

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: December 10, 2015
To: Theodore Lipscomb, Sr., Chairman, Milwaukee County Board of Supervisors
From: Scott B. Manske, Comptroller
Jerome J. Heer, Director of Audits, Comptroller's Office
Subject: Froedtert Memorial Lutheran Hospital Lease Payment [File No. 94-801(a)(e)]

Background

On September 7, 1995, the County Board adopted a resolution [File No. 94-801(a)(e)] related to the sale and lease of John L. Doyne Hospital assets and land to Froedtert Memorial Lutheran Hospital (FMLH). The lease called for annual payments until 2020 based on "operating cash flow".

Analysis

The 2015 payment, received from FMLH, was \$8,550,000. For 2015, budgeted revenues for this payment were \$7,000,000. We have reviewed the audited financial statements of FMLH as well as their auditor's report on the Schedule of Annual Land Lease Payment (Exhibit A). The \$8,550,000 represents 5.25% of annual operating cash flow as calculated in accordance with the FMLH Lease Agreement.

Payments for all years are listed below. This data reflects 2008 and 2009 information that was previously adjusted when FMLH changed from a December 31 to a June 30 fiscal year.

<u>Year</u>	<u>Actual</u>	<u>Budgeted</u>
2015	\$8,550,000	\$7,000,000
2014	7,013,000	6,100,000
2013	10,798,000	6,075,550
2012	4,439,000	6,300,000
2011	8,378,000	6,300,000
2010	6,568,000	3,900,000
2009	-0-	3,190,000
2008	78,000	2,919,000
2007	6,877,000	2,919,000
2006	2,919,000	3,796,000
2005	2,596,000	4,018,000
2004	4,018,000	3,434,000
2003	3,434,000	2,162,035
2002	2,696,000	1,355,000
2001	3,479,000	1,302,000
2000	1,302,000	2,030,850
1999	4,035,000	2,387,000
1998	3,107,000	2,421,000
1997	4,538,000	2,373,000
1996	2,035,000	1,953,000
1995*	4,100,000	4,100,000

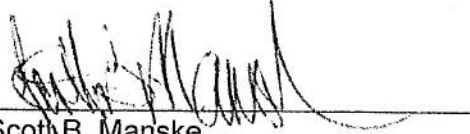
* Initial lump-sum payment.

Conclusion

The 2015 land lease payment from FMLH of \$8,550,000 is calculated in a manner consistent with the financial model developed as part of the original transaction. It is important to note, however, that this payment does not necessarily indicate a similar payment level in future years.

Recommendation

This report is for information purposes.



Scott B. Manske
Comptroller



Jérôme J. Heer
Director of Audits

SBM/JJH/cah

Attachment

cc: Chris Abele, Milwaukee County Executive
Supervisor Willie Johnson Jr., Co-Chair, Committee on Finance, Audit and Personnel
Supervisor James "Luigi" Schmitt, Chair, Co-Chair, Committee on Finance, Audit and Personnel
Teig Whaley-Smith, Director, Department of Administrative Services
Jeffrey R. Van De Kreeke, Sr. Vice President, Finance & Chief Financial Officer, FMLH
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Chief Committee Coordinator, County Clerk's Office