

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : September 9, 2011
TO : Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors
FROM : Scott B. Manske, Controller
SUBJECT: 2011 Fiscal Report as of July 31, 2011

Policy Issue

County Ordinance 56.02(2) requires the Department of Administrative Services (DAS) to “report, on a quarterly basis or in a manner determined to be most useful and effective, on the financial condition of the county, which report shall identify all major variances from the adopted budget on a department-by-department basis.” To comply with this ordinance, DAS provides a projection of year-end financial results on a quarterly basis to the County Board and County Executive. This fiscal report is a projection of 2011 financial results based on second quarter financial data. The County’s 2011 fiscal year ends on December 31, 2011. 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 July 31, 2011, Milwaukee County’s projected year-end fiscal status for 2011 is a deficit of (\$3.2) million. In the first quarter the department was projecting a deficit of (\$4.4) million. The projected deficit assumes that the full amount appropriated in the contingency fund of \$5.5 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 deficit will increase.

This report projects year-end surpluses of \$5.5 million in the Unallocated Contingency Fund, \$0.5 million in Child Support Enforcement, \$0.7 million from the Sheriff Department, and \$3.9 million in the Department of Health and Human Services (DHHS).

Significant departmental deficits include: Behavioral Health Division (DHHS-BHD) of (\$3.4) million, and Combined Courts of (\$1.0) million.

Non-departmental deficits include: a shortfall in projected savings from fringe benefit modifications in Org Unit 1972 of (\$5.6 million), a shortfall in sales tax revenue of (\$1.5) million, a shortfall in revenue for capital projects that was to be funded with land sales and third-party revenue of (\$3.1) million, and a projected increase in the Reserve for Delinquent Property Taxes of (\$0.5) million. The shortfall in Capital Project revenue is due to the deferral of land sale revenue from UW-Milwaukee to 2012 and the loss of outside revenue from donations. The land sale revenue was to be used to fund \$5.0 million of capital projects that could not be bonded. All of the projects could not be cancelled, so the County must provide funding for \$2.5 million of the project cost, in place of the land sale revenue. An additional \$0.6 million of

capital project revenue will not be received from an outside party, due to a shortfall in contributions.

Non-departmental surpluses include interest income of \$0.5 million and debt service revenue of \$2.0 million. The surplus in the debt service revenue is expected from land lease payments for the former Doyme Hospital from Froedtert Memorial Lutheran Hospital for 2011.

The following attachments provide further detail:

- Attachment A: provides the projected surpluses and deficits in excess of \$100,000 by department.
- Attachment B: provides the projected surplus or deficit for 2011 by agency.

2011 Pension Contribution

The 2011 Budget includes an appropriation of \$31.5 million for contributions toward the County's Employee Retirement System (ERS) plan. Based upon the most recent actuarial report for ERS, the County is only required to contribute \$26.8 million to the pension plan in 2011. The required contribution is \$4.7 million less than the amount budgeted. The County Board and County Executive approved the original appropriation to ERS. Therefore, the County Board must make a change to the budget and to ordinances to decrease the amount that was already approved and submitted by the actuary in 2010 for 2011 budget. County ordinance currently requires the County to contribute the amount set within the budget for the current budget year. Any excess contribution is amortized as an offset to future contributions over a five year period. The 2011 budget has additional language that says that any excess contribution shall be paid into the stabilization fund of the pension plan at the close of the fiscal year. For purposes of the attached projections we did not change the budgeted contribution of \$31.5 million for 2011.

Org Unit 1972 – Wage and Benefit Modification Account

Deficit (\$5.6 million)

The 2011 budget included \$11.3 million of expenditure savings that were to come from modifications to employee salaries and fringe benefits. Various savings plans and contract changes have been implemented to achieve the required savings from Org Unit 1972. However, these savings will not be sufficient to meet the Org Unit 1972 budgeted requirement. Our current analysis is projecting a deficit of \$5.6 million from unachieved savings. The majority of the deficit is in fringe benefits.

The expenditure savings, which were originally budgeted in Org Unit 1972 – Wage and Benefit Modification Account, were allocated to departments in the final 2011 budget. The savings were to come from furlough days for AFSCME DC-48 represented employees, wage and benefit contract modifications with bargaining groups, possible layoffs of positions, and holding vacant positions. Twenty-six furlough days were allocated to certain members of AFSCME DC-48, who were neither in public safety, or public health positions.

Departments were allocated Org 1972 savings to budgeted personal service accounts including salaries and fringe benefits. Departments will have to account for any deficit in wages, due to Org 1972, in their fiscal reporting. The Org 1972 savings related to wages that was allocated to departments was \$1.6 million. These savings have been offset by furlough days for AFSCME DC-48, plus changes in overtime policy, and a freeze on step increases that will be implemented for AFSCME DC-48 during the last five months of 2011. Future fiscal reports from departments

may show greater savings in salaries and wages due to vacant positions. These savings would help to offset the deficit anticipated in fringe benefits.

The budgeted fringe benefit savings from Org Unit 1972 that was allocated to departments was \$9.7 million. All of the savings from Org 1972, due to fringe benefits, will not be offset by savings generated during 2011. The County is projecting a deficit of \$5.6 million in org 1972 due to unachieved savings, from what was budgeted. This fringe benefit budgeted savings has been offset by savings from pension contributions and health care changes for non-represented employees and AFSCME DC-48 members. The savings generated from the changes noted will provide \$4.1 million of savings to offset the \$9.7 million budgeted for fringe benefits.

Fringe Benefits – Org Unit 1950:

Breakeven

DAS-Fiscal Affairs is currently projecting a breakeven for fringe benefits for 2011, excluding the impact of Org Unit 1972. The breakeven is due to a surplus in revenues from the receipt of Federal ERRP (Early Retirement Reinsurance Program) funds, offset by a deficit in health care costs.

The Federal ERRP provided a payment of \$2.5 million in February 2011. Currently, this revenue is booked to fringe benefits to offset health care costs. The 2011 budget included revenue in the contingency fund for the ERRP of \$1.8 million. Transfer of these funds to the contingency fund, will increase the available appropriation for contingency, but increase the deficit projected for fringe benefits.

Health care costs for active and retired employees are currently projected to deficit by \$3.3 million, based on health data through May 2011. The deficit in health care is due to the budget including plan changes for 2011 for retired represented employees, which was not implemented for all of 2011. The budget included savings of \$6.0 million for retired health care plan changes. Currently changes for health care for retired members of AFSCME DC-48 will take effect in August 2011. The budget had anticipated those changes taking place as of January 1, 2011. While retired members of other unions are a smaller group, certain health care changes will either not be implemented for them in 2011, or the implementation will also take place in August 2011.

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

(\$3.4 million deficit)

BHD is projecting a deficit of \$3.4 million for 2011. Revenues are projected to deficit by \$1.1 million and expenditures are expected to deficit by \$2.3 million. In revenues, the department is projecting deficits in a Revenue Maximization Project of \$1,000,000 and in State funding of \$870,000. The State DHHS lost general purpose funding revenue of 10% in the 2011 – 2013 State budget. The deficit in BHD state funding represents the department's 2011 share of these cuts. BHD is looking to cut client services to offset half of these lost revenues and increasing community capacity to absorb the remaining state revenue loss. Offsetting these revenue losses is a projected surplus in Patient Care revenues of \$515,000.

BHD is warning that it has one large unknown related to its 2011 revenue budget: Medicaid revenue. The 2011-13 State budget cut state-wide Medicaid revenues by \$500 million, but included no detail on how this cut in Medicaid service revenues would be achieved. The department has not been notified of how this cut at the State level will impact them.

BHD is anticipating that TRIP and WIMCR revenue will break-even during the year. WIMCR revenue is budgeted at \$2.1 million, but BHD will not be notified if the budgeted revenue will be achieved until December.

The expenditure deficit consists of losses in salaries and fringe benefits of \$1.5 million, service and commodities of \$874,000, and State institute placement deficits of \$448,000. Offsetting these deficits will be cost savings of \$500,000 from the Revenue Maximization project. The personnel deficit in salaries and fringe benefits is due primarily to a projected deficit of \$2.0 million in overtime costs offset by savings in regular wages of \$500,000. A portion of the overtime costs is due to vacancies in the department, which should be reduced in later quarters as positions are being filled. The deficit in state institute placements at Mendota and Winnebago is due to the current placement of four clients, versus a budget of two clients.

Department of Health and Human Services (*Org 8000*)

\$3.9 million surplus

DHHS is projecting a surplus of \$3.9 million. Revenue from Youth Aids is expected to exceed the budget by \$3.6 million due to a reduction in the number of juveniles being placed in State institutions. Recent projections for Youth Aids show a decline in the caseload from 200 budgeted in 2011 to a 145 caseload average. State reconciliation revenue for 2010 will be positive, but has not been fully determined yet. Personnel Services will surplus by \$500,000 due to vacancies.

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

The projection of year-end results begins with an analysis of year-to-date actual results for the most recent quarter-end. 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 DAS – Fiscal Affairs. 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.

DAS – Fiscal Affairs 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. For purposes of this quarterly report, formal discussions were held with the larger departments. The meetings included department personnel, Administrative Services, Department of Audit, and County Board staff. In rare instances, when DAS – Fiscal Affairs projects different financial results, the County-wide report will reflect the DAS – Fiscal Affairs projection while noting the projection provided by the department.

DAS – Fiscal Affairs 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, DAS – Fiscal Affairs analyzes departmental salary projections and compares to the salary projections prepared by departments.

The projections by departments and DAS – Fiscal Affairs 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.

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
Controller

Attachments

cc: Chris Abele, County Executive
Supervisor John Thomas, Chairman, Finance and Audit Committee
Finance and Audit Committee
Pat Farley, Director, Department of Administrative Services
Pamela Bryant, Interim Fiscal and Budget Administrator
Stephen Cady, Director of Research, County Board
Department Heads

Milwaukee County

Projection for 2011 - Based on Activity as of July 31, 2011

Dept	Department Name	July 31, 2011 Updated	April 30, 2011 Projection
✓ 1000	County Board	\$ 238,700	\$ -
✓ 1150	DAS - Risk Management	-	-
2000	Combined Courts	(986,000)	(836,000)
✓ 2430	Child Support Enforcement	479,500	449,200
✓ 3400	Register of Deeds	(481,100)	(47,600)
✓ 4000	Sheriff's Office	652,400	732,900
✓ 4900	Medical Examiner	(74,000)	(74,000)
✓ 5300	DTPW - Fleet Services	40,700	52,000
✓ 5600	DTPW - Transit/Paratransit System	18,100	(22,100)
✓ 6300	Behavioral Health Division	(3,431,600)	(2,659,100)
✓ 7990	Department of Family Care (CMO)	-	-
✓ 8000	Department of Health and Human Services	3,945,600	2,748,700
✓ 9000	Department of Parks, Recreation and Culture	-	-
9500	Zoological Department	(1,459,100)	-
	Other	541,844	674,205
	Departmental Total	(514,956)	1,018,205
	Capital Projects Funding	\$ (3,100,000) (2)	\$ (2,500,000)
✓ 1945	Unallocated Contingency Fund	5,487,477	5,641,135
✓ 1950	Fringe Benefits	-	-
✓ 1972	Wage and Benefit Modifications	(5,600,000) (1)	(5,600,000)
✓ 1991	Reserve for Delinquent Property Taxes	(500,000)	(1,000,000)
✓ 1992	Investment Income	500,000	-
✓ 1996	Sales Tax Revenue	(1,500,000)	(2,000,000)
✓ 9960	Debt Service Fund/Froedtert Lease Payment	2,000,000	-
	Non-Departmental Total	(2,712,523)	(5,458,865)
	Projected County Surplus (Deficit)	\$ (3,227,479) (3)	\$ (4,440,660)

(1) This amount is only related to the estimated fringe benefit savings budgeted for in Org 1972. It does not include savings related to wages and overtime.

(2) The current projections include a deficit in revenue due to the deferral of land sale revenue from UWM to 2012.

(3) For 2011, the budgeted pension contribution for Milwaukee County is \$4.7 million higher than the required contribution from the actuary. If the County Board were to adjust the budgeted contribution to the actuarial required contribution, the \$4.7 million would increase the 2011 Contingency Fund, which would reduce the deficit shown above.

Annual Fiscal Report of Surplus/Deficit as of July 31, 2011

	2011 Projected Revenues	2011 Budgeted Net Revenues	Revenue Variance	% Variance	2011 Projected Expenditures	2011 Budgeted Net Expenditures	Expense Variance	% Variance	Surplus (Deficit)	
Legislative, Executive & Staff										
1000	County Board	6,176	6,165	11	0%	6,526,769	6,765,462	238,693	4%	238,704
1001	Department of Audit	-	-	-	N/A	2,702,241	2,702,226	(15)	0%	(15)
1040	Disadv Bus Development	45,000	45,000	-	0%	1,176,832	1,176,832	-	0%	-
1011	County Executive - General Office	-	-	-	N/A	1,229,649	1,229,649	-	0%	-
1021	Cnty Exec - Veterans Service	13,000	13,000	-	0%	353,566	353,566	-	0%	-
1110	Civil Service Commission	-	-	-	N/A	54,037	54,037	-	0%	-
1120	Personnel Review Board	-	-	-	N/A	230,378	230,378	-	0%	-
1130	Corporation Counsel	155,000	155,000	-	0%	1,775,652	1,775,652	-	0%	-
Dept of Administrative Services										
1019	Persons with Disabilities	174,469	172,500	1,969	1%	1,049,663	1,068,882	19,219	2%	21,188
1140	Human Resources	6,200	6,200	-	0%	2,243,910	2,243,910	-	0%	-
1188	Employee Benefits	1,861,560	1,861,560	-	0%	2,673,525	2,673,525	-	0%	-
1135	Labor Relations	-	-	-	N/A	542,516	542,516	-	0%	-
1150	Risk Management	8,138,795	8,138,795	-	0%	8,301,259	8,301,259	-	0%	-
1151	Fiscal Affairs Division	81,631	57,412	24,219	42%	4,111,595	4,394,910	283,315	6%	307,534
1152	Procurement	-	-	-	N/A	716,697	716,697	-	0%	-
1160	Information Management Services	17,555,382	17,555,382	-	0%	18,417,676	18,417,676	-	0%	-
3010	Election Commission	40,733	40,500	233	1%	716,206	801,864	85,658	11%	85,891
3090	County Treasurer	2,988,423	2,988,423	-	0%	1,647,524	1,647,524	-	0%	-
3270	County Clerk	512,350	512,350	-	0%	809,101	809,101	-	0%	-
3400	Register of Deeds	4,600,047	5,077,857	(477,810)	-9%	4,988,955	4,985,667	(3,288)	0%	(481,098)
Total Legislative, Executive & Staff										
		36,178,766	36,630,144	(451,378)	-1%	60,267,750	60,891,333	623,583	1%	172,204
Courts and Judiciary										
2000	Combined Court Related Operations	9,109,354	9,745,354	(636,000)	-7%	39,729,178	39,379,178	(350,000)	-1%	(986,000)
2430	Dept. of Child Support Enforcement	18,381,192	18,733,727	(352,535)	-2%	19,410,454	20,242,523	832,069	4%	479,534
Total Courts and Judiciary										
		27,490,546	28,479,081	(988,535)	-3%	59,139,632	59,621,701	482,069	1%	(506,466)
Public Safety										
4900	Medical Examiner	1,646,497	1,659,500	(13,003)	-1%	4,719,888	4,658,909	(60,979)	-1%	(73,982)
4000	Sheriff	21,228,208	21,983,459	(755,251)	-3%	153,780,995	155,188,645	1,407,650	1%	652,399
4500	District Attorney	6,851,209	7,180,238	(329,029)	-5%	18,821,882	19,177,831	355,949	2%	26,920
Total Public Safety										
		29,725,914	30,823,197	(1,097,283)	-4%	177,322,765	179,025,385	1,702,620	1%	605,337
Non-Departmental's										
1937	Potawatami Revenue	4,058,477	4,058,477	-	0%	-	-	-	N/A	-
1945	Contingency	-	3,250,000	(3,250,000)	-100%	-	8,737,477	8,737,477	100%	5,487,477
1950	Fringe Benefits	7,072,042	7,072,042	-	0%	7,304,569	7,304,569	-	0%	-
1972	Wage and Benefit Modifications	-	-	-	N/A	5,600,000	-	(5,600,000)	N/A	(5,600,000)
1991	Property Taxes	269,054,705	269,554,705	(500,000)	0%	-	-	-	N/A	(500,000)
1992	Interest Income	2,279,839	1,779,839	500,000	28%	-	-	-	N/A	500,000
1993	State Shared Revenue	39,207,108	39,207,108	-	0%	-	-	-	N/A	-
1996	Sales Taxes	62,926,365	64,426,365	(1,500,000)	-2%	-	-	-	N/A	(1,500,000)
	Other Non-Departmental	21,526,097	21,506,198	19,899	0%	(4,029,316)	(4,029,316)	-	0%	19,899
1900'S Total Non-Departmental										
		402,066,156	406,796,257	(4,730,101)	-1%	8,875,253	12,012,730	3,137,477	26%	(1,592,624)

July 31, 2011 Fiscal Report

Attachment B

	2011 Projected Revenues	2011 Budgeted Net Revenues	Revenue Variance	% Variance	2011 Projected Expenditures	2011 Budgeted Net Expenditures	Expense Variance	% Variance	Surplus (Deficit)	
<u>Public Works & Development</u>										
5040	Airport Division	85,847,075	86,236,073	(388,998)	0%	85,847,075	86,236,076	389,001	0%	3
5070	Transportation Services Div	1,653,785	2,402,907	(749,122)	-31%	1,945,662	2,608,648	662,986	25%	(86,136)
5080	Architectural/ Environmental Svc	6,228,755	6,227,565	1,190	0%	7,380,033	7,380,033	-	0%	1,190
5100	Highway Maintenance	17,914,544	17,678,857	235,687	1%	18,845,708	18,686,018	(159,690)	-1%	75,997
5300	Fleet Management	11,422,237	11,203,237	219,000	2%	9,688,429	9,510,084	(178,345)	-2%	40,655
5500	Utility	3,095,466	3,095,466	-	0%	3,216,869	3,216,869	-	0%	-
5600	Transit/Paratransit System	104,647,945	108,648,625	(4,000,680)	-4%	123,161,339	127,180,145	4,018,806	3%	18,126
5700	Public Works Facilities Mngmnt	24,496,508	24,391,867	104,641	0%	24,393,155	23,873,130	(520,025)	-2%	(415,384)
5800	Public Works Admin Div	2,927,051	2,438,500	488,551	20%	2,077,874	2,077,874	-	0%	488,551
	Total Public Works & Development	258,233,366	262,323,097	(4,089,731)	-2%	276,556,144	280,768,877	4,212,733	2%	123,002
<u>Health & Human Services</u>										
6300	Behavioral Health Division	128,196,111	130,029,465	(1,833,354)	-1%	192,267,939	190,669,724	(1,598,215)	-1%	(3,431,569)
7900	Department on Aging	17,047,205	17,030,088	17,117	0%	18,896,970	18,896,042	(928)	0%	16,189
7990	Department of Family Care (CMO)	270,778,046	270,778,046	-	0%	271,317,019	271,317,019	-	0%	-
8000	Department of Human Services	101,725,089	109,799,350	(8,074,261)	-7%	128,878,344	140,898,191	12,019,847	9%	3,945,586
	Total Health & Human Services	517,746,451	527,636,949	(9,890,498)	-2%	611,360,272	621,780,976	10,420,704	2%	530,206
<u>Parks, Recreation & Culture</u>										
9000	Department of Parks	16,561,092	17,561,092	(1,000,000)	-6%	42,083,935	43,083,935	1,000,000	2%	-
9500	Zoological Department	17,101,651	19,683,056	(2,581,405)	-13%	23,522,917	24,645,183	1,122,266	5%	(1,459,139)
9700	Milwaukee Public Museum	-	-	-	N/A	3,502,376	3,502,376	-	0%	-
9910	University Extension	121,080	121,080	-	0%	457,888	457,888	-	0%	-
	Total Parks, Recreation & Culture	33,783,823	37,365,228	(3,581,405)	-10%	69,567,116	71,689,382	2,122,266	3%	(1,459,139)
9960	Debt Retirement and Interest	16,657,723	14,657,723	2,000,000	14%	67,917,596	67,917,596	-	0%	2,000,000
1200-1899	Capital Improvements	244,408,407	247,508,407	(3,100,000)	-1%	352,799,770	352,799,770	-	0%	(3,100,000)
<u>Expendable Trusts</u>										
FUND 3	Zoo Trust Funds	1,044,074	985,049	59,025	6%	988,030	988,030	-	0%	59,025
FUND 5	Parks Trust Funds	-	-	-	N/A	100,000	100,000	-	0%	-
FUND 6	Office on Handicapped Trust Fund	25,000	25,000	-	0%	25,000	25,000	-	0%	-
FUND 7	Mental Health Complex Trust Funds	35,100	35,100	-	0%	35,100	35,100	-	0%	-
FUND 8	Airport PFC	-	-	-	N/A	-	-	-	N/A	-
FUND 11	Fleet Facilities Reserve Trust	-	-	-	N/A	308,105	-	(308,105)	N/A	(308,105)
	Total Expendable Trusts	1,104,174	1,045,149	59,025	6%	1,456,235	1,148,130	(308,105)	-27%	(249,080)
	Projected Surplus (Deficit)	1,567,395,327	1,593,265,232	(25,869,905)	-2%	1,685,262,533	1,707,655,880	22,393,347	1%	(3,476,559)
	Reserves Expendable Trusts									249,080
	Total Projected Surplus (Deficit)									(3,227,479)