

**COUNTY OF MILWAUKEE  
INTEROFFICE COMMUNICATION**

DATE : July 13, 2011  
TO : Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors  
FROM : Scott B. Manske, Controller  
SUBJECT: 2011 Fiscal Report as of April 30, 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 first 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 April 30, 2011, Milwaukee County’s projected year-end fiscal status for 2011 is a deficit of (\$4.4) million. The projected deficit assumes that the full amount appropriated in the contingency fund of \$5.6 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 \$5.6 million in the Unallocated Contingency Fund, \$0.45 million in Child Support Enforcement, \$0.7 million from the Sheriff Department, and \$2.7 million in the Department of Health and Human Services (DHHS).

Significant departmental deficits include: Behavioral Health Division (DHHS-BHD) of (\$2.7) million, and Combined Courts of (\$0.8).

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 (\$2.0) million, a shortfall in revenue for capital projects that was to be funded with land sales of (\$2.5) million, and a projected increase in the Reserve for Delinquent Property Taxes of (\$1.0) million. The shortfall in land sale revenue is due to the deferral of \$5.0 million of land sale revenue from UW-Milwaukee to 2012. The land sale revenue was to be used to fund \$5.0 million of capital projects. All of the projects could not be cancelled, so the County must provide funding for \$2.5 million of the project cost.

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. 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**

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:**

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 funds, offset by a deficit in health care costs.

The Federal ERRP (Early Retirement Reinsurance Program) 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 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 other 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.

**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.



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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 April 30, 2011**

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

(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.

<sup>1</sup> Org 1972 Fringe Benefit Modifications – The projected deficit of \$(5,600,000) reported above only represents the amount of savings included in the 2011 budget for healthcare and pension plan changes that have not been achieved through labor negotiations offset by savings expected to be achieved in second part of the year. This amount does not include the projected deficit amounts related to salary and FICA savings included in Org Unit 1972. Deficits related to salary and FICA savings are accounted for in the departmental projections.

## Annual Fiscal Report of Surplus/Deficit as of April 30, 2011

	2011 Projected Revenues	2011 Budgeted Net Revenues	Revenue Variance	% Variance	2011 Projected Expenditures	2011 Budgeted Net Expenditures	Expense Variance	% Variance	Surplus (Deficit)	
<b>Legislative, Executive &amp; Staff</b>										
1000	County Board	6,165	6,165	-	0%	6,765,462	6,765,462	-	0%	-
1001	Department of Audit	-	-	-	N/A	2,702,226	2,702,226	-	0%	-
1040	Disadv Bus Development County Executive	45,600	45,000	600	1%	1,176,829	1,176,832	3	0%	603
1011	General Office	-	-	-	N/A	1,229,649	1,229,649	-	0%	-
1021	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 Dept of Administrative Services	155,000	155,000	-	0%	1,775,652	1,775,652	-	0%	-
1019	Persons with Disabilities	172,500	172,500	-	0%	1,068,882	1,068,882	-	0%	-
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	42,412	57,412	(15,000)	-26%	4,192,853	4,394,910	202,057	5%	187,057
1152	Procurement	-	-	-	N/A	716,697	716,697	-	0%	-
1160	Information Management Services	16,719,067	16,738,986	(19,919)	0%	17,581,360	17,601,279	19,919	0%	-
1190	Community and Housing Devel	-	-	-	N/A	-	-	-	N/A	-
3010	Election Commission	40,500	40,500	-	0%	-	648,206	648,206	100%	648,206
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	4,924,432	5,077,857	(153,425)	-3%	4,879,812	4,985,667	105,855	2%	(47,570)
	<b>Total Legislative, Executive &amp; Staff</b>	<b>35,626,004</b>	<b>35,813,748</b>	<b>(187,744)</b>	<b>-1%</b>	<b>58,945,238</b>	<b>59,921,278</b>	<b>976,040</b>	<b>2%</b>	<b>788,296</b>
<b>Courts and Judiciary</b>										
2000	Combined Court Related Operations	9,309,354	9,745,354	(436,000)	-4%	39,779,178	39,379,178	(400,000)	-1%	(836,000)
2430	Dept. of Child Support Enforcement	18,382,030	18,733,727	(351,697)	-2%	19,441,604	20,242,523	800,919	4%	449,222
	<b>Total Courts and Judiciary</b>	<b>27,691,384</b>	<b>28,479,081</b>	<b>(787,697)</b>	<b>-3%</b>	<b>59,220,782</b>	<b>59,621,701</b>	<b>400,919</b>	<b>1%</b>	<b>(386,778)</b>
<b>Public Safety</b>										
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	21,478,070	21,865,996	(187,926)	-1%	153,949,645	154,870,494	920,849	1%	732,923
4500	District Attorney	7,170,544	7,170,544	-	0%	19,168,137	19,168,137	-	0%	-
	<b>Total Public Safety</b>	<b>30,295,111</b>	<b>30,496,040</b>	<b>(200,929)</b>	<b>-1%</b>	<b>177,837,670</b>	<b>178,697,540</b>	<b>859,870</b>	<b>0%</b>	<b>658,941</b>
<b>Non-Departmental's</b>										
1937	Potawatami Revenue	4,058,477	4,058,477	-	0%	-	-	-	N/A	-
1945	Contingency	-	3,250,000	(3,250,000)	-100%	-	8,891,135	8,891,135	100%	5,641,135
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	268,554,705	269,554,705	(1,000,000)	0%	-	-	-	N/A	(1,000,000)
1993	State Shared Revenue	39,207,108	39,207,108	-	0%	-	-	-	N/A	-
1996	Sales Taxes	62,426,365	64,426,365	(2,000,000)	-3%	-	-	-	N/A	(2,000,000)
	Other Non-Departmental	21,306,198	21,306,198	-	0%	(4,229,316)	(4,229,316)	-	0%	-
1900'S	<b>Total Non-Departmental</b>	<b>400,346,257</b>	<b>406,596,257</b>	<b>(6,250,000)</b>	<b>-2%</b>	<b>8,675,253</b>	<b>11,966,388</b>	<b>3,291,135</b>	<b>28%</b>	<b>(2,958,865)</b>

April 30, 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)	
<b>Public Works &amp; Development</b>										
5040	Airport Division	82,037,802	81,698,002	339,800	0%	87,464,940	87,125,140	(339,800)	0%	-
5070	Transportation Services Div	1,793,392	2,352,907	(559,515)	-24%	2,099,227	2,558,648	459,421	18%	(100,094)
5080	Architectural/ Environmental Svc	6,155,667	6,154,477	1,190	0%	7,379,033	7,312,345	(66,688)	-1%	(65,498)
5100	Highway Maintenance	17,720,390	17,663,517	56,873	0%	18,722,619	18,669,138	(53,481)	0%	3,392
5300	Fleet Management	10,202,265	10,150,265	52,000	1%	8,457,112	8,457,112	-	0%	52,000
5500	Utility	2,937,594	2,937,594	-	0%	3,058,997	3,058,997	-	0%	-
5600	Transit/Paratransit System	105,063,257	108,648,625	(3,585,368)	-3%	123,616,851	127,180,145	3,563,294	3%	(22,074)
5700	Public Works Facilities Mngmnt	23,718,826	23,557,277	161,549	1%	23,200,089	23,038,540	(161,549)	-1%	-
5800	Public Works Admin Div	2,438,500	2,438,500	-	0%	2,077,874	2,077,874	-	0%	-
	<b>Total Public Works &amp; Development</b>	<b>252,067,693</b>	<b>255,601,164</b>	<b>(3,533,471)</b>	<b>-1%</b>	<b>276,076,742</b>	<b>279,477,939</b>	<b>3,401,197</b>	<b>1%</b>	<b>(132,274)</b>
<b>Health &amp; Human Services</b>										
6300	Behavioral Health Division	126,666,115	129,236,364	(2,570,249)	-2%	190,758,567	190,669,724	(88,843)	0%	(2,659,092)
7200	County Health Related Programs	-	-	-	N/A	-	-	-	N/A	-
7900	Department on Aging	16,797,672	16,797,672	-	0%	18,663,626	18,663,626	-	0%	-
7990	Department of Family Care (CMO)	-	-	-	N/A	-	-	-	N/A	-
8000	Department of Human Services	106,558,924	103,687,897	2,871,027	3%	134,155,678	134,033,378	(122,300)	0%	2,748,727
	<b>Total Health &amp; Human Services</b>	<b>250,022,711</b>	<b>249,721,933</b>	<b>300,778</b>	<b>0%</b>	<b>343,577,871</b>	<b>343,366,728</b>	<b>(211,143)</b>	<b>0%</b>	<b>89,635</b>
<b>Parks, Recreation &amp; Culture</b>										
9000	Department of Parks	16,355,000	17,559,662	(1,204,662)	-7%	41,877,843	43,082,505	1,204,662	3%	-
9500	Zoological Department	19,266,712	19,683,056	(416,344)	-2%	24,228,839	24,645,183	416,344	2%	-
9700	Milwaukee Public Museum	-	-	-	N/A	3,502,376	3,502,376	-	0%	-
9910	University Extension	116,000	121,080	(5,080)	-4%	452,423	457,888	5,465	1%	385
	<b>Total Parks, Recreation &amp; Culture</b>	<b>35,737,712</b>	<b>37,363,798</b>	<b>(1,626,086)</b>	<b>-4%</b>	<b>70,061,481</b>	<b>71,687,952</b>	<b>1,626,471</b>	<b>2%</b>	<b>385</b>
9960	Debt Retirement and Interest	14,657,723	14,657,723	-	0%	67,917,596	67,917,596	-	0%	-
1200-1899	Capital Improvements	98,371,014	100,871,014	(2,500,000)	-2%	175,547,772	175,547,772	-	0%	(2,500,000)
<b>Expendable Trusts</b>										
FUND 3	Zoo Trust Funds	985,049	985,049	-	0%	988,030	988,030	-	0%	-
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	-	-	-	N/A	-
	<b>Total Expendable Trusts</b>	<b>1,045,149</b>	<b>1,045,149</b>	<b>-</b>	<b>0%</b>	<b>1,148,130</b>	<b>1,148,130</b>	<b>-</b>	<b>0%</b>	<b>-</b>
	<b>Projected Surplus (Deficit)</b>	<b>1,145,860,758</b>	<b>1,160,645,907</b>	<b>(14,785,149)</b>	<b>-1%</b>	<b>1,239,008,535</b>	<b>1,249,353,024</b>	<b>10,344,489</b>	<b>1%</b>	<b>(4,440,660)</b>
	<b>Reserves Expendable Trusts</b>									
	<b>Contribution to Family Care Reserve</b>									
	<b>Total Projected Surplus (Deficit)</b>									<b>(4,440,660)</b>