

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: February 12, 2014

TO: County Executive Chris Abele
Milwaukee County Board Chairwoman Marina Dimitrijevic
Willie Johnson Jr., Co-Chair, Committee on Finance, Personnel, & Audit
David Cullen, Co-Chair, Committee on Finance, Personnel, & Audit

FROM: Don Tyler, Director, Department of Administrative Services
Ruben Anthony, Director, Interim Director, Community Business Development Partners

**SUBJECT: NOTIFICATION OF A REVENUE DEFICIT FOR 2013 & 2014
(FOR INFORMATION ONLY)**

ISSUE

Milwaukee County Ordinance 56.02 requires department administrators to submit a report to the County Executive, Committee on Finance, Personnel, & Audit, and the Department of Administrative Services when potential revenue deficits of \$75,000 or more are identified.

BACKGROUND

2013

The 2013 Adopted Budget for Community Business Development Partners (CBDP) included operating (crosscharge) revenue of approximately \$158,000 for DBE work performed in relation to capital projects. The budgeted revenue assumed that four CBDP staff would be charging capital projects beginning April 1.¹ This included staff time that was pro-rated for sick and vacation time and included three positions (two Contract Specialists and one Contract Compliance Manager) working primarily on capital projects and one position (Information and Outreach Coordinator) working about 10% of the time on capital projects.

Additionally, the County's Bond Counsel provided a review of the capital projects to be charged to avoid any potential (U.S Treasury and Wisconsin State Statute) compliance issues. As a result of this review, Bond Counsel determined that projects financed with General Obligation (GO) bonds or General Airport Revenue bonds (GARBs) could only be worked on by CBDP staff after a contract had been signed/executed. The vast majority of the County's capital projects are, at least in part, financed with bond proceeds. When the

¹ **2013 Adopted Budget Language for CBDP:** Staffing costs of \$158,236 are charged to the Capital Improvement program for 2013. CBDP will develop a methodology for tracking of staffing charged to capital to be implemented no later than April 1, 2013. The methodology will be reviewed and approved by the Comptroller's Office prior to implementation. Final staff charges will be based upon actual work performed.

2013 Budget was developed the (U.S Treasury and Wisconsin State Statute) rules of charging CDBP staff time to bond financed capital projects were not known. These constraints narrowed the amount of staff time available to be charged out to bond financed capital projects by CDBP.

Although CDBP's 2013 budget assumed that four staff would be working on DBE-related issues for capital projects, only about 1 – 2 staff actually worked on these projects. Additionally, the CDBP staff compliance responsibilities were greater than the scope of the projects that were identified for cross charging and work on these additional projects were not eligible to be crosscharged.

Finally, a fund transfer was required in order to establish budget authority in the capital budget to enable CDBP to crosscharge (eligible) capital projects. The fund transfer occurred in the June 2013 committee cycle. As a result, CDBP staff began working on the related capital projects in June instead of April.

CORRECTIVE ACTION PLAN

2013

CDBP staff began charging (eligible) capital projects in June. Initial consolidation of CDBP crosscharges occurred in November/December with final revenue estimates determined in January (2014). As a result, the revenue deficit was not fully realized until January. As a result, options for offsetting the impact do not exist since the full extent of the deficit wasn't known until year-end. The revenue deficit will ultimately be absorbed by the anticipated 2013 overall County surplus.²

BACKGROUND

2014

The 2014 Adopted Budget for CDBP includes operating (crosscharge) revenue of approximately \$181,000 for DBE work performed in relation to capital projects. Similar to 2013, it is likely that the 2014 budgeted revenue of \$181,000 will not be achieved.³ As noted previously, actual revenue amounts for 2013 were not fully known until January 2014. The 2014 County Executive Recommended Budget was developed over the summer and submitted to the County Board in late September. As result, the 2014 crosscharge revenue of \$181,000 was not adjusted down since the actual 2013 revenue shortfall was not known until after the 2014 Budget was adopted.

² During the January 2014 standing committee cycle, the Comptroller's "Monthly Update of the 2013 Fiscal Projection of Milwaukee County" report indicated an estimated County surplus of \$14.3 million. *Milwaukee County Board File #14-114.*

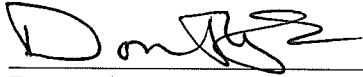
³ **2014 Adopted Budget Language for CDBP:** Continuing the initiative started in 2013, four positions will charge time to capital projects in 2014.

CORRECTIVE ACTION PLAN

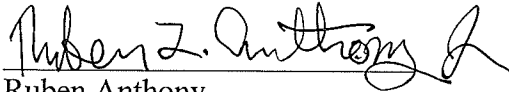
2014

CBDP will attempt to mitigate the anticipated 2014 revenue deficit by the following:

- a. As a number of eligible projects have already been identified (via the 2013 review process), CBDP staff can work on the projects immediately in 2014 (as opposed to 2013 where staff started working and charging capital projects in June).
- b. The 2014 adopted budget assumed four staff to be working on eligible capital projects. CBDP will augment these four positions by assigning two additional staff to work on eligible capital projects.
- c. CBDP will monitor the crosscharge revenue on a monthly basis in order to determine YTD revenue and project year-end revenue.



Don Tyler
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Ruben Anthony
Director, Interim Director, Community Business Development Partners

cc: Amber Moreen, Chief of Staff, County Executive's Office
Scott Manske, Comptroller
Josh Fudge, Fiscal & Budget Administrator, Department of Administrative Services
Kelly Bablitch, Chief of Staff, County Board

