

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 8/27/2013

Original Fiscal Note X

Substitute Fiscal Note

SUBJECT: Reduce contract with Aramark from \$3,434,449 budgeted (or \$3,406,362 projected actual) to \$3,304,172

FISCAL EFFECT:

- No Direct County Fiscal Impact
- Existing Staff Time Required
- Increase Operating Expenditures
(If checked, check one of two boxes below)
- Absorbed Within Agency's Budget
- Not Absorbed Within Agency's Budget
- Decrease Operating Expenditures**
- Increase Operating Revenues
- Decrease Operating Revenues
- Increase Capital Expenditures
- Decrease Capital Expenditures
- Increase Capital Revenues
- Decrease Capital Revenues
- Use of contingent funds

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	\$0	(\$102,190)
	Revenue	\$0	\$0
	Net Cost	\$0	(\$102,190)
Capital Improvement Budget	Expenditure	\$0	\$0
	Revenue	\$0	\$0
	Net Cost	\$0	\$0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

A. Briefly describe the nature of the action ¹ that is being requested or proposed, and

the new or changed conditions that would occur if the request or proposal were adopted.

- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. The Superintendent of the House of Corrections (HOC) is requesting authorization to execute a 3-year contract extension between the HOC and Aramark Correctional Food Services. The HOC has been satisfied with service levels provided by Aramark. The only fiscal change resulting from this extension would be from Aramark providing a reduction in contract pricing which will reduce the county's costs in providing meals for inmates at both the HOC and the Sheriff's department.

This will result in a decrease in operating expenditures in 2014. Based on the current number of meals average, the reduction is estimated to be \$102,190 in 2014 and \$56,397 the following year. Aramark will also be providing an immediate capital investment of \$150,000. The funds will be used to replace some considerably outdated kitchen equipment and to make needed updates to the kitchen. The county will own the equipment after the 3-year contract term, but since Aramark is making the purchases (including installation) directly, there is no impact on expenditures or the capital budget.

Aramark will also be providing an inmate food service program. They are absorbing the estimated cost of \$15,000 per year or \$45,000 over a 3-year term. This is a tremendous value to the HOC, but does not result in any tangible fiscal changes.

Approval of this request will allow the HOC to enter into a new contract for the period of January 1, 2014 to December 31, 2016.

B. Total 2013 and 2014 expenditures included in this request are \$0. While the extension results in \$150,000 for kitchen improvements and \$45,000 in programming costs, those items have no fiscal impact to report.

There would also be a savings of 3% for Year 1 on meal costs. The savings on Year 2 are 1.65%. Year 3 prices would be based on the Consumer Price Index (CPI). The 3% calculates to a price per meal reduction from \$1.208 to \$1.172 to arrive at anticipated savings on operational expenses of \$102,190 in the first year. Year 2 savings come to about \$56,397 with the 1.65% price reduction for that period.

Office records indicate that prior fiscal administration estimated the soon to be expired 3-year contract (varies somewhat due to number of meals served) at \$3,434,449 per year. Using the current average number of meals, that existing contract would total about \$3,406,362 for a year. With the extension, the same number of meals would instead total \$3,304,172 in 2014. This difference is the estimated fiscal impact on operating expenses of \$102,190 in 2014.

C. The tax levy impact associated with approval of this request in 2013 will be neutral. In 2014, it will be positive, with a projected savings on operating expenditures of \$102,190. No additional expenditures are required by the HOC. In addition, this proposal will in essence save the taxpayers \$150,000 that the County would have eventually had to budget in capital improvements for needed kitchen modifications, as well as \$45,000 over the next three years on inmate programs.

D. This proposal assumes stable inmate populations and that approximately 2,891,836 meals a year will continue to be served at the HOC and downtown jail.

Department/Prepared By John Jackson, Fiscal Operations Mgr.
Authorized Signature Michael H. Hjemann, Superintendent

Did DAS-Fiscal Staff Review?	<u>Yes</u>	No
Did CBDP Review? ²	Yes	<u>No</u> Not Required