

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICAITON

DATE : April 2, 2013 Update  
TO : Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors  
FROM : Craig Kammholz, Fiscal and Budget Director  
SUBJECT : 2012 Report of Departmental Surpluses and Deficits

**Policy Issue:**

In the event of a surplus, State Statute 59.60 (5)(g) and County Ordinance 32.91 (4)(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.

Due to a positive fiscal projection for 2013, and fiscal uncertainties in 2015, the Department of Administrative Services (DAS) is recommending that the 2012 year-end surplus transfer to the Debt Service Reserve with the exception of \$3.0 million which, by State Statute, will be reserved for the 2014 operations budget.

**Annual Report of Surplus:**

Section 32.91 of the Milwaukee County Ordinances requires the Comptroller to submit a report on the County's financial results following the close of each fiscal year.

The 2012 fiscal year ended in a surplus. Based on discussions with the Comptroller, the unaudited projected surplus for 2012 is projected to be approximately \$20 - \$22 million. The 2011 surplus was \$11.5 million, of which \$5.5 million was reserved for 2013 operations. An option available to the County is to transfer a portion of the 2012 surplus into the Debt Service Reserve, and therefore make it available to service outstanding debt, to offset any issues in the current fiscal year (2013) or future fiscal years.

*This report is a preliminary report of the annual results since the 2012 year-end audit has not been completed.*

**2012 Surplus:**

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 2014 budget. It should be noted that the 2011 surplus that was applied to the 2013 budget was \$5.5 million and that to be sustainable long-term the County would have to regenerate that amount each and every year. Since the County is unlikely to maintain such sizable surpluses moving forward, it is recommended that the amount of surplus available to offset the subsequent year's budget be reduced to \$3.0 million.

**Funding Debt Service Reserve:**

The State Statute allows the County to transfer any portion of the annual surplus into a bond sinking fund: Debt Service Reserve. It is recommended that a portion of the annual surplus be applied to the County Debt Service Reserve.

Based on initial reports from the Comptroller, the County is trending towards a surplus for 2013. This includes a projected surplus in Fringe Benefits of \$3.0 million and a Contingency Fund balance of \$4.7 million offset by a projected deficit in the Office of the Sheriff of \$0.7 million. However, the effects of the 2013 – 2015 State budget are still unknown and could negatively impact this projection.

Due to the fact that the 2013 County-wide projection is favorable, albeit early in the year, and due to the fact that current fiscal forecast projects a manageable gap in 2014 of approximately \$14.2 million, but a considerably larger gap for 2015, the DAS is recommending that the County place all but \$3.0 million of the 2012 County-wide surplus into the Debt Service Reserve, or approximately \$15.0 million.

By prudently placing the funds into the Debt Service Reserve, the funds would be available to offset potential deficits in future years. Should the County experience unforeseen expenditures, the Debt Service Reserve could offset any deficit in the current year. Based on the current financial forecast, the County will have a large gap in 2015 which could be softened by funding in the Debt Service Reserve.

**Recommendation:**

The DAS recommends the approval of the attached resolution to transfer all but \$3,000,000 of the 2012 year-end surplus to the Debt Service Reserve from the 2012 available surplus.

  
Craig Kammholz  
Fiscal and Budget Director

cc: Chris Abele, County Executive  
Don Tyler, Director of Administrative Services  
Finance, Audit and Personnel Committee  
Stephen Cady, Director of Research – County Board