

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: December 21, 2020

To: Marcelia Nicholson, Chairwoman, Chair, Milwaukee County Board of Supervisors

From: Scott B. Manske, CPA, Comptroller
Jennifer L. Folliard, Director of Audits, Comptroller's Office

Subject: Froedtert Memorial Lutheran Hospital Lease Payment [File No. 94-801(a)(e)]

Background

On September 7, 1995, the County Board adopted a resolution [File No. 94-801(a)(e)] related to the sale and lease of John L. Doyne Hospital assets and land to Froedtert Memorial Lutheran Hospital (FMLH). Milwaukee County entered into a Land Payment Agreement, dated April 13, 2020 and the First Amendment to the Land Payment Agreement, dated December 7, 2020, to incorporate modifications to the lease payment calculation associated with COVID-19 pandemic funds received by Froedtert. The lease called for annual payments until 2021 based on "annual operating cash flow." However, the 2021 payment will be reduced by 50% per the lease terms.

Analysis

The 2020 lease payment from FMLH, was \$6,492,000. For 2020, budgeted revenues for this payment were \$9,000,000. We have reviewed the audited financial statements of FMLH as well as their auditor's report on the Schedule of Annual Land Lease Payment (Exhibit A). The payment represents 5.25% of annual operating cash flow as calculated in accordance with the FMLH Lease Agreement.

Payments for all years are listed below. This data reflects 2008 and 2009 information that was previously adjusted when FMLH changed from a December 31 to a June 30 fiscal year.

<u>Year</u>	<u>Actual</u>	<u>Budgeted</u>
2020	6,492,000	9,000,000
2019	9,981,000	9,000,000
2018	9,526,000	8,500,000
2017	9,314,000	8,000,000
2016	8,123,000 ^(a)	7,200,000
2015	8,550,000	7,000,000
2014	7,013,000	6,100,000
2013	10,798,000	6,075,550
2012	4,439,000	6,300,000
2011	8,378,000	6,300,000
2010	6,568,000	3,900,000
2009	-0-	3,190,000
2008	78,000	2,919,000
2007	6,877,000	2,919,000
2006	2,919,000	3,796,000
2005	2,596,000	4,018,000
2004	4,018,000	3,434,000
2003	3,434,000	2,162,035
2002	2,696,000	1,355,000
2001	3,479,000	1,302,000
2000	1,302,000	2,030,850
1999	4,035,000	2,387,000
1998	3,107,000	2,421,000
1997	4,538,000	2,373,000
1996	2,035,000	1,953,000
1995	4,100,000 ^(b)	4,100,000

- (a) Payment was reduced by \$588,954 to cover soil and piping costs.
(b) Initial lump-sum payment.

Conclusion

The 2020 land lease payment from FMLH of \$6,492,000 is less than the budgeted amount of \$9,000,000.

As noted earlier, 2021 is the final year a payment will be received from Froedtert. The 2021 Operating Budget includes \$4 million in FMLH revenue for this payment, which represents a 50% reduction based on terms of the lease.

Recommendation

This report is for information purposes.



Scott B. Manske, CPA
Comptroller



Jennifer L. Folliard
Director of Audits

SBM/JLF/cah

Attachment

cc: David Crowley, Milwaukee County Executive
Supervisor Jason Haas, Chair, Committee on Finance
Julie Landry, Director, Department of Administrative Services
Jeffrey R. Van De Kreeke, Vice President, Corporate Finance & Treasury,
Froedtert Health
Kelly Bablitch, Chief of Staff, County Board Staff
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Legislative Services Manager, County Clerk's Office
Shanin Brown, Committee Coordinator, Committee on Finance
Emily Petersen, Research Analyst, Office of the Comptroller