

OFFICE OF THE SHERIFF



MILWAUKEE COUNTY

SHERIFF EARNELL R. LUCAS

DATE: April 16, 2021

TO: Supervisor Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

FROM: Pat Carravetta, Office of the Sheriff, Public Safety Fiscal Administrator
Theodore Chisholm, Office of the Sheriff, Chief of Staff

SUBJECT: Tentative and Unconfirmed End-of-Year Budgetary Projections Requiring Notification to the Board of Supervisors

Policy Issue

Per amendment (1A042) of the 2021 Milwaukee County Adopted Budget file number 20-733:

“Beginning in 2021, the Office of Performance, Strategy and Budget shall communicate to department heads and fiscal staff a new policy requiring departments to report to the County Board as soon as its overtime expenditures are projected to exceed either \$1 million or 100 percent of the department’s annual overtime appropriation. Departments that have not exceeded their budgeted overtime by 100 percent in two of the four previous fiscal years are exempt from this reporting requirement. DAS-PSB shall develop a proposed ordinance to codify this fiscal reporting policy, similar to the reporting requirement for revenue shortfalls greater than \$75,000 in MCGO Section 56.02, for review and approval by the County Board no later than the April 2021 meeting cycle.”

Through File 12-374, the County Board’s Committee on Finance recommended the amendment of Section 56.02 of the Milwaukee County Code of General Ordinances, governing overtime and deficit reporting, to the following:

“Each person in charge of any county office, department, agency, or any non-departmental account shall submit a written report to the county executive, the committee on finance of the county board, the office of the comptroller and the department of administrative services whenever such person has reason to know or believe that a deficit of at least one hundred thousand dollars (\$100,000.00) or an overtime deficit of at least one million dollars (\$1,000,000.00) will occur or is projected to occur for the division of county government under the supervision of that person. The report shall be submitted as soon as practicable but shall not exceed ten (10) working days from the earliest date that such person first has reason to

believe or know of the anticipated deficit. Such report shall include the reasons for the anticipated deficit, as well as a recommended plan of action or alternatives to offset such deficit. A follow-up report shall be submitted approximately (3) months after the initial report and shall include the status of the deficit and any changes to the plan of action to offset the deficit.”

Preliminary projections by the Milwaukee County Sheriff’s Office (MCSO), predicated not on actual budgetary numbers but rather on calculations grounded in prior year budgetary totals and estimates associated with year-to-date expenditures and prior adjustments to MCSO’s budget, indicate that 2021 overtime will likely approximate a total of \$7,800,000 which is \$3,892,860 over the 2021 adopted budget of \$3,907,140, or 100% of budgeted dollars, and an overall agency deficit of \$874,278.

MCSO utilized the following metrics to calculate potential budgetary impacts for end-of-year 2021:

2021 Adopted Budget

BUDGET SUMMARY

| Category | 2018 Actual | 2019 Actual | 2020 Budget | 2021 Budget | 2021/2020 Variance |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Expenditures | | | | | |
| Personnel Costs | \$48,861,396 | \$51,271,118 | \$48,842,398 | \$48,199,728 | (\$642,670) |
| Operation Costs | \$4,625,137 | \$4,364,975 | \$7,698,823 | \$7,224,137 | (\$474,686) |
| Debt & Depreciation | \$2,146 | \$43 | \$0 | \$0 | \$ 0 |
| Capital Outlay | \$74,824 | \$167,093 | \$231,500 | \$83,500 | (\$148,000) |
| Interdepartmental. Charges | (\$8,470,816) | (\$9,094,637) | (\$9,651,542) | (\$9,651,336) | \$ 206 |
| Total Expenditures | \$45,092,687 | \$46,708,592 | \$47,121,179 | \$45,856,029 | (\$1,265,150) |
| Revenues | | | | | |
| Direct Revenue | \$6,736,707 | \$6,465,805 | \$6,980,131 | \$6,480,339 | (\$499,792) |
| Intergovernmental Revenue | \$4,815,691 | \$5,016,062 | \$5,326,852 | \$5,791,762 | \$464,910 |
| Indirect Revenue | \$0 | \$0 | \$0 | \$0 | \$ 0 |
| Total Revenues | \$11,552,398 | \$11,481,867 | \$12,306,983 | \$12,272,101 | (\$34,882) |
| Tax Levy | \$33,540,288 | \$35,226,725 | \$34,814,196 | \$33,583,928 | (\$1,230,268) |

The 2021 adopted budget was reduced by \$1,230,268 compared the 2020 adopted budget. Included in this budget reduction was the abolishment of 5.0 FTE Deputy Sheriff positions along with reductions in services, commodities, and capital outlays .

It is projected that MCSO will end 2020 with a surplus of \$333,146 which if applied against the budget gap of \$1,230,268 would leave a deficit balance of \$897,122.

Overtime

Milwaukee County Sheriff's Office (MCSO) estimates 2021 overtime to be \$7,800,000 which is \$3,892,860 over the 2021 adopted budget of \$3,907,140 or 100% of budgeted dollars.

| ACCOUNT 5201 – OVERTIME | | | | |
|--------------------------------|---------------|---------------|-----------------|----------|
| YEAR | BUDGET | ACTUAL | VARIANCE | % |
| 2015 | \$4,225,000 | \$8,427,904 | (\$4,202,904) | 99% |
| 2016 | \$4,721,724 | \$9,944,283 | (\$5,222,559) | 111% |
| 2017 | \$2,013,312 | \$10,139,047 | (\$8,125,735) | 404% |
| 2018 | \$3,099,204 | \$7,767,409 | (\$4,668,205) | 151% |
| 2019 | \$3,577,500 | \$9,842,692 | (\$6,265,192) | 175% |
| 2020 | \$3,577,500 | \$7,796,720 | (\$4,219,220) | 118% |
| 2021 (Projected) | \$3,907,140 | \$7,800,000 | (\$3,892,860) | 100% |
| Average | \$3,588,769 | \$8,816,865 | (\$5,228,096) | 146% |

This estimate is made before adjustments for pay increases for the Milwaukee Deputy Sheriff Association (MDSA) contract settlement. The 2021 adopted budget does not include funds for these pay increases. An allocated contingency account holds \$1,333,867 for the pay increases. When the MDSA contract is settled, a fund transfer will be requested.

Other Factors

When estimating end-of-year projections in March 2021, MCSO a discontinuation of reimbursements for COVID-19 related pay that was recovered in 2020. In 2020, \$1,020,156 in COVID related pay was reimbursed from CARES Act and FEMA funds.

At this time, it is unknown what reimbursements may materialize from the from the American Rescue Plan Act 2021 (ARPA) or in what form they may come. ARPA may have reimbursements for loss of revenue that the CARES Act did not. Presuming a continuation of financial challenges associated with the COVID-19 pandemic and a discontinuation of federal aid, losses of revenue for MCSO may include citation revenue, Sheriff foreclosure sales fees, civil process fees and revenues from the custodial phone system and commissary.

It is also unclear at this time what additional costs may be recovered from ARPA. 2020 revenue received by MCSO included increased revenue of \$484,400 for housing Department of Corrections (DOC) in-custody individuals who were banned from being transferred between facilities by the state of Wisconsin. The DOC paid approximately \$85,000 for January 2021 inmates housed in the County Jail, and though the DOC has indicated an intent

to continue these reimbursements, such determinations are at the discretion of the departmental secretary.

It is also unclear at this time how environmental factors will affect MCSO and the deployment of resources. As more areas open and capacity restrictions are reduced, more resources will need to be deployed in different and, at times, more cost-intensive ways than at present. For example, as Airport operations, Court operations and Courthouse Complex operations continue to recover, even more resources will be needed for in-the-field security and safety operations.

Economic factors also affect the bottom line as well. Most costs naturally increase over time. These would include, but are not limited to, phone bill increases, utility bill increases, contract increases, equipment maintenance and replacement cost increases, COLA pay increases, and Milwaukee County equity and performance pay increases.

A Note Regarding the Tentative Nature of the Above Projections

Recognition of the preliminary and tentative nature of the above projections, which implicate end-of-year totals that will not be fully or accurately understood until March 2022, is critical. Historically, potential overages have been alleviated by significant expenditure savings in salaries and wages, services, and commodities. In 2021, for instance, despite initially projecting a surplus barely exceeding \$100,000, MCSO instead ended the fiscal year with a surplus exceeding \$12 million and, when CARES-related reimbursements were removed, a surplus exceeding \$200,000. It is therefore imperative that the above projections are understood merely as a preliminary projection, made almost a year in advance of the County determining actual numbers, offered in compliance with recent ordinance changes made by the Board of Supervisors. MCSO engages in highly proactive and interventionist fiscal strategies so as to maximize agency savings and minimize agency overages and will closely monitor all revenues and expenditures and alter fiscal strategies in response to any change in the environment. All reimbursement opportunities with ARPA are under active exploration in partnership with the DAS Office of Performance, Strategy, and Budget.

Patricia A. Carravetta

Patricia Carravetta, Fiscal Administrator

Milwaukee County Office of the Sheriff

CC: David Crowley, County Executive
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