transferred to the Debt Service Budget, which will allow for a reduction of the same amount in the 2014 contribution from the Debt Service

Reserve, thereby providing funds for defense counsel costs and for possible liability in 2015 and future years.

**Recommendation & Fiscal Impact**

The Director of Administrative Services and Office of the Corporation Counsel recommend that the fire insurance proceeds of \$3,500,000 be allocated to the Debt Service Budget, and that the contribution from the Debt Service Reserve to the Debt Service budget be reduced by a like amount to \$11,599,000. This action would have no tax levy impact.



Paul Bargren  
County Corporation Counsel



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Director, Office of Performance,  
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Cc: County Executive Chris Abele  
Scott Manske, Milwaukee County Comptroller