



Office of the Comptroller

Milwaukee County

Scott B. Manske • Comptroller

DATE: May 2, 2019
TO: Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors
FROM: Scott B. Manske, Milwaukee County Comptroller
Joseph Lamers, Director, Office of Performance, Strategy and Budget
SUBJECT: 2018 Report of Departmental Surpluses and Deficits

In the event of a surplus, State Statute 59.60 (5)(g) and County Ordinance 34.07 (5)(a)(3) allow the County to transfer surplus funds into a Debt Service Reserve. The transfer must have the approval of 2/3 of the voting members of the County Board.

The 2018 unaudited fiscal year result is currently projected to exceed \$15.0 million. This amount is a preliminary report of the annual results since the 2018 year-end audit has not been completed. Upon completion of the year-end audit the final year-end result will be provided.

Under State Statute, the one-time annual surplus of the County is required to be applied against the tax levy requirements of the subsequent year's budget, in this case, the 2020 budget. In 2017, the year-end surplus was \$4.8 million, with the entire amount being reserved for 2019 operations and no funds transferring to the Debt Service Reserve as had occurred in previous years. It is recommended that the amount of surplus available to offset the 2020 budget be restored to \$5.0 million consistent with the use of the 2016 surplus and prior. Transferring any remaining surplus to the Debt Service Reserve would be consistent with actions taken in previous years when surpluses exceed \$5.0 million. This would make any funds transferred to the Debt Service Reserve available for purposes of servicing outstanding debt, which can offset fiscal issues that may arise in the 2019 fiscal year or in future fiscal years.

The Office of the Comptroller and the Department of Administrative Services – Office of Performance, Strategy and Budget (DAS-PSB) also recommend that the balance of the surplus exceeding \$5.0 million be used to eliminate the \$1.6 million payment from the ERS Trust to the County for administrative expenses in 2018. This payment made to the County by the ERS Trust is then paid back to the ERS Trust by the County in the subsequent year through the County's annual pension contribution. By eliminating this anticipated revenue in 2018, the County would no longer be responsible for this repayment to the ERS Trust in 2019 and beyond, and would eliminate additional expenses incurred for the interest that accrues on this amount. Although for 2018 the County's expenditures would be higher due to the payment of both 2017 and 2018 administrative expenses, there is no fiscal impact on the 2019 budget or any subsequent budget.

Recommendation:

The Office of the Comptroller and DAS-PSB recommend the approval of the attached resolution to eliminate the \$1.6 million payment from the ERS Trust to the County for administrative expenses in 2018 and transfer all but \$5.0 million of the remaining 2018 year-end surplus to the Debt Service Reserve.



Scott B. Manske, Milwaukee County
Comptroller



Joseph Lamers, Director, Office of
Performance, Strategy and Budget

cc: Chris Abele, County Executive
Supervisor James Schmitt, Chairperson, Finance & Audit Committee
Finance & Audit Committee
Teig Whaley-Smith, Director, Department of Administrative Services
Stephen Cady, Research & Policy Director, Research Services Division, Office of the Comptroller
Shanin Brown, Committee Coordinator, Office of the County Clerk