

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICAITON

DATE : March 28, 2014

TO : Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors

FROM : Scott Manske, Milwaukee County Comptroller
Josh Fudge, Director, Office of Performance, Strategy and Budget

SUBJECT : 2013 Report of Departmental Surpluses and Deficits

In the event of a surplus, State Statute 59.60 (5)(g) and County Ordinance 32.91 (4)(a)(3) allow the County to transfer surplus funds into a Debt Service Reserve. The transfer must have the approval of 2/3 of the voting members of the County Board.

The 2013 unaudited fiscal year result is currently projected with a surplus of approximately \$15.0 million. *This amount is a preliminary report of the annual results since the 2013 year-end audit has not been completed.*

Under State Statute, the one-time annual surplus of the County is required to be applied against the tax levy requirements of the subsequent year's budget, in this case, the 2015 budget. In 2012, the year-end surplus was \$24.3 million, of which \$5 million was reserved for 2014 operations and the remaining amount of the surplus was transferred to the Debt Service Reserve. It is recommended that the amount of surplus available to offset the subsequent year's budget be maintained at \$5.0 million.

Due to the fact that the 2014 County-wide projection is unknown, albeit early in the year, and due to the fact that current fiscal forecast projects continued structural imbalance in 2015, the Office of the Comptroller and the Department of Administrative Services – Office of Performance, Strategy and Budget (DAS-PSB) are recommending that the 2013 year-end surplus be transferred to the Debt Service Reserve with the exception of \$5.0 million which, by State Statute, will be reserved for the 2015 operations budget. This would be the same action as was taken in 2013 with the 2012 surplus. This would allow for the 2013 surplus, beyond the \$5.0 million to be available to service outstanding debt, to offset any issues in the current fiscal year (2014) or future fiscal years. The final amount placed into the Debt Service Reserve will be determined once the year-end audit has been completed.

By prudently placing the funds into the Debt Service Reserve, the funds would be available to offset potential deficits in future years. Should the County experience unforeseen expenditures, the Debt Service Reserve could offset any deficit in the current year.

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Recommendation:

The Office of the Comptroller and DAS-PSB recommend the approval of the attached resolution to transfer all but \$5,000,000 of the 2013 year-end surplus to the Debt Service Reserve.

Scott Manske
Milwaukee County Comptroller

Josh Fudge
Director, Office of Performance, Strategy and Budget

cc: Chris Abele, County Executive
Don Tyler, Director of Administrative Services
Finance, Audit and Personnel Committee