

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : 6/17/2020
TO : Supervisor Marcelia Nicholson Chair, County Board of Supervisors
FROM : Joe Lamers, Department of Administrative Services, Budget Director
SUBJECT : 2020 COVID-19 Budget Impacts and Estimates (June 2020 Report)

OVERVIEW:

County Board Resolution 20-298 requests that the Department of Administrative Services, with the support of all County departments, provide a monthly report regarding the recommended steps to address any budgetary shortfalls to Milwaukee County operations throughout the duration of the public health emergency. This informational report is being provided for the month of June 2020.

COVID-19 has placed severe impacts on Milwaukee County's budget and operations. The County budget relies on robust economic activity which has been significantly impacted by COVID-19. Updated projections for June of 2020 include \$107.0 million in lost revenues compared to the Adopted Budget, including \$68.0 million of lost revenue in non-airport revenues and \$39.0 million in airport revenues.

It is currently anticipated that the revenue deficit can be offset by numerous factors including: departmental expenditure savings due to Fiscal Administrative Order 20-9 expenditure controls as well as staff furloughs, land sale transactions, contingency funds, and fringe benefit savings due to low hospital and medical utilization as a result of COVID-19. Further, guidance from the U.S. Treasury indicates that the CARES Act Coronavirus Relief Fund provides reimbursement for public health and public safety costs, including payroll costs, which are substantially dedicated to mitigating the spread of COVID-19. The County is incurring high costs related to COVID-19 mitigation in areas including the jail and House of Correction, the Sheriff's Office, Emergency Operations Centers, and other departments. It is currently anticipated that CARES revenue may offset the balance of the County's revenue deficit; however, this is subject to change based on COVID-19 related work activities during the year. Alternative sources of funding may include CARES Act funding for Transit, Debt Service Reserve, and/or additional department savings.

ANALYSIS

The following chart provides a summary of fiscal projections for the month of June showing \$68.0 million of projected revenue loss (excluding airport), and potential options to offset the revenue loss.

2020 Projections (June 2020)	
Description	Amount
Revenue Loss:	
Sales Tax	\$ (20.0)
Property Tax	\$ (9.0)
Froedtert	\$ (2.3)
Potowatomi	\$ (1.6)
Department Revenues*	\$ (35.1)
Projected Revenue Loss (Excluding Airport/BHD)	\$ (68.0)
Savings:	
Department Savings Estimate	\$ 23.5
Land Sales	\$ 4.3
Contingency	\$ 5.6
Fringe	\$ 6.0
Wage and Benefits Modification	\$ (1.1)
Transit CARES Revenue	\$ 6.0
Subtotal Savings	\$ 44.3
Net Deficit (A)	\$ (23.8)
Additional options:	
CARES-CRF Revenue Estimate	\$ 23.8
CARES Act - Transit	\$ -
Debt Service Reserve	\$ -
Departmental	\$ -
Net Deficit (B)	\$ 0.0

** Department revenues and expenses exclude airport and BHD*

Sales Tax

Due to business closures and ongoing impacts, sales taxes are currently projected to decline by \$20.0 million or approximately 25%. This projection is made with limited data regarding ongoing impacts of the pandemic. There is an approximately three-month lag time between the date a sales tax transaction takes place and the time that the County receives its disbursement. Milwaukee County sales tax collections for the month of March 2019 were approximately 24% less than March of 2020. The disbursement for April collections will be received in late June or early July and will further inform future projections. At the State level, the Department of Revenue has reported sales taxes to have declined by approximately 10% in both March and April of 2020, compared to 2019.

Property tax

The Comptroller's Office has projected \$9.0 million in uncollected property taxes based on an analysis of outstanding amounts which are to be settled with each municipality, excluding the City of Milwaukee.

Froedtert Revenue

Revenues received from Froedtert hospital for the sale of Doyne hospital are based on hospital revenues from July 1 to June 30. Hospital revenues have been significantly impacted by COVID-19 due to factors including a reduction in elective surgery, and a reduction in overall healthcare utilization. It is currently estimated that this revenue will be reduced by \$2.3 million or approximately 25% in 2020.

Potawatomi Revenue

The County receives revenue from Potawatomi Casino based on the Class III Net Win from the period of July to June. Given that the casino was closed for nearly months, from March 17 to June 8, a revenue deficit of \$1.6 million is projected. The casino began a phased reopening on June 8th with reduced operations and social distancing restrictions.

Department Revenues

Many of the County's programs rely on fees and direct service charges within their budgets, which have been substantially reduced due to COVID-19. Due to operational closures and expected ongoing impacts from COVID-19, \$35.1 million of revenue loss is estimated from departments, excluding the airport. Some of the most impacted departments include Parks fees (\$8.0M), the Zoo admission and revenues (\$7.7M), HOC State and municipal commitments (\$3.2M), Transit farebox revenues (\$9.2M).

Offsets

Departmental Expenditure Savings

County departments are currently projecting approximately \$23.3 million of expenditure savings (excluding Airport). In order to offset revenue loss, departments have identified savings within their operating budgets. In addition, Fiscal Actions Administrative Order 20-9 places freezes on hiring and operational spending, with exemptions made for direct public health and public safety functions related to the pandemic. As of June 2020, there are approximately 1,400 staff on furlough which includes full or reduced work hours. The majority of these staff (1,158) are on a Work Share furlough program with reduced hours.

Land Sale Transactions

The County has closed on \$4.3 million of land sale transactions on the Milwaukee Regional Medical Center (MRMC) campus. It is currently anticipated that these revenues will fall to the County's bottom line to offset revenue loss.

Contingency

The current appropriation for contingency balance is \$5.6 million. It is currently anticipated that the contingency will be dedicating towards offsetting revenue loss.

Health Care

Based on reduced utilization of health care services, the Comptroller's Office is currently projecting a \$6.0 million fringe benefits savings for 2020.

Wages and Benefits Modification

The 2020 Adopted Budget included a centralized vacancy and turnover factor. It is anticipated that \$1.1 million of the reduction will need to be offset by additional savings in departmental personnel expenditures. If this does not occur, the centralized vacancy factor will negatively impact the bottom line.

Transit CARES Revenue

Transit is currently projecting approximately \$9.2 million in farebox revenue loss for 2020 of which approximately \$3.2 million is expected to be offset by expenditure savings in paratransit and transit and \$6.0 million can be offset by a federal CARES Act allocation which was allocated to Transit and can be used for revenue loss and/or increased expenditures.

CARES Act – Coronavirus Relief Fund

As indicated above, public health and public safety costs which are substantially dedicated to mitigating the spread of COVID-19 are eligible for reimbursement under the CARES Act – Coronavirus Relief Fund. Substantial costs of this nature are being incurred in the Criminal Justice Facility and House of Correction in order to enforce social distancing and isolation requirements recommended by the CDC. There are numerous other areas of County operations which are impacted by COVID-19 and are working to prevent spread of the virus. Emergency Operations Centers are coordinating emergency response efforts for the County and its municipalities. The Medical Examiner's Office has seen increased work functions including death investigations. The Aging department is providing wellness checks with seniors during COVID-19. Parks and zoo have hired seasonal and security staff to enforce social distancing. Pre-trial services has increased its caseload as a result of COVID-19. Based on current workloads in these and other areas, it is currently estimated that approximately \$25 million or more in direct costs related to COVID-19 mitigation can be charged towards the grant. This amount is subject to change during the year depending upon changed circumstances and experience related to the pandemic. County departments are tracking work related to the grant for reporting purposes.

Additional Options

In the event that additional savings are needed, or if CARES grant reimbursement becomes lower than currently projected, the following options may also be considered.

- The County has a Debt Service Reserve balance of \$52.5 million after the 2019 year-end close. The reserve is available to offset revenue loss during an emergency. It should be noted that reserve funds may be needed for the 2021 and 2022 budgets, particularly due to an expectation that COVID-19 related economic impacts are likely to carry into future years.
- MCTS has received a CARES Act allocation of \$54.9 million for transit services. Unlike the Coronavirus Relief Fund, this funding is available to offset revenue loss, and it does not expire at the end of 2020. It is also available to cover increased expenditures. Increased federal funding may also be considered for use to replace tax levy. At present this option is not assumed within the 2020 savings plan.

Airport Details

The Airport Department currently projects a \$35.5 million reduction in fee revenues, offset by \$29.0 million in CARES Act revenue for the airport, which results in a need to identify \$6.5 million in additional savings. The \$6.5 million in savings is expected to be achieved through a combination of airport expenditure reductions and through invoices to the airlines to pay in the 2020 year-end settlement per the Airport's residual ratemaking agreement with the signatory airlines.

RECOMMENDATIONS

This report is provided for informational purposes.

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Joe Lamers, Budget Director
Department of Administrative Services

Cc: David Crowley, Milwaukee County Executive
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