

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

Date: October 5, 2018

To: Milwaukee County Board Chairman Theodore Lipscomb, Sr.
Supervisor James "Luigi" Schmitt, Chair, Finance and Audit Committee
Teig Whaley-Smith, Director, Department of Administrative Services

From: Michael Hafemann, Superintendent, Milwaukee County House of Correction (HOC) *MWH*

Subject: HOC Revenue Deficit – Informational Only

Policy Issue

County Ordinance 56.02 requires each person in charge of any County office, department, agency, or any non-departmental account to:

" ... submit a written report to the County Executive, the Committee on Finance and Audit of the County Board and the Department of Administration whenever such person has reason to know or believe that a deficit of seventy-five thousand dollars (\$75,000.00) or more in any revenue account will occur for the division of county government under the supervision of that person."...

Background

The HOC receives a commission for phone calls made by inmates housed at the Milwaukee County House of Correction. For the 2018 budget, the rate was increased to \$.21 per minute to attempt to collect a \$480,628 increase in phone revenues. Through budget Amendment 1A027, the per minute phone rate was subsequently increased to \$.25 per minute for an anticipated \$754,285 in annual phone revenue for budget year 2018. The HOC is experiencing a deficit in phone commission revenues, which could be from a decline in our Average Daily Population (ADP) and/or the possibility the higher rate is causing a decline in the number of calls and resulting commissions. The entire category - Service Fee Charges – also deficits by over \$75,000 due to the phone revenue deficit. The Table below illustrates the estimated deficit.

Revenue Item	Short Description	Budget Amount	Actual Amount to Date*	Projected Amount	Variance between Budget and Projected
3566	Utility Fees – Telephone Charges	\$1,647,513	\$750,600	\$1,518,324	(\$129,189)
Total	Service Fee Charges	\$1,906,461	\$844,732	\$1,805,347	(\$155,114)

*YTD phone is the one-time initial annual payment. Commissions over that amount are trued-up at year end.

Cause of Deficit

The phone revenue projection was based on estimates that were used in the 2018 budget process. It was anticipated that the \$.25/minute rate would increase commissions by \$754,285. We have housed less inmates and/or the higher rate may have been a factor in reduced calling. Historically, ADP is the primary factor impacting phone revenues.

Are there funds available to offset the revenue deficit?

Appropriations for Contingency funds of \$274,285 associated with Amendment 1A027 can cover the phone revenue deficit.

Will this be an issue beyond the current year?

Collections do vary, primarily based on the number of inmates housed at the HOC. However, the 2019 budget was reduced to an estimate of \$1,535,332, so we do not anticipate this will be an issue beyond 2018.

Plan of action or alternatives to offset the deficit?

The new contract for housing DAI inmates at the HOC will help increase commission revenues, but at this time those additional revenue collections are not that significant as fewer DAI inmates are being housed than planned. Given other reported revenue deficits last month (i.e. Muni and DAI), the HOC anticipates that the contingency monies allocated in the HOC's budget (8901 Appropriations for Contingency) will be used to offset the HOC's revenue deficits.