



Office of the Comptroller

Milwaukee County

Scott B. Manske • Comptroller

DATE: December 7, 2020
TO: Supervisor Marcelia Nicholson, Chairwoman, County Board of Supervisors
FROM: Scott B. Manske, Milwaukee County Comptroller
Joseph Lamers, Director, Office of Performance, Strategy and Budget
SUBJECT: 2020 Report of Departmental Surpluses and Deficits

In the event of a surplus, State Statute 59.60 (5)(g) and County Ordinance 34.07 (5)(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.

Furthermore, File 20-809 as amended, states “DAS-PSB and the Office of the Comptroller shall explore the possibility of using a portion of any projected surplus County funds for onetime use expenditures to achieve efficiencies and/or deliver crucial services;” and that “a report shall be provided to the Milwaukee County Board of Supervisors for the December 2020 cycle providing information as to the likelihood of surplus tax levy funds, and outlining potential options for the strategic use of one-time use allocations for review and approval.” Per the directive of File 20-809, the administration has included a separate request to apply 2020 surplus funds to one-time use allocations. These recommendations, along with those in this report, are including in one resolution.

As of period 10 (October 2020), the Comptroller is projecting a 2020 unaudited fiscal year result of \$3.1 million, which does not fully account for all CARES Act funding. When accounting for potential CARES Act funding, the surplus could potentially fall within \$10.0 million to \$15.0 million. Staff in both the Comptroller’s Office and DAS-PSB are working as quickly as possible to audit and document all CARES Act funded expenses so that the County can better project the yearend surplus.

After yearend, the County’s ability to spend the surplus is limited due to general accounting principles that the County must follow. Another important caveat to note is that Debt Service Reserve funds must be used for the payment of debt service. Since the County’s 2020 debt service payment has been fully made, it would be difficult to reallocate Debt Service Reserve funds towards the payment of such. This option will not be available again until January 1, 2021, at which point the County can reallocate Debt Service Reserve funds towards 2021 debt service payments.

Under State Statute, the one-time annual surplus of the County must be applied against the tax levy requirements of the subsequent year’s budget, in this case, the 2022 budget or be transferred to the Debt Service Reserve. In 2019, the year-end surplus was \$20.4 million, with \$5.0 million being reserved for 2021 operations and \$15.4 million in funds transferring to the Debt Service Reserve.

Since further evaluation is required to obtain a more precise 2020 fiscal estimate, the Comptroller and DAS-PSB recommend the following:

1. Maintain the first \$5.0 million of surplus funds to offset the 2022 budget, consistent with actions taken in past years when the surpluses exceeded \$5.0 million.
2. Utilize \$2.5 million to maintain services through early 2021 at the Miller Park Testing Site. This \$2.5 million would come from the relocation of levy in Org Unit 9960 General County Debt Service made available by allocating \$2.5 million from the Debt Service Reserve to pay 2021 debt service. Funds would be replenished in the Debt Service Reserve if the 2020 surplus reached \$7.5 million. The \$2.5 million is the estimated excess revenue earned in 2020 for services provided at the Miller Park Testing Site. The actual amount utilized for this service in 2021 will be the final excess revenue earned amount in 2020 and could be more or less than \$2.5 million.
3. Utilize \$5.0 million for emergency COVID-19 needs. This \$5.0 million would come from the relocation of levy in Org Unit 9960 General County Debt Service made available by allocating \$5.0 million from the Debt Service Reserve to pay 2021 debt service. Funds would be replenished if the 2020 surplus reached \$12.5 million.

The current Debt Service Reserve balance is \$47.9 million. It is important to note that the surplus projected above could be substantially higher or lower. If the surplus is less than currently projected and the recommendations above are approved, the Debt Service Fund will decrease in 2021. If the surplus is higher than currently projected and the recommendations above are approved, the Debt Service Reserve will increase in 2021, as it has in recent years.

Recommendation:

The Office of the Comptroller and DAS-PSB recommend the approval of the attached resolution to transfer all but \$5.0 million of the remaining 2020 year-end surplus to the Debt Service Reserve. It is also recommended that funds are provided for the Miller Park Testing Site and Emergency COVID-19 needs. Funds are provided from the relocation of levy in Org Unit 9960 General County Debt Service made available by allocating funds from the Debt Service Reserve to pay 2021 debt service. The additional allocation from the Debt Service fund will likely be replenished with 2020 surplus funds upon determination of the final audited yearend surplus.



Scott B. Manske, Milwaukee County
Comptroller



Joseph Lamers, Director, Office of
Performance, Strategy and Budget

cc: David Crowley, County Executive
Supervisor Jason Haas, Chairperson, Finance Committee
Finance & Audit Committee
Kelly Bablitch, Chief of Staff, County Board of Supervisors
MaryJo Meyers, Chief of Staff, Office of the County Executive
Julie Landry, Director, Department of Administrative Services
Stephen Cady, Research & Policy Director, Research Services Division, Office of the Comptroller
Shanin Brown, Committee Coordinator, Office of the County Clerk