

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: December 28, 2018

To: Theodore Lipscomb, Sr., Chairman, Milwaukee County Board of Supervisors

From: Scott B. Manske, Comptroller
Jennifer L. Folliard, Director of Audits, Comptroller's Office

Subject: Froedtert Memorial Lutheran Hospital Lease Payment [File No. 94-801(a)(e)]

Background

On September 7, 1995, the County Board adopted a resolution [File No. 94-801(a)(e)] related to the sale and lease of John L. Doyne Hospital assets and land to Froedtert Memorial Lutheran Hospital (FMLH). The lease called for annual payments until 2020 based on "operating cash flow."

Analysis

The 2018 lease payment from FMLH, was \$9,526,000. For 2018, budgeted revenues for this payment were \$8,500,000. We have reviewed the audited financial statements of FMLH as well as their auditor's report on the Schedule of Annual Land Lease Payment (Exhibit A). The payment represents 5.25% of annual operating cash flow as calculated in accordance with the FMLH Lease Agreement.

Payments for all years are listed below. This data reflects 2008 and 2009 information that was previously adjusted when FMLH changed from a December 31 to a June 30 fiscal year.

<u>Year</u>	<u>Actual</u>	<u>Budgeted</u>
2018	\$9,526,000	\$8,500,000
2017	\$9,314,000	\$8,000,000
2016	\$ 8,123,000 ^(a)	\$ 7,200,000
2015	8,550,000	7,000,000
2014	7,013,000	6,100,000
2013	10,798,000	6,075,550
2012	4,439,000	6,300,000
2011	8,378,000	6,300,000
2010	6,568,000	3,900,000
2009	-0-	3,190,000
2008	78,000	2,919,000
2007	6,877,000	2,919,000
2006	2,919,000	3,796,000
2005	2,596,000	4,018,000
2004	4,018,000	3,434,000
2003	3,434,000	2,162,035
2002	2,696,000	1,355,000
2001	3,479,000	1,302,000
2000	1,302,000	2,030,850
1999	4,035,000	2,387,000
1998	3,107,000	2,421,000
1997	4,538,000	2,373,000
1996	2,035,000	1,953,000
1995	4,100,000 ^(b)	4,100,000

(a) Payment was reduced by \$588,954 to cover soil and piping costs.

(b) Initial lump-sum payment.

Conclusion

The 2018 land lease payment from FMLH of \$9,526,000 exceeds the budgeted payment of \$8,500,000. It is important to note, however, that this payment does not necessarily indicate a similar payment level in 2019.

Recommendation

This report is for information purposes.



Scott B. Manske
Comptroller



Jennifer L. Follard
Director of Audits

SBM/JLF/cah

Attachment

cc: Chris Abele, Milwaukee County Executive
Supervisor James 'Luigi' Schmitt, Chair, Committee on Finance & Audit
Teig Whaley-Smith, Director, Department of Administrative Services
Jeffrey R. Van De Kreeke, Sr. Vice President, Finance & Chief Financial Officer, FMLH
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Legislative Services Manager, County Clerk's Office
Shanin Brown, Committee Coordinator, Committee on Finance & Audit