

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : August 27, 2018

TO : Scott B. Manske, Chairman, Capital Improvements Committee

FROM : Capital Improvements Subcommittee

SUBJECT : **Uses and Approvals for Behavioral Health Division Reserves**

Issue

On August 21, 2018, the Capital Improvements Committee (CIC) asked its Subcommittee to provide a report explaining funding that the Behavioral Health Division (BHD) currently has available for capital improvement projects and recommending which additional projects could be funded if three BHD projects were to be removed from the bond financing recommendation.

Background

In April 2014, 2013 Wisconsin Act 203 (Act) created the Milwaukee County Mental Health Board (MHB). The Act removed all mental health jurisdiction from the County Board and put it under the jurisdiction of the MHB. The County Executive is still responsible for the day-to-day operations.

The MHB is responsible for proposing the BHD budget. The levy must be between \$53 million and \$65 million, unless an allotment is added for new programs or unless the MHB, the County Board and County Executive all agree to an amount less than \$53 million or greater than \$65 million.

BHD Operating and Capital Reserve Accounts (0077-905/0077-906)

Operating Reserve¹

Milwaukee County is required to hold any moneys that at the end of a fiscal year have not been expended or encumbered from the amount budgeted for BHD in a mental health reserve fund. Moneys in the reserve fund may be used at any time to cover deficits in the BHD budget. If the reserve fund contains an amount greater than \$10 million, the amount exceeding \$10 million may be used at any time for any BHD purpose in Milwaukee County. The Current Balance in the Fund at year end 2017 was approximately \$21 million.

Since the statutes indicate that any amount exceeding \$10 million “may be used at any time for mental health function, program, or service in Milwaukee County” and the current balance of the operating reserve fund is approximately \$21 million; it stands to reason that potentially \$11 million could be used to finance improvements to BHD facilities.

¹ Wisconsin Statute 51.41 (4) (d)

Capital Reserve²

The MHB is required to maintain a segregated cash reserve of an annual charge of 2 percent of the original cost of new construction or purchase or of the appraised value of existing mental health infirmity structures and equipment. The MHB may appropriate funds from the reserve to be expensed for enlargement, modernization, or replacement of a mental health infirmity and its equipment.

The Current Balance in the Fund at year end 2017 was approximately \$4.7 million. All of the \$4.7 million could potentially be used to finance improvements to BHD facilities.

BHD Procedures for withdrawing funds from Reserve Accounts

Although BHD has had a process since 2014 that allows for the transfer of funds between budget accounts; there is not currently a policy or procedures in place for transferring fund from the reserve accounts. To date, no funds have been transferred out of the operating or capital reserve accounts. BHD staff are currently drafting processes for withdrawing funds from the BHD Operating and Capital Reserves. This effort was ongoing prior to the discussion at the CIC. BHD staff expect to submit a proposed process to the MHB-Finance Committee for a recommendation and then the full MHB in September 2018.

BHD staff received guidance from the Office of Corporation Counsel in drafting the procedures; however, no formal opinion has been issued. State statutes seem to indicate that **the MHB must approve use of the funds.**

Alternative Bond Financed Projects

The CIC asked its Subcommittee to determine by using the existing scoring matrix, which additional projects could be funded if the three BHD projects were to be removed from the bond financing recommendation.

A revised version of the File 18-614 2019-2023 CIC Report has been submitted to the CIC for consideration. It removes the BHD Roof Repair, Air Handling System, and New Generator that would have required 2019 bond financing totaling \$4,269,560. As a result of removing these projects from the bond funded list, the following projects totaling \$4,244,031 would move into the bond funded list:

- WO32301 Fleet General Equipment – 2019 (\$3,702,000)
- WP49801 Underwood Creek Parkway Rd. Replacement – Bluemound to 119th (\$133,663)
- WV04701 Froemming Park Pavilion Water & Sanitary (\$408,368)

² Wisconsin Statute 46.18 (13)