

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : April 29, 2013
TO : Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors
FROM : Scott B. Manske, Comptroller
SUBJECT: Fiscal Report 1st Quarter 2013 for Milwaukee County

Policy Issue

County Ordinance 56.02(2) was modified to reflect changes adopted under 2011 Wisconsin Act 62 which created the Office of the Comptroller. A new requirement calls for a monthly update of the fiscal condition of the County to the County Board. To comply with this ordinance, the Comptroller has provided the County Board with monthly updates to the projection of 2013 year-end financial results. This fiscal report is a projection of 2013 financial results based on first quarter financial data. The County's 2013 fiscal year ends on December 31, 2013. For each fiscal year, the County prepares a balanced budget in which revenues equal expenditures. Therefore, a report of surplus or deficit for the County represents actual results that are in total above (surplus) or below (deficit) net budgeted funds.

Year-end Projection

Based on financial results through March 31, 2013 and quarterly reports submitted by departments, Milwaukee County's projected 2013 year-end fiscal status is a surplus of \$6.1 million. The projected surplus assumes that the full available balance in the contingency fund of \$4.6 million is applied to offset departmental and non-departmental deficits. To the extent the contingency fund is used during the year for deficit reduction, the projected surplus will decrease.

This report projects year-end departmental operating surpluses of \$0.1 million in Labor Relations, \$0.1 million in the Register of Deeds, \$0.1 million in Medical Examiner's Office, and \$0.3 in the Department of Health and Human Services (DHHS).

Non-departmental surpluses include: a surplus in projected savings from fringe benefits of \$3.0 million.

These surpluses are offset by projected departmental deficits including: Combined Courts (including Pre-Trial Services) of (\$0.1) million, the Sheriff (excluding the HOC) of (\$1.4) million, the DOT Highway Maintenance of (\$0.1) million, the Behavioral Health Division (DHHS-BHD) of (\$0.2) million, and the Zoo of (\$0.5) million.

The following attachments provide further detail:

- Attachment A: provides the projected surpluses and deficits in excess of \$100,000 by department.
- Attachment B: provides narrative explanations of the amounts reported in Attachment A.
- Attachment C: provides the projected surplus or deficit for 2013 by agency.

Overview of Process for Determining County-wide Year End Financial Projections:

The projection of the County's year-end results begins with an analysis of year-to-date actual results by each Department for the most recent quarter that has ended. These actual results become the basis for each department projecting twelve months of actual activity. Departments then submit a report of projected year-end results to the Comptroller. The departmental projections include a fiscal report of budget versus projected actual results by appropriation category, a written report of variances between budgeted and projected actual results, and a written report of any corrective action plan that the department intends to implement to reduce any projected deficit.

The Comptroller reviews the reports submitted by departments. During the review, questions may arise regarding departmental projections. Discussions will then occur with department personnel on the expected annual results. In rare instances, when the Comptroller projections differ from departmental financial results, the County-wide report will reflect the Comptroller projection, which will be noted in this report.

The Comptroller analyzes and projects financial results for most non-departmental accounts including fringe benefits, sales taxes, delinquent property taxes, investment income, unallocated contingency fund, debt service fund and capital projects fund. In addition, the Comptroller prepares salary projections for each department and compares the results to the salary projections prepared by departments.

The projections by departments and the Comptroller are combined to arrive at a year-end projection of financial results for the County. The fiscal report is then submitted to the County Board and County Executive.

Transit/ Paratransit (Org Unit 5600)

The Transit/ Paratransit System are projecting a surplus of \$74,000 for 2013. It should be noted that the Paratransit system will experience costs that are \$2.5 million higher than it would have incurred if the process for procuring transit services had been successful. Problems with the process resulted in the execution of three-year emergency contracts for Paratransit service entered into in the fall of 2012. A report on the contract was issued by the Office of the Comptroller, Audit Division.

Committee Action

This is an informational report only. This report should be referred to and reviewed by the Finance and Audit Committee.



Scott B. Manske
Comptroller

Attachments

cc: Chris Abele, County Executive

Supervisor William Johnson, Co-Chairman, Finance, Audit and Personnel Committee
Supervisor David Cullen, Co-Chairman, Finance, Audit and Personnel Committee
Finance, Audit and Personnel Committee
Don Tyler, Director, Department of Administrative Services
Josh Fudge, Interim Fiscal and Budget Administrator
Stephen Cady, Fiscal and Budget Analyst, County Board
Department Heads

Milwaukee County
Projection for 2013 - Based on Activity as of March 31, 2013

Dept	Department Name	31-Mar-13
1150	DAS - Risk Management	\$ -
1160	Information Management Services Division	-
1135	Labor Relations	103,000
2000	Combined Courts	(271,300)
2900	Pre Trial Services	153,300
3400	Register of Deeds	101,000
4000	Sheriff's Office	(1,395,800)
4500	District Attorney	-
4900	Medical Examiner	136,400
5100	DOT Highway	(130,600)
5600	DOT - Transit/Paratransit System	74,800
5800	DOT - Administration	23,000
6300	Behavioral Health Division	(195,800)
7900	Department on Aging	-
7990	Department of Family Care (CMO)	546,200
7990	Contribution From/(To) Family Care Reserve	(546,200)
8000	Department of Health and Human Services	342,000
9000	Department of Parks, Recreation and Culture	-
9500	Zoological Department	(535,300)
	Other Departments not shown above	580,891
	Departmental Total	(1,014,409)
	Capital Projects Funding	-
1945	Unallocated Contingency Fund	4,660,829
1950	Fringe Benefits	3,000,000
1991	Reserve for Delinquent Property Taxes	(500,000)
1993	State Shared Revenue	-
1996	Sales Tax Revenue	-
9960	Debt Service Fund/Froedtert Lease Payment	-
	Non-Departmental Total	7,160,829
	Projected County Surplus (Deficit)	\$ 6,146,420

Description of Significant Surplus and Deficit Projections for 2013:

Departmental Surpluses and Deficits:

Labor Relations (*Org Unit 1135*)

\$0.1 million surplus

The Department of Labor Relations is projecting a surplus of \$103,000 for 2013. The surplus is a result of holding one position of Labor Relations Specialist 3 vacant.

Combined Court Related Operations (*Orgs 2000 & 2900*)

(\$0.1 million deficit)

The Combined Courts is projecting a revenue deficit of \$349,638 partially offset by a projected surplus of \$78,315 in expenditures in the Combined Court Operations Budget and a projected surplus in the Court's Pre-Trial Service budget of \$153,287. Total Courts projected 2013 year end deficit of \$118,036.

The projected deficit in Combined Courts includes a revenue deficit in marriage licenses fees, and fines and forfeitures including bails of \$266,679. Courts also have a projected revenue deficit of \$165,000 in interest income. Offsetting these revenue deficits is an expenditure surplus of \$118,992 in salaries and benefits and \$58,176 in contractual services which is partially offset by a commodities deficit of \$103,115.

The Pre Trial Services budget operated by Courts is projecting an expenditure surplus of \$153,287 in professional services for Justice 2000, Inc.

Office of the Sheriff (*Org 4000*)

(\$1.4 million deficit)

The Sheriff's Department is projecting a 2013 deficit of \$1.4 million due to a revenue deficit of \$607,730 and an expenditure deficit of \$788,100. The variances are due to surpluses and deficits in a variety of revenue and expenditure categories.

Personal Services and Fringe Benefits deficits are projected in the following areas:

- Bailiffs are expected to deficit by \$319,001 due to staffing at higher levels than included in the 2013 Adopted Budget with four additional deputies being deployed and one additional Deputy Sheriff Sergeant to provide three front line supervisors. The 2013 budget cut the number of deputies assigned to this operation from 92 to 88.
- Civil/Criminal Process is expected to deficit by \$381,534 due to it being staffed with five additional deputies beyond that provided in the Adopted Budget due to the budgeted staff's inability to serve the number of civil/criminal process papers and one Deputy Sheriff Sergeant is also assigned here. The 2013 budget cut the number of personnel assigned to this department from 15 to 10.
- The General Investigations Unit is expected to deficit by \$312,635 due to five additional deputies being required to maintain the caseload acceptable to the Sheriff.

The 2013 budget cut the number of personnel assigned to this department from 11 to 6.

- These deficits are partially offset by other vacant positions in the Office of the Sheriff.

The Sheriff is projecting a revenue deficit of \$381,734 in traffic citation revenue based upon 2012 actual traffic citation revenue.

Revenues of the Sheriff's Office are projected to deficit for 2013 due to reduced State, Federal and other governmental reimbursement of \$813,375. The largest deficit is Federal inmate revenue of \$525,447. The 2013 budget estimated that 35 federal prisoners would be housed at the correctional facility, however only 17 on average have been housed during the first quarter of 2013. The Sheriff is also projecting a deficit of \$210,325 in state revenue comprised of a projected deficit of \$161,745 in reduced County Trunk Maintenance payments and a projected deficit of \$48,580 in reimbursement revenue for training.

Partially offsetting these revenue deficits is an anticipated revenue surplus of \$186,218 in inmate telephone commission in 2013. In 2012, the Sheriffs Office had a surplus of \$239,000 in telephone commissions, due to a new contract executed in February 2012.

House of Correction (HOC) (Org 4300)

Possible deficit - Amount unknown

There are two major pieces of litigation involving the HOC that are ongoing. One is over the provision of inmate medical services and the other is over who has control of the facility. The provision of the inmate medical program is subject to an ongoing lawsuit (Christensen Consent Decree). The Sheriff is pursuing the use of an outside firm for provision of all inmate medical services. The 2013 budget transferred the costs for Inmate Medical Services to HOC, plus the 2013 budget was built on using County staff. It is anticipated at this time that the resolution of the inmate medical issue may result in higher costs to the County in 2013 than budgeted. In addition, the 2013 Adopted Budget transferred authority of the HOC department to a Superintendent. The Sheriff has filed a lawsuit objecting to that transfer. No resolution to this matter has occurred, as of the date of this memo.

The Office of the Comptroller will continue to monitor the lawsuits and its potential impact on 2013.

Medical Examiner (Org 4900)

\$0.1 million surplus

The Medical Examiner is projecting a revenue surplus of \$25,140 mainly due to a service fee surplus and an expenditure surplus of \$111,220 from a variety of areas including \$ 34,458 in salaries and \$30,000 in medical service fees.

DOT – Highway (Org 5100)

(\$0.1 million deficit)

The Highway Division of the Milwaukee County Department of Transportation (MCDOT) is projecting a revenue deficit of \$418,913 for professional services charged to capital projects due to vacant positions. This deficit is partially offset by expenditure surplus in salaries and wages due to the vacant positions.

DTPW - Transit/Paratransit System (Org 5600)

\$0.1 million surplus

Transit is projecting a deficit of \$1,430,000 and Paratransit is projecting a surplus of \$1,514,500 for a net projected surplus of \$75,000.

The Transit system is projecting a deficit of \$1,830,000 in revenue due to ridership declines in all revenue categories. This deficit is partially offset by a projected fixed route revenue surplus of \$600,000 due to traffic mitigation contracts with the State of Wisconsin. The Transit system is also projecting a \$200,000 deficit in fixed-route expenses.

The Paratransit System is projecting a revenue deficit of \$165,500 due to ridership being 25% under budget. This revenue deficit is offset by a projected expenditure surplus of \$1,680,000 due to fewer trips being taken by Paratransit clients.

DHHS – Behavioral Health Division (BHD) (Org 6300)

(\$0.2 million deficit)

BHD is projecting a deficit of \$195,800 for 2013, which consists entirely of a revenue deficit of \$1,726,000 offset by an expenditure surplus of \$1,530,200.

The revenue deficit is projected to occur in health care revenues due in part to a delay in the request for a State Medicaid Plan Amendment and lower inpatient census which results in a projected deficit of \$1,450,000. The Medicaid change would have allowed BHD to submit unreimbursed inpatient costs to Medicaid for reimbursement. Separately, revenue from the Medicaid Pay-for-Performance program is projected to deficit by \$176,000. Further, BHD is projecting a \$100,000 deficit from a bed hold rate at the Rehab Central and Hilltop due to downsizing and a resulting occupancy rate below 94%. The revenue payment required an occupancy rate of at least 94%.

These revenue deficits are partially offset by the following expenditure surpluses: \$648,000 in services for meals and medical services and a \$200,000 surplus in commodity costs and \$682,000 due to the startup of the Access to Recovery (ATR) grant and purchase contracts being executed later than anticipated.

Department of Family Care (Org 7990)

\$0.5 million surplus

The Department of Family Care is projected a year-end surplus of \$546,000 which results in a contribution to its reserves equal to the surplus for a net zero impact to the County's bottom line. The surplus is projected as a result of a small increase in the capitation rate and intensive management of service utilization.

Department of Health and Human Services

\$0.3 million surplus

DHHS is projecting a surplus of \$342,000 for 2013 due to a revenue surplus of \$142,000 in prior year revenue for Children's Long Term Support case management and a \$200,000 expenditure surplus in personnel services.

Zoological Department

(\$0.5 million deficit)

The Zoo Department is projecting a revenue deficit of \$535,924 due to poor weather conditions for the months of January, February and March and the first half of April. In addition, the multiple construction projects for the Zoo Interchange are having an impact on attendance.

Non - Departmental Surpluses and Deficits:

Unallocated Contingency Fund (Org 1945)

\$4.6 million surplus

The unallocated contingency account was appropriated at \$4.6 million. The unallocated contingency fund, for purposes of this report, is being utilized to offset deficits projected by various departments, and in order to arrive at a net surplus for the County of \$6.0 million.

Fringe Benefits (Org 1950)

\$3.0 million surplus

Based on analysis performed by the County's Comptroller, fringe benefit costs are currently projected to surplus for 2013.

Delinquent Property Taxes

(\$0.5 million deficit)

Based on delinquent property receipts for the first four months of the year, which lag behind prior year payments, the County is projected to increase its reserves for delinquent property taxes by \$500,000. Receipts in the remaining months of 2013 may offset this deficit.