

# COUNTY OF MILWAUKEE

## INTEROFFICE COMMUNICATION

Date : October 6, 2016  
To : Theodore Lipscomb Sr., Chairman, Milwaukee County Board of Supervisors  
From : Steven R. Kreklow, Director, DAS-Office of Performance, Strategy & Budget *SRK*  
Subject : 2017 County Executive's Recommended Budget

In an effort to maintain full transparency with the County Board, I am writing to inform you of an issue related to the 2017 County Executive's Recommended Budget that we identified while reviewing budget information with the Comptroller's Office. The budget documents submitted state that funding for employee health care claims were increased by 5%. However a supporting spreadsheet used for these calculations included a formula that did not apply that rate to all components of the health care claims budget accurately. As a result the budget for employee health care claims is understated by \$2.5 million. I have worked with the Comptroller to confirm the accuracy of this estimate.

I would also like to provide a potential solution to address this issue. My recommendation to the County Board is that funding for the fringe benefit budget be increased by \$2.5 million to bring the funding level for these expenses consistent with the 5% increase stated in the narrative.

I have discussed this issue with the County Executive and he will support a budget amendment making this increase. In addition, because of the point in the budget process where this issue was identified, he will support the use of reserves as the source of funds for this adjustment.

The County Executive and County Board have worked to build the Debt Service Reserve from a zero balance in 2012 to a year-end projected balance of \$34.8 million, creating a source of funds to address unforeseen or unexpected issues when other feasible options are not readily available. If the use of funds from the Pension Obligation Bond Reserve is increased by \$1.0 million and the use of funds from the Debt Service Reserve is increased by \$1.5 million, the overall use of reserves will still be less than use of reserves in the 2016 Adopted Budget and the balance of the Debt Service Reserve will remain over \$26.5 million.

The underlying causes of the error are the continued use of an outdated and unsupported budgeting software system and the resulting reliance on manually developed spreadsheets to complete complex calculations that then must be manually entered into the system. We are working to address this issue through the implementation of the County's new Enterprise Resource Planning system. In addition, we will work with the Comptroller's Office to incorporate additional check points earlier in the budget development process for additional quality assurance before the budget is submitted to the County Board.

I apologize that this issue was not identified and corrected before the 2017 County Executive's Recommended Budget was submitted to the County Board and I am sorry for any confusion or inconvenience it has caused. Preparing the County's \$1.1 billion annual budget requires the completion of thousands of individual calculations and the publication of hundreds of pages of documentation. My

staff and I work diligently to provide accurate and complete data and analysis to the County's elected officials and citizens. We will continue to look for ways to improve the results of our efforts.

I would be happy to answer any questions or provide any additional information that you or other members of the County Board might have.

Cc           County Board of Supervisors  
              Chris Abele, County Executive  
              Scott Manske, County Comptroller  
              Kelly Bablitch, County Board Chief of Staff  
              Raisa Koltun, County Executive Chief of Staff  
              Teig Whaley-Smith, Director of Administrative Services