

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : June 30, 2010

TO : Lee Holloway, Chairman, County Board of Supervisors

FROM : Steven Kreklow, Fiscal and Budget Administrator

SUBJECT : **2010 Airport Revenue Refunding Bonds**

REQUEST

In 2000, Milwaukee County issued \$83,565,000 in General Airport Revenue Bonds (GARBs) for a 25 year term. The 2000 GARBs are eligible to be current refunded, which means that the County will be refunding the bonds no more than 60 days prior to the call date. The call date for the bonds was December 1, 2010, which is 10 years after the bonds were issued in 2000. Current interest rates are lower than the 5.80 percent true interest rate for the original issue in 2000. Therefore, the Department of Administrative Services is requesting approval to issue a not-to-exceed amount of \$61,000,000 in general airport revenue refunding bonds to refund the \$55,095,000 in outstanding General Airport Revenue Bonds, Series 2000.

PROJECT DESCRIPTION

The 2000 GARBs were used to finance construction of a new parking garage that contained 2,951 new parking spaces on six levels, with a dual moving walkway, parking access and revenue control monitor, overhead pedestrian bridge. In addition, the 2000 GARBs financed the relocation of certain existing roadways, as well as a new terminal exit road, service road, north perimeter road, FAA control tower road, and daily parking entry road and a vehicular bridge and other improvements.

PRELIMINARY DEBT STRUCTURE

The preliminary debt structure reflects the original level debt service for the 15-year balance of the term of the bonds. In addition to the cost of issuance the DAS has included 10 percent of the refunded amount for the debt service reserve. All revenue bond issues are required to have a debt service reserve. Although the original debt service reserve will be applied to the refunding bonds, it is unclear at this time what amount will be required. Therefore, the DAS included a conservative amount of \$5,095,000 or 10 percent of the outstanding debt amount in the estimated debt service costs.

The estimated debt service costs for the refunding of an outstanding debt amount of \$55,095,000 is \$77,385,423, which results in a net present value savings of \$2,468,202. The percentage savings is 4.5 percent of the refunded amount, which is higher than the Milwaukee County Debt Management Goal of 3 percent. Although the goal is meant for advanced refundings, the percentage savings is worth mentioning.

RECOMMENDATION

It is recommended that the Finance and Audit Committee approve the issuance of a not-to-exceed amount of \$61,000,000 to refund \$55,095,000 in outstanding general airport revenue bonds.



Steven Kreklow
Fiscal and Budget Administrator

pc: Scott Walker, County Executive
Lee Holloway, Chairman, County Board of Supervisors
Cynthia Archer., Director, Department of Administrative Services
Tom Nardelli, Chief of Staff, County Executive's Office
Kelly Rindfleisch, Deputy Chief of Staff, County Executive's Office
Pamela Bryant, Capital Finance Manager
Stephen Cady, County Board Fiscal and Budget Analyst
Joseph Czarnecki, County Clerk
Daniel Diliberti, County Treasurer
Rex Queen, Treasurer's Office
Chuck Jarik, Chapman and Cutler LLP
Tom Heller, Airport Accounting Manager

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 7/1/10

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: 2010 Airport Revenue Refunding Bonds

FISCAL EFFECT:

- | | |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input checked="" type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	See Explanation
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. In 2000, Milwaukee County issued \$83,565,000 in General Airport Revenue Bonds (GARBs) for a 25 year term. The 2000 GARBs are eligible to be current refunded, which means that the County will be refunding the bonds no more than 60 days prior to the call date. The call date for the bonds was December 1, 2010, which is 10 years after the bonds were issued in 2000. Current interest rates are lower than the 5.80 percent true interest rate for the original issue in 2000. Therefore, the Department of Administrative Services is requesting approval to issue a not-to-exceed amount of \$61,000,000 in general airport revenue refunding bonds to refund the \$55,095,000 in outstanding General Airport Revenue Bonds, Series 2000.

B. The costs to the County are estimated to be \$77,385,423 in debt service costs. In addition, current interest rates are estimated to be lower than the 5.80 percent interest rate on the original issue of the Airport Revenue Bonds. The estimated net present value savings is \$2,468,202.

C. The budgetary impact is estimated to be a decrease in debt service (from \$80,926,938 to \$77,385,423) payments for the Airport. The debt service costs are paid by the Airlines through rates and charges.

D. Interest rates from the week of June 14 were used to calculate estimated debt service costs. In addition, a conservative estimate of 10 percent of the refunded amount was used to calculate the debt service reserve amount.

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Department/Prepared By Pamela Bryant

Authorized Signature



Did DAS-Fiscal Staff Review?

Yes

No

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(ITEM *)

A RESOLUTION

8 **Authorizing the Sale of \$61,000,000 Aggregate Principal**
9 **Amount of Airport Refunding Revenue Bonds, Series 2010A of**
10 **Milwaukee County, Wisconsin**

11 WHEREAS, Milwaukee County, Wisconsin (the "*County*") is in need of a sum not to
12 exceed \$61,000,000 for the purpose of refunding certain outstanding obligations of the County
13 issued to finance projects at General Mitchell International Airport and Lawrence J. Timmerman
14 Airport (the "*Prior Bonds*"); and

15 WHEREAS, it is necessary and in the best interest of the County that the moneys needed to
16 refund the Prior Bonds be borrowed through the issuance of general airport revenue bonds
17 pursuant to the provisions of Section 66.0621 of the *Wisconsin Statutes*, as supplemented and
18 amended, and the General Bond Resolution Authorizing the Issuance of Airport Revenue Bonds
19 adopted by the County Board of Supervisors on June 22, 2000, as from time to time
20 supplemented and amended; and

21 WHEREAS, due to the nature of the general airport revenue bonds and the credit
22 supporting them, it is in the best interest of the County that such bonds be sold through a
23 negotiated sale rather than a public sale; now, therefore,

24 BE IT RESOLVED by the County Board of Supervisors of Milwaukee County, Wisconsin,
25 that:

26 *Section 1. Issuance of Airport Revenue Bonds.* The County shall issue general airport
27 revenue bonds in an amount not to exceed \$61,000,000 for the purposes of refunding the Prior
28 Bonds. The general airport revenue bonds to be issued to refund the Prior Bonds shall be
29 designated as "Airport Refunding Revenue Bonds, Series 2010A" and such other letter
30 designation as may be appropriate (the "*Bonds*"). The Bonds shall be issued as general airport
31 revenue bonds, but shall also be secured by a pledge of Passenger Facility Charges ("*PFC's*"),
32 and are intended to be paid from PFC's to the extent the projects financed with the Prior Bonds
33 qualify for PFC funding.

34 *Section 2. Negotiated Sale.* The officers of the County are authorized to negotiate the
35 sale of the Bonds to Merrill Lynch & Co., the underwriter selected by the County for the
36 purchase of the Bonds, pursuant to a request for proposals.

37 *Section 3. Official Statement.* The Director of the Department of Administrative
38 Services of the County shall cause an Official Statement concerning the Bonds to be prepared.

39 The Director of the Department of Administrative Services of the County shall determine on
40 behalf of the County when the Official Statement is in final form for purposes of Securities and
41 Exchange Commission Rule 15c2-12(b)(1), and shall certify said Official Statement, such
42 certification to constitute full authorization of the Official Statement under this resolution.

43 *Section 4. Payment of Issuance Expenses.* Proceeds of the Bonds and revenues of the
44 Airport shall be applied at the direction of the Director of the Department of Administrative
45 Services of the County to the payment of issuance expenses with respect to the issuance of the
46 Bonds. A DAS-only appropriation transfer will be processed to increase expenditure authority in
47 non-departmental account 5041-8026 (Debt Issuance Expense) in order to pay such expenses.
48 Issuance expenses shall cover the fees for the following services provided in connection with the
49 issuance of the Bonds as well as the out-of-pocket disbursements of the County: credit rating
50 agencies, official statement printing and mailing, financial advisory services, feasibility
51 consultant services, bond counsel services and financial auditor services. The issuance expenses
52 to be paid from the proceeds of the Bonds (including underwriter's compensation) shall not
53 exceed two percent (2%) of the proceeds of the Bonds.

54 *Section 5. Copies of Resolution to Co-Bond Counsel and Department of*
55 *Administrative Services.* The County Clerk is directed to send certified copies of this resolution
56 to the County's co-bond counsel, Chapman and Cutler LLP, 111 West Monroe Street, Chicago,
57 Illinois 60603, Attention: Charles L. Jarik, and Emile Banks and Associates, LLC, Suite 290,
58 1200 North Mayfair Road, Milwaukee, Wisconsin 53226, Attention: L. Nicole Kintop, and to
59 the Department of Administrative Services of the County, Attention: Pamela Bryant.

Action Required
Finance Committee
County Board (2/3 Vote)

WHEREAS, department requests for transfers within their own accounts have been received by the Department of Administrative Services, Fiscal Affairs, and the Director finds that the best interests of Milwaukee County will be served by allowance of such transfers;

THEREFORE, BE IT RESOLVED, that the Director, Department of Administrative Services, is hereby authorized to make the following transfers in the 2010 appropriations of the respective listed departments:

	<u>From</u>	<u>To</u>
1) <u>2000 – County Funded State Courts</u>		
2699 – Federal Grant Reimbursement	\$24,000	
6148 – Professional Services – Reoccurring Operations		\$24,000

The Clerk of Circuit Court is requesting a fund transfer for \$24,000 in order to increase Federal Grant reimbursement and to increase Professional Services for the 2010 contract with Justice 2000, Inc.

The Office of Justice Assistance has increased its funding to Milwaukee County by \$24,000 for the Access, Inform and Measure (AIM) program. The funding is designated for the AIM Pretrial Service Program which the Chief Judge’s area will manage and monitor. County File No. 10-211 authorizes the extension for utilization of AIM funds from 2009 to 2010.

This fund transfer has no tax levy impact for Milwaukee County.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
2) <u>3410- Register of Deeds- Administration</u>		
3240 – Redaction Fee	\$325,000	
6147 – Prof. Serv- Data Process		\$325,000

A fund transfer of \$325,000 is requested by the Register of Deeds (ROD) to receive revenue and establish expenditure authority for anticipated Redaction revenues.

In April 2010, Senate Bill 507 was signed into law and under this bill, the county may temporarily collect an additional \$5.00 per real estate recording bringing the entire fee to \$30. However, the additional \$5.00 must be used to redact social security numbers from electronic format records.

The \$30 fee reverts to a \$25 fee upon the earliest of the following: 1) completion of redaction of social security numbers from certain electronic documents; 2) January 1, 2012, unless an extension of time is granted by the State Department of Administrative Services; or 3) January 1, 2015, which is the end of the extension period.

Approval of this transfer would allow the ROD to hire a software vendor to redact social security numbers from a number of documents that are in digital form as well as convert older microfilm images to digital format, redact them, and make them available on the internet.

This transfer increases Professional Services-Data Processing by \$325,000, and is completely offset by redaction revenue in the amount of \$325,000.

There is no tax levy impact from this transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
3) <u>4000 – Office of the Sheriff</u>		
6148 – Professional Services- Recurring Operations		\$779,235
2699 – Federal Grants & Reimbursements	\$779,235	

A fund transfer of \$779,235 is being requested by the Office of the Sheriff to increase revenue and expenditure authority related to the Edward Bryne Memorial Justice Assistance Grant for the purchase of business intelligence software.

The Office of the Sheriff was authorized by the County Board to apply for and accept Edward Bryne Memorial Justice Assistance Grant funds funded from the Recovery Act. The grant period runs from March 1, 2009 until April 30, 2013. There is no local match required.

At the discretion of the Sheriff, these grant funds will be used to implement a business intelligence software system. This software will consolidate data from multiple data sources, which will be used to drill down into the data during their analysis. The current formats and types of data being used are cumbersome to combine and takes valuable staff time away from other law enforcement duties.

On March 12, 2010 a request for proposals was released. An evaluation committee consisting of IMSD and Sheriff staff reviewed the proposals. The Sheriff's Office received four proposals in response to the RFP

which were reviewed and scored to determine the appropriate vendor. After subsequent negotiations, Information Builder was selected by the evaluation committee and the Sheriff is anticipating entering into a contract with the vendor by August 1, 2010 pending board approval. The Committee on Judiciary, Safety and General Services will vote on the contract on July 15, 2010. A report and resolution was submitted to the Board with reference to this fund transfer.

There is no tax levy impact from this transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
4) <u>5040 – DTPW Airport</u>		
3507 – Landing Fees	\$861,000	
3502 – Parking Fees	928,735	
6999 – Sundry Services		\$280,000
8502 – Major Maint Bldg – Exp		382,000
8528 – Major Maint Land Impr – Exp		730,000
8551 – Mach & Equip Repl Cap		68,000
7970 – Tools & Minor Equip		200,000
5199 – Salaries & Wages		74,800
5312 – Social Security		5,800
5420 – Employee Health Care		34,100
5421 – Employee Pension		15,035
<u>1950 – Fringe Benefits</u>		
9898 – Abatement Fringe Benefit Org.	\$49,135	
5400 – Health Insurance – WPS Self Ins.		\$34,100
5409 – County Contr to Retmnt Syst.		15,035

A fund transfer of \$1,838,170 is being requested by the Director of the Department of Transportation and Public Works (DTPW) to increase revenue and expenditure authority at General Mitchell International Airport due to increased passenger traffic that will result in higher than budgeted year-end revenues.

Airport staff indicates traffic at the airport is exceeding the budgeted activity. Comparing year-to-date data between May 2009 and 2010, the number of passengers is up 35.6 percent. Between April 2009 and 2010 the number of available seats is up 31 percent, and the total weight of airfreight passing through the airport is up 11.4 percent. Parking fee revenues are above budget by \$1.07 million and landing fees charged to the airlines are \$695,000 above budget through May.

Due to this increase in traffic, and therefore revenue, the Director of DTPW proposes to increase expenditure authority at the airport in order to fund the following projects in order to maintain or improve service:

- \$129,735 to rescind the layoff of 7 Airport Maintenance Worker Assistant positions.
- \$700,000 to purchase thermoplastic signage for the airfield that will eliminate the need for future painting.
- \$30,000 to remove an underground storage tank.
- \$110,000 to inspect columns in the parking structure
- \$49,000 to undertake a study of the integration of surveillance cameras
- \$55,000 to lease a garbage truck for one year
- \$66,000 to lease a street sweeper for one year
- \$32,000 to replace 4 doors in the South Maintenance Facility
- \$100,000 to apply safety film to skywalk glazing
- \$150,000 to re-route some IT connections to a secure location
- \$100,000 to improve fire suppression and/or HVAC systems in IT storage areas
- \$35,000 for a threat containment unit for security purposes
- \$5,000 for a Bowmonk runway friction tester
- \$28,000 for two paint stripers
- \$150,000 to replace obsolete radios
- \$50,000 to replace a variety of desktop IT equipment

Corresponding increases in health insurance and pension costs of \$49,135, offset by an increase in abatements from charges to the airport, will be indicated in Org. 1950 – Fringe Benefits. There is no tax levy impact from this transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
5) <u>6300 – Behavioral Health Division</u>		
2299 – Other Grants & Reimbursement	\$456,600	
8164 – Purchase of Services 51.42 Board		\$456,600

A fund transfer for \$456,600 is requested by the Administrator of the Behavioral Health Division (BHD) and the Interim Director of the Department of Health and Human Services (DHHS) to recognize the new State Crisis Grant in the Psychiatric Crisis Services Area and related purchase of service expenditures for 2010.

In 2009, the Milwaukee County Psychiatric Crisis Services along with regional partners was awarded a five-year Regional Crisis Grant offered by the State of Wisconsin. The Milwaukee Office of Mental Health America (MHA) was hired by the region to serve as the grant administrator and coordinator with oversight

by the Southeastern Wisconsin Coordinating Committee. Milwaukee County will serve as a pass through government agency for the funds.

The grant provides funding for coordinated training for 8 counties within the region. The Coordinating Committee for the grant is committed to enhancing the crisis systems that are currently in place in the region by building on their successes, and developing a collaborative approach to focus these crisis grant funds on training both locally and regionally. All of the counties in this region are certified HFS 34 (the state statute that dictates crisis services) providers and have a 24/7 mobile crisis response. Trainings that counties feel would impact the provision of crisis services to all populations will also be provided upon request by each individual county. The ultimate goal of the Coordinating Committee is to reduce unnecessary hospitalizations and ensure appropriate treatment while clients live safely in the community through training of crisis services providers (both community crisis providers and county crisis providers/staff) throughout the region.

The grant amount is \$159,800 per year for five years (fiscal year is from July 1 to June 30). For each dollar spent on training, the Federal Government is providing 50 cents in matching funds which equals an annual additional amount of \$68,500 for training. The first year of the grant runs from July 2009 to July 2010. Training services have been provided to date. Mental Health America (MHA) will distribute the grant amount to the eight counties involved based on each county’s training needs. There is no local match required for this grant.

This fund transfer seeks to recognize the 2010 grant allocation of \$228,300 and the 2010-2011 grant allocation of the same amount for a total of \$456,600. Of the annual funding, \$159,800 is from the State of Wisconsin and \$68,500 is in matching Federal funds. The associated expenditure for the MHA purchase of service contract is also increased by \$456,600. The 2010-2011 grant amount, although recognized in 2010, will cover services through June 30, 2011.

No net tax levy change results from this fund transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
6) <u>7992 Training and Development</u>		
5199 – Salaries & Wages Budget	\$90,350	
5420 – Employee Health Care	28,028	
5421 – Employee Pension	18,160	
5312 – Social Security Taxes	6,910	
<u>7993 Business Operations</u>		
5199 – Salaries & Wages Budget	\$279,236	
5420 – Employee Health Care	70,070	

	<u>From</u>	<u>To</u>
5421 _ Employee Pension	56,127	
5312 - Social Security Taxes	21,362	
<u>7994 Quality Improvement</u>		
5199 - Salaries & Wages Budget	\$103,028	
5420 _ Employee Health Care	28,028	
5421 - Employee Pension	20,709	
5312 _ Social Security Taxes	7,882	
<u>7995 Care Management Units</u>		
3726 _ A6CC- Care Mgmt Org- Capitation Nursing	\$4,826,554	
3726 - A6CI- Care Mgmt Org- Capitation Non-Nursing	181,586	
3727 _ A6RB- Care Mgmt Org- Client Share Rev	3,707,892	
8126 - Care Mgmt Org Services	5,955,350	
5199 _ Salaries & Wages Budget	315,867	
5420 - Employee Health Care	84,085	
5421 _ Employee Pension	63,490	
5312 - Social Security Taxes	24,164	
8126 _ A6CM - Care Mgmt Org Services		\$ 797,580
8126 - A6DA - Care Mgmt Org Services		1,641,526
8126 _ A6NH - Care Mgmt Org Services		5,466,392
8126 - A6RC - Care Mgmt Org Services		3,304,520
8126 _ A6HH - Care Mgmt Org Services		300,000
8126 - A6MM - Care Mgmt Org Services		480,000
8126 _ A6MH - Care Mgmt Org Services		100,000
8126 - A6SD - Care Mgmt Org Services		400,000
8126 _ A6TR - Care Mgmt Org Services		1,500,000
0757 - Reserve Aging CMO		16,525
8497 _ A6A2- Bad Debt Expense		88,593
8497 _ A6A3- Bad Debt Expense		839,080
3727 - A6CS- Care Mgmt Org- Client Share Rev		934,662
<u>7991 CMO Administration</u>		
7910 _ Office Supplies		\$20,000

	<u>From</u>	<u>To</u>
<u>1950 Employee Fringe Benefits</u>		
9899 – Abatement- Fringe Bent- Org		\$368,697
5400 – Heath Insurance- WPS Self Ins.	\$210,211	
5409 – County Contr to Retmnt Syst	\$158,486	

The Director of the Department on Aging requests a fund transfer of \$15,888,878 for the receipt of revenue due to an increased capitation rate and to realign revenues and expenditures due to changing demographics and number of enrollees within the Department of Aging-Care Management Organization (CMO).

On December 17, 2009, the County Board Adopted Resolution File No 09-449 authorizing the County Executive to execute a contract with the Wisconsin Department of Health Services to enable the Milwaukee County Department on Aging (MCDA) to serve as a Care Management Organization under Family Care for the period of January 1, 2010 through December 31, 2010, and to accept the funding provided thereafter.

Before the detailed description of the increase and decreases in revenues and expenditures described below, is a table that summarizes these changes:

<u>Description of Revenue</u>	<u>Revenues</u>	<u>Description of Expenditures</u>	<u>Expenditures</u>	<u>Contribution to Reserve</u>
CMO Capitation- Nursing (A6CC)	\$ 4,826,554	CMO Services	\$ 797,580	
CMO Capitation- Non Nursing (A6CI)	\$ 181,586	Day Services	\$ 1,641,526	
CMO Client Share Rev (A6RB)	\$ 3,707,892	Nursing Home Services	\$ 5,466,392	
CMO Client Share Rev (A6CS)	\$ (934,662)	Residential Services	\$ 3,304,520	
		Home Health	\$ 300,000	
		Meals	\$ 480,000	
		Mental Health	\$ 100,000	
		Self Directed Supports	\$ 400,000	
		Transportation Services	\$ 1,500,000	
		Office Supplies	\$ 20,000	
		Bad Debt Expense	\$ 88,593	
		Bad Debt Expense	\$ 839,080	
		Service Reduction	\$ (5,955,350)	
		Salaries & Wages	\$ (1,217,496)	
	<u>\$ 7,781,370</u>		<u>\$ 7,764,845</u>	\$ 16,525

The 2010 Adopted Budget for the CMO was based on 2009 capitation rates and service provider rates for revenues and expenditures. The new capitation rate is a blended rate, which is used for the 18 and older populations. This rate was determined by the actuary, Price Waterhouse Coopers, factoring in a two-year inflationary trend, administration allowance, and 2008 expenses for specific target groups such as, the Developmentally Disabled (DD), Physically Disabled (PD), and the Frail Elderly (FE). The new capitation rate results in additional revenue of \$8,716,032, which includes \$4,826,554 in CMO Capitation-Nursing Home Level Care (Comprehensive), \$181,586 in CMO Capitation-Non-nursing Home Level Care (Intermediate), and \$3,707,892 in client share room and board revenue.

However, the Milwaukee County CMO has experienced a decrease in the number of enrollments due to multiple CMOs in the same servicing county. As a result, the number of clients served has decreased

causing a decrease in revenue as well as resulting in the need of fewer staff. Through May 2010, the Milwaukee County CMO has enrolled 217 fewer clients than budgeted. As a result, there is a decrease of \$934,662 in client share cost revenue due to the decrease in the number of clients served, resulting in a net revenue increase of \$7,781,370.

Although there is a decline in the number of enrollments, expenditures continue to increase due to the target group that new enrollees are a part of. The budget had assumed an equal enrollment of Developmentally Disabled (DD) and Physically Disabled (PD) clients but the number of client enrollments that are Developmentally Disabled, is far greater than enrollments for other target groups. Services for the DD target group are more expensive than the services of the other target groups because of the nature of their disabilities. As a result, service provider expenditures have increased to a total of \$14,010,018 in a variety of service categories: \$797,580 in Care Management Services, \$1,641,526 in Day Services, \$5,466,392 in Nursing Home Services, \$3,304,520 in Residential Services, \$300,000 in Home Health, \$480,000 in Meals, \$100,000 in Mental Health, \$400,000 in Self-Directed Supports, \$20,000 in Office Supplies and \$1,500,000 in Transportation Services.

This increase is offset by a decrease in expenditures of \$5,955,350 related to a reduction in services. This decrease is due to: 1) expansion of the Family Care Benefit to individuals with disabilities ages 18 to 59; 2) multiple CMO's offering the Family Care benefit within Milwaukee County; and 3) efforts to improve delivery service systems and utilization of services to improve care management.

Personal Service expenditures decrease by \$1,217,496 due to the unfunding of 7.00 FTE and the abolishment of 8.00 FTE as a result of the need for fewer staff due to decreased enrollment. All of the positions are vacant (see table below for position information).

Title				# of Filled
Code	Description	FTE	Total	Positions
04910	Health Care Plan Specialist	1	60,865	0
04905	Health Care Plan Spec. Supv	1	82,585	0
04510	Performance Evaluator	1	83,480	0
12262	Service Provider Training spe	1	77,998	0
56690	Unit Supv. - Long Trm Supp	1	86,515	0
56711	Info. And Outreach Aging	1	78,004	0
44890	RN 2 Dept on Aging	1	100,798	0
56300	Human Service Worker	1	69,562	0
56561	Program Coord (ASD)	1	90,084	0
56300	Human Service Worker	5.5	437,439	0
44720	RN 2 Adult Svs Division	0.5	50,166	0
TOTAL		15.00	1,217,496	-

Due to the expansion, gross member client revenues have increased, leading to an increase in Bad debt expense of \$927,673, resulting in an overall net increase in expenditures of \$7,764,845.

This appropriation transfer reflects credits totaling \$15,872,353 resulting in a surplus of \$16,525. As in accordance with the contract agreement between Milwaukee County and the Wisconsin Department of Health Services, the CMO requests that the remaining surplus be transferred to the CMO Operating Reserve.

A corresponding entry has been made to the Fringe Benefit budget, org unit 1950, to reflect the changes to fringe benefits requested in the transfer. However this has no impact on the total transfer amount requested by the department.

Approval of this transfer request results in a zero tax levy impact.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

Action Required
Finance Committee
County Board (2/3 Vote)

WHEREAS, department requests for transfers within their own accounts have been received by the Department of Administrative Services, Fiscal Affairs, and the Director finds that the best interests of Milwaukee County will be served by allowance of such transfers;

THEREFORE, BE IT RESOLVED, that the Director, Department of Administrative Services, is hereby authorized to make the following transfers in the 2010 appropriations of the respective listed departments:

	<u>From</u>	<u>To</u>
1) <u>9910- UW-Extension</u>		
6509 – Building and Space Rental		\$73,000
2299 – Other State Grants and Reimbursements	\$26,000	
8901 – 2010 Appropriation for Contingencies	47,000	

An appropriation transfer of \$73,000 is requested by the Director of the UW-Extension to pay for the costs associated with the settlement agreement.

At the June 2010 County Board meeting the Board approved a settlement with The Learning Years in the amount of \$73,000. The UW-Extension had been leasing space at Roosevelt School in West Allis. The lease required the County to pay a rental fee and pay for improvements to the building and parking lot. A dispute arose between The Learning Years and the County over the cost of maintaining the parking lot, the upgrades to the HVAC, providing ground level ramps and an elevator lift. The City of West Allis revoked the UW-Extension’s conditional use permit because the elevator lift was not erected and the parking lot had not been resurfaced. Since the UW-Extension no longer had a conditional use permit they relocated to the CATC building prior to the expiration of the lease.

The Learning Years submitted a claim stating that the County still owed them \$409,203 in outstanding rent, utilities and maintenance costs, but recently offered a settlement amount of \$73,000. The UW-Extension has little flexibility within their budget to absorb the costs of the settlement. In the 2010 Budget the UW-Extension has \$462,818 in expenditures, \$121,080 in revenues for a total tax levy of \$341,738. Most of their expenditures are related to fixed costs, which include County crosscharges of \$232,590, the contract between Milwaukee County and the UW-Extension of \$156,151 and the remaining \$74,077 is related to the costs associated with one administrative staff person and other miscellaneous administrative costs.

The UW-Extension has indicated that they have \$26,000 available that can be used towards the settlement. The \$26,000 is due to staff turnover at the UW-Extension, which resulted in prior year savings in the contract amount that the County paid to the UW-Extension. The \$26,000 would need to be transferred to

the County and is recognized as additional revenue within the transfer. In order to have sufficient funds to pay the settlement costs UW-Extension is requesting the remaining balance of \$47,000 be transferred from the appropriation for contingencies. If the appropriation transfer is not approved the UW-Extension will likely end 2010 with a deficit of \$47,000.

There is no tax levy impact from this transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

Action Required
 Finance Committee
 County Board (Majority Vote)

WHEREAS, your committee has received from the Department of Administrative Services, Fiscal Affairs, departmental requests for transfer to the 2010 capital improvement accounts and the Director finds that the best interests of Milwaukee County will be served by allowance of such transfers;

THEREFORE, BE IT RESOLVED, that the Director, Department of Administrative Services, is hereby authorized to make the following transfers in the 2010 capital improvement appropriations:

	<u>From</u>	<u>To</u>
1) <u>WH010092 - Reconstruct Hampton Ave. from 92nd St</u>		
9706 – Pro Serv Division Services	\$190,000	
<u>WH082061 – East College, Packard to Pennsylvania</u>		
9706 – Pro Serv Division Services		\$ 35,000
6146 – Prof. Services Cap/Major Maint.		115,000
<u>WH010121 – West College 51st to Loomis</u>		
9706 – Pro Serv Division Services		\$15,000
<u>WH020141 – Oklahoma – 72nd St to 76th St West</u>		
9706 – Pro Serv Division Services		\$10,000
<u>WH021011 – West Mill Rd, N. 84th St to 56th St</u>		
9706 – Pro Serv Division Services		\$15,000

An appropriation transfer of \$190,000 is requested by the Director of the Department of Transportation and Public Works (DTPW) to reallocate expenditure authority from capital project WH010092, Hampton Ave from 92nd St, to capital projects WH082061 – East College, Packard to Pennsylvania, WH010121 – West College 51st to Loomis, WH020141 – Oklahoma – 72nd St to 76th St West, and WH021011 – West Mill Rd, N. 84th St to 56th St.

The fund transfer will provide expenditure authority for the design phase of these projects. The State of Wisconsin Department of Transportation (WisDOT) through the American Recovery and Reinvestment Act (ARRA) will fund project construction, which is scheduled to begin in 2011.

Funds are available in capital project WH010092, Hampton Ave from 92nd Street, which was completed with a surplus in the construction phase. Although there appears to be a sufficient surplus to reallocate funds for the projects involved with this transfer, the Department of Administrative Services is in the process of

reviewing the surplus in this project and also verifying that no deficits exist overall in the highway capital program.

This transfer has no net tax levy effect.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
2) <u>WO112054 Fleet Equipment Acquisition</u>		
8554 – Vehicles Replacement		\$45,110
4950 – Ins & Other Proc-Accident	\$45,110	

An appropriation transfer of \$45,100 is requested by the Director of the Department of Transportation and Public Works (DTPW) to recognize revenue and increase expenditure authority for capital project WO112054 – Parks Fleet Equipment to replace stolen Parks equipment.

In June 2010, DTPW Fleet Management received monies resulting from an insurance claim for a Toro Groundskeeper 204261 lawn mower that was stolen from Lincoln Park Service Yard on August 14, 2009.

This appropriation transfer is requested to replace the lawn mower promptly so that the Parks department can continue their operations without impacting service levels. The total cost to replace the lawn mower is \$50,100. The DTPW Fleet Management Division has paid a \$5,000 insurance deductible on the equipment. The remaining \$45,100 will be paid by the insurance settlement granted to Milwaukee County. Therefore, expenditure authority and revenue will be increased by \$45,100 for the Parks Fleet Equipment project.

There is no tax levy impact from this transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
3) <u>WP089012 Bender Park Dredging</u>		
6146 – Prof. Serv. – Cap/Major Maintenance		\$ 30,000
8527 – Land Improvements (Capital)		155,000
9706 – Pro. Service Division Services		15,000
2999 – Revenue from Other Governmental Unit	\$200,000	

An appropriation transfer of \$200,000 is requested by the Directors of Parks, Recreation and Culture and Transportation and Public Works to increase expenditure authority for Capital Project WP089 Bender Park Dredging.

The Bender Park safe harbor and boat launch originally opened in 1998. Since the opening there have been several instances where sand has accumulated at the entrance to the harbor. Maintenance dredging is needed to allow for safe passage of boats in and out of the harbor.

The Bender Park Dredging project was originally approved in the 2007 Capital Improvements Budget. The initial budget was for \$300,000. It was later determined that because of the scope of work the project could not be financed through the use of bond proceeds. An appropriation transfer was approved to reallocate the funds to WV012 Pond and Lagoon Project.

In late 2007 an appropriation transfer was approved to allocate \$200,000 from the Appropriation for Contingencies to the Bender Park Dredging project. The Parks Department needed a 50 percent match of County funding in order to obtain grant funds from the Wisconsin Waterways Commission. The Parks Department was awarded \$328,725 in grant funding. The total project cost is estimated to be \$400,000 with 50 percent of the cost being paid by Milwaukee County and the other 50 percent being paid for with the grant funds. The total project costs will depend on whether the Department of Natural Resources requires special disposal requirements for the dredged material, which will be determined after the material is tested. According to the Parks Department whether or not contamination is discovered the project costs are not anticipated to exceed \$400,000.

This fund transfer will allocate \$200,000 of the grant funds to Capital Project WP089 Bender Park Dredging and the remaining \$128,725 will be used towards other projects. The Parks Department will be meeting with the Waterways Commission next month to determine an appropriate use for the remaining grant funds.

No tax levy impact results from approval of this fund transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

Action Required
Finance Committee
County Board (Majority Vote)

WHEREAS, department requests for transfers within their own accounts have been received by the Department of Administrative Services, Fiscal Affairs, and the Director finds that the best interests of Milwaukee County will be served by allowance of such transfers;

THEREFORE, BE IT RESOLVED, that the Director, Department of Administrative Services, is hereby authorized to make the following transfers in the 2010 appropriations of the respective listed departments:

	<u>From</u>	<u>To</u>
1) <u>504 – DTPW Airport</u>		
0075 – Airport Capital Reserve Account	\$500,000	
8501 – Major Mtce Buildings Cap		\$500,000

An appropriation transfer of \$500,000 is requested by the Director of the Department of Transportation and Public Works to provide expenditure authority that will enable the Airport to relocate engineering staff by remodeling a section of the former 440th Air Force Reserve Station (440th ARS).

The transfer would reallocate funds from the Airport Capital Reserve Account into the Airport operating budget. The transfer is requested because the Transportation Security Administration (TSA) has secured funding to lease approximately 2,000 square feet of additional office space, for which TSA will pay an annual rent of \$67,200, currently occupied by the airport engineers. Airport engineering staff will be relocated to one of the buildings in the 440th ARS, which was transferred to the airport's control in 2010. This relocation will require some remodeling to make the facility suitable as office space. The airport has previously indicated that efforts will be made to redevelop the remainder of the 440th ARS in order to provide additional revenue opportunities, or it may serve as a possible site for other airport administration staff due to high demand for space within the main terminal building.

This transfer has no tax levy impact.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
2) <u>9000- Department of Parks, Recreation, and Culture</u>		
4707 – Contribution from Reserve	\$25,000	
7935 – Law Enforcement and Public Safety Supplies		\$25,000

An appropriation transfer of \$25,000 is requested by the Director of Parks, Recreation and Culture to allocate \$25,000 from the Parks Security Trust Fund to be used for the purchase of security surveillance equipment.

The instances of vandalism in County Parks have been an increasing problem in recent years. The Parks Department uses security surveillance systems to aid in prevention and enforcement efforts. The funds will be used to purchase additional equipment for various parks facilities, including the McKinley Marina and various golf course clubhouses. With this project the Parks Department will try to improve security at as many cash handling facilities as possible.

The transfer will be used to purchase the following equipment:

- Replacement of Digital Video Recorders: \$9,000
- Replacement of Non-functioning Cameras: \$5,000
- Additional Cameras: \$2,000
- Installation of new Closed Circuit Television Systems: \$9,000

There is no tax levy impact from this transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

Action Required
 Finance Committee

WHEREAS, department requests for transfers within their own accounts have been received by the Department of Administrative Services, Fiscal Affairs, and the Director finds that the best interests of Milwaukee County will be served by allowance of such transfers;

THEREFORE, BE IT RESOLVED, that the Director, Department of Administrative Services, is hereby authorized to make the following transfers in the 2010 appropriations of the respective listed departments:

	<u>From</u>	<u>To</u>
1) <u>1152 DAS - Procurement</u>		
6050 – Contract Professional Services – Short Term		\$64,168
5199 – Salaries & Wages	\$58,854	
5312 – Social Security Taxes	5,314	

A fund transfer of \$64,168 is being requested by the Department of Administrative Services – Procurement to increase expenditure authority for temporary help.

The 2010 Adopted budget included funding for a position of Purchasing Manager. This position has been vacant to this point in the year. The position was unsuccessfully recruited for earlier this year. As a result the Division has employed temporary help to assist with many of the functions of the Purchasing Manager position. The proposed fund transfer realigns salary savings from the vacant Purchasing Manager position to Contract Profession Services – Short Term in order to reflect actual staffing and expense in 2010.

No tax levy impact results from this fund transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
2) <u>3090 – County Treasurer</u>		
8558 – Computer Equipment – Replacement (Capital) > \$500		\$2,500
6148 – Professional Services – Recurring Operations	\$2,500	

A fund transfer of \$2,500 is being requested by the County Treasurer to fund the purchase of a replacement laser printer. The current printer is at the end of its service life.

The funds being requested for this transfer are the result of savings in expenses for professional services.

No tax levy impact results from this fund transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

	<u>From</u>	<u>To</u>
3) <u>8000- Department of Health & Human Services</u>		
6017 – Housekeeping Service Fees		\$206,250
5199 – Salaries & Wages	\$100,143	
5312 – Social Security Taxes	7,662	
5420 – Employee Health Care	74,790	
5421 – Employee Pension	23,655	
<u>1950- Employee Fringe Benefits</u>		
9899 – Abatement- Fringe Bent- Org		\$98,445
5400 – Heath Insurance- WPS Self Ins.	\$74,790	
5409 – County Contr to Retmnt Syst	23,655	

A fund transfer of \$206,250 is requested by the Interim Director of the Department of Health and Human Services (DHHS) to realign various accounts for the Housekeeping initiative that was adopted in the 2010 Budget for the Delinquency and Court Services Division (DCSD) of DHHS.

During the 2010 Budget process, Housekeeping Services were outsourced for DCSD-DHHS. The Housekeeping vendor selected was Clean Power LLC, who began providing these services on February 1, 2010. As noted in the adopted budget, due to the way this initiative was adopted, a fund transfer is required to properly realign accounts.

This appropriation will allow the department to realign the accounts by transferring funds from the personal service accounts and placing them into the contractual service account to pay the vendor for its services.

A corresponding entry has been made to the Fringe Benefit budget, org unit 1950, to reflect the changes to fringe benefits requested in the transfer. However this has no impact on the total transfer amount requested by the department.

There is no tax levy impact from this transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 07/16/10.

2010 BUDGETED CONTINGENCY APPROPRIATION SUMMARY

2010 Budgeted Contingency Appropriation Budget	\$5,800,000
Approved Transfers from Budget through June 24, 2010	
6050-Contract Pers. Serv. Short (Estabrook Dam Stabilization Study)	\$ (200,000)
9000-Parks (Farm & Fish Hatchery)	\$ (54,500)
Unallocated Contingency Balance June 24, 2010	<u>\$ 5,545,500</u>
Transfers Pending in Finance & Audit Committee through 07/22/10	
9910-UW Extension (Settlement Agreement)	\$ (47,000)
Total Transfers Pending in Finance & Audit Committee	<u>\$ (47,000)</u>
Net Balance	<u>\$ 5,498,500</u>

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**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : July 15, 2010
TO : Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors
FROM : Scott B. Manske, Controller
SUBJECT: 2009 Fiscal Report as of December 31, 2009 – Final Report

Policy Issue

County Ordinance 56.02(2) requires the Department of Administrative Services (DAS) to “report, on a quarterly basis or in a manner determined to be most useful and effective, on the financial condition of the county, which report shall identify all major variances from the adopted budget on a department-by-department basis.” To comply with this ordinance, DAS provides a projection of year-end financial results on a quarterly basis to the County Board and County Executive. For each fiscal year, the County prepares a balanced budget in which revenues equal expenditures. Therefore, a report of surplus or deficit for the County represents actual results that are in total above (surplus) or below (deficit) net budgeted funds.

Year-end Fiscal Status

In the previous fiscal report provided to the Finance and Audit Committee, DAS had projected a final year-end surplus of just under \$7,976,080. Subsequent to that fiscal report, the Board adopted Resolution 10-16(a)(b) requiring that any surplus funds in excess of the 2008 surplus amount of \$4.1 million be placed into the Debt Service Reserve. As a result of this resolution, DAS transferred \$3,832,062 of the 2009 surplus to the Debt Service Reserve leaving the County’s final 2009 surplus at \$4,144,018.

The following attachments provide further detail of the year-end surplus:

- Attachment A: provides the surpluses and deficits in excess of \$500,000 by department.
- Attachment B: provides narrative explanations for budget variances in excess of \$500,000.
- Attachment C: provides the projected surplus or deficit for 2009 by agency.

Committee Action

This is an informational report only. This report should be referred to and reviewed by the Finance and Audit Committee.



Steven Kreklow
Fiscal and Budget Administrator



Scott B. Manske
Controller

Attachments

cc: Scott Walker, County Executive
Supervisor Elizebeth Coggs, Chairman, Finance and Audit Committee
Finance and Audit Committee
Cynthia Archer, Director, Department of Administrative Services
Stephen Cady, Director of Research, County Board
Department Heads

Milwaukee County

Final Results as of December 31, 2009

<u>Dept</u>	<u>Department Name</u>	<u>3rd Quarter Projections</u>	<u>Increase (Decrease)</u>	<u>4th Quarter Results</u>
1160	Information Management Services Division	876,511	(4,095)	872,416
2000	Combined Courts	(517,000)	(864,019)	(1,381,019)
3090	Treasurer	2,842	683,247	686,089
3400	Register of Deeds	(1,532,014)	229,468	(1,302,546)
4000	Sheriff's Office	154,206	730,899	885,105
5300	Fleet Management	2,093,229	335,938	2,429,167
6300	Behavioral Health Division	(3,622,029)	280,351	(3,341,678)
7200	DHHS - County Health Programs	2,001,117	495,600	2,496,717
7900	Department on Aging	586,752	980,014	1,566,766
8000	Department of Health and Human Services	127,925	(1,187,840)	(1,059,915)
9500	Zoological Department	(1,663,859)	158,900	(1,504,959)
	Other	<u>1,371,680</u>	<u>2,043,351</u>	<u>3,415,031</u>
	Departmental Total	<u>(120,640)</u>	<u>3,881,814</u>	<u>3,761,174</u>
1933	Land Sales	(6,030,117)	256,340	(5,773,777)
1935	Charges to Other County Departments	2,250,000	0	2,250,000
1945	Unallocated Contingency Fund	8,943,021	1,525,007	10,468,028
1950	Fringe Benefits	5,000,000	7,006,371	12,006,371
1969	Medicare Part D Reimbursement	1,793,751	68,592	1,862,343
1991	Delinquent Property Tax Reserve	(3,100,000)	(121,999)	(3,221,999)
1992	Investment Income	(1,700,000)	844,415	(855,585)
1996	Sales Tax Revenue	(8,500,000)	(97,727)	(8,597,727)
1999	Private Donation Revenue	1,125,000	(1,125,000)	-
9960	Debt Service Fund	<u>(3,112,000)</u>	<u>520,781</u>	<u>(2,591,219)</u>
	Non-Departmental Total	<u>(3,330,345)</u>	<u>8,876,780</u>	<u>5,546,435</u>
	Subtotal Departmental and Non-Departmental	<u>(3,450,985)</u>	<u>12,758,594</u>	<u>9,307,609</u>
	Increase in General Fund Reserves	-	(1,275,993)	(1,275,993)
	Contribution to Debt Service Reserve	-	(3,832,062)	(3,832,062)
	County Surplus (Deficit)	<u>\$ (3,450,985)</u>	<u>\$ 7,595,003</u>	<u>\$ 4,144,018</u>

Description of Significant Surplus and Deficit Projections for 2009:

Departmental Surpluses and Deficits:

DAS - Information Management Services Division (Org 1160) \$0.9 million surplus

DAS – Information Management Services Division (IMSD) ended 2009 with a surplus of \$872,416. As an internal service fund for Milwaukee County, the revenues and expenses for IMSD should breakeven at the end of the year resulting in no budget surplus; however, the 2009 expense budget for IMSD exceeded the revenue budget for interdepartmental charges. Because, IMSD breaks even at the end of the year, based upon its actual expenses, the budget imbalance in 2009 created a budget surplus for IMSD revenues.

Combined Court Related Operations (Org 2000) (\$1.4 million deficit)

The Combined Courts ended 2009 with a deficit of \$1,381,019. The deficit consists of an \$878,000 revenue deficit and a \$503,000 expenditure deficit. Revenue shortfalls in federal, state, and other governmental reimbursements total \$558,000. Additional revenue deficits occurred in interest on investments of \$317,000, and court fees of \$194,000. These shortfalls are offset by surpluses in permits, fines and copy fee revenues. An expenditure deficit of \$614,000 in personal service costs is offset by surpluses in contractual services, cross charges and capital outlay expenditures.

Treasurer' Office (Org 3090) \$0.7 million surplus

The Treasurer's Office ended 2009 with a surplus of \$686,089 due primarily to higher than anticipated revenue from interest and penalties on delinquent taxes. Interest and penalty income was \$3.2 million or 22% over budget. Higher income is due the increasing tax delinquency balance due to current economic conditions.

Register of Deeds (Org 3400) (\$1.3 million deficit)

The Register of Deeds ended 2009 with a deficit of \$1,302,546 due primarily to reduced transfer fee revenue related to real estate sales and recording fees for mortgages and related documents. These revenues have been lower than anticipated due to the depressed real estate market. Total fee revenue is budgeted at \$5.2 million, but actual revenue was only \$3.8 million or 27% less than budget.

Sheriff's Office (Org 4000) \$0.9 million surplus

The Sheriff's Department ended 2009 with a surplus of \$885,105. This surplus was the result of an expenditure surplus of \$3,680,589 offset by a revenue deficit of \$2,795,485. Overall, the Sheriff's Department was able to control costs related to personnel services and commodities to offset decreased revenue from federal and state agencies and fewer Huber release prisoners.

DTPW – Fleet Management (Org 5300) \$2.4 million surplus

DTPW – Fleet Management ended 2009 with a surplus of \$2,429,167 due primarily to the inadvertent inclusion of depreciation expense in Fleet's 2009 budget.

DHHS – Behavioral Health Division (BHD) (Org 6300) (\$3.3 million deficit)

BHD ended 2009 with a deficit of \$3,341,678. Patient services revenue for 2009 fell short of the budgeted amount by \$2,891,247 due primarily to changes in the State's funding formula for reimbursement of patient care and changes in Medicaid funding. State and Federal grant revenues also fell short of the budget by a total of \$736,660 due primarily to reductions in State funding for the Temporary Assistance to Needy Families program.

DHHS – County Health Programs (Org 7200) \$2.5 million surplus

DHHS – County Health Programs ended 2009 with a surplus of \$2,496,717, which resulted from a revenue surplus of \$684,755 combined with an expenditure surplus of \$1,811,962. The revenue surplus is due to higher than anticipated medical refunds for the General Assistance Medical Program. Lower than anticipated medical claims account for \$714,272 of the expenditure surplus. Modifications in the agreements with hospital systems to cover the transition costs from the GAMP program to Badger Care account for another \$864,274 of the expenditure surplus. The remaining expenditure surplus is due to savings in personnel costs, commodities and capital outlay.

Department on Aging (Org 7900) \$1.6 million surplus

The Department on Aging ended 2009 with a surplus of \$1,566,766. The elimination of cross-charges for DHHS Economic Support Staff accounts for \$1,118,393 of the total surplus. This surplus was offset by a loss of income maintenance revenue of \$940,000. The remaining surplus is due to savings in personnel costs of \$287,000, contractual services of \$158,000, abatements of departmental expenditures of \$409,000 and a Federal grant formula adjustment for 100% time reporting of \$758,000.

Department of Health and Human Services (Org 8000) (\$1.1 million deficit)

DHHS ended 2009 with a deficit of \$1,059,915. Revenue shortfalls result from the delay in the implementation of the Disability Resource Center, reductions in Youth Aids revenue, and the reduction in revenue related to the State's year-end reconciliation for 2008 programs. An expenditure surplus in personnel service costs was due to 53 vacant positions in the department. An expenditure deficit occurred in cross-charges from other departments. The cross-charge expense allowed the division to garner additional grant reimbursement.

Zoological Department (Org 9500) (\$1.5 million deficit)

The Zoo ended 2009 with a deficit of \$1,504,959. The Zoo experienced a revenue deficit of \$3,193,520 in 2009 due to lower than anticipated attendance. The revenue deficit was offset by \$1,688,561 in expenditure savings. The expenditure savings were the result of reductions in personnel costs, contractual services, commodities and capital outlay.

Non - Departmental Surpluses and Deficit:

Land Sales (Org 1933) (\$5.7 million deficit)

Land sales revenue fell \$5,773,777 short of the budgeted revenue in 2009. The sale of County grounds land to the University of Wisconsin – Milwaukee - School of Engineering was included in the 2009 budget but is not anticipated to close until later in 2010. Since the sale of the land was not completed in 2009, the revenue could not be recognized in 2009.

Charges to Other County Departments (Org 1935)

\$2.3 million surplus

The budget for 2009 included a reserve of \$2.25 million to support higher costs or charges to county departments. This reserve was not used during 2009. As a result, these funds contributed to the 2009 surplus.

Unallocated Contingency Fund (Org 1945)

\$8.9 million surplus

The final balance in the County's Unallocated Contingency Fund for 2009 was \$10,468,028. The Unallocated Contingency Fund is available to offset deficits in other areas.

Fringe Benefits (Org 1950)

\$12.0 million surplus

The County ended 2009 with a surplus in fringe benefit costs of \$12,006,371 due primarily to savings in health care costs. 2009 health care costs were 10.8% lower than 2008. A consultant is currently reviewing health care costs to determine reasons for the surplus and if the County can expect that cost savings trend to continue.

Medicare Part D Revenue (Org 1969)

\$1.9 million surplus

Under Federal regulations, the County is allowed to apply for Medicare reimbursement on a portion of its prescription drug costs for retirees. The reimbursements for 2009 exceeded the budget by \$1,862,343. This excess revenue results from a catch-up in payments under the Medicare Part D program. The County is now caught up with payments.

Delinquent Property Tax Reserve (Org 1991)

(\$3.2 million deficit)

Due to increased delinquency in property tax payments, the County was required to increase the Reserve for Delinquent Taxes by \$3,221,999 for 2009. Except for the City of Milwaukee, the County assumes the delinquent real property taxes for all of the other taxing jurisdictions within Milwaukee County (schools, cities, towns, etc.). The amount of new delinquent taxes assumed in 2009 increased by 13.0% over the prior year. Offsetting this loss is a deficit

Interest Income (Org 1992)

(\$0.9 million deficit)

Investment income for 2009 was \$855,585 lower than the budgeted amount due to lower than anticipated interest rates.

Sales Taxes (Org 1996)

(\$8.6 million deficit)

Sales tax revenue for 2009 was \$8,597,727 lower than the budgeted amount due to decreased consumer spending.

Debt Service Fund (Org 9960)

(\$2.6 million deficit)

The Debt Service Fund ended 2009 with a deficit of \$2,591,219. In 2009, the County's lease payment revenue from Froedtert Memorial Lutheran Hospital (FMLH) was \$3,112,000 less than the amount budgeted. The lease payment from FMLH is based upon the hospital's net operating revenue. Due to investment losses experienced by FMLH, the hospital's net operating revenue was significantly lower than prior years. This revenue deficit in the Debt Service Fund was offset by lower than anticipated debt issuance costs.

Increase in General Fund Reserves

(\$1.3 million deficit)

At the end of each fiscal year, the County must adjust various reserve accounts to reflect changes in encumbrances, carryover amounts and inventories. Increases to these reserve accounts for 2009 total \$1,275,993.

Contribution to Debt Service Reserve

(\$3.8 million deficit)

In June 2010, Resolution 10-16(a)(b) was adopted requiring that any 2009 surplus funds in excess of the 2008 surplus amount of \$4,144,018 be placed into the Debt Service Reserve. As a result of this resolution, DAS transferred \$3,832,062 of the 2009 surplus to the Debt Service Reserve, which decreased the surplus available for the 2011 budget.

Annual Fiscal Report of Surplus/Deficit as of December 31, 2009

	2009 Actual Revenues	2009 Budgeted Net Revenues	Revenue Variance	% Variance	2009 Actual Expenditures	2009 Budgeted Net Expenditures	Expense Variance	% Variance	4th Quarter Surplus (Deficit)	
Legislative, Executive & Staff										
1000	County Board	2,760	25,500	(22,740)	-89%	6,130,255	6,515,111	384,856	6%	362,116
1001	Department of Audit	70	-	70	N/A	2,564,760	2,662,360	97,600	4%	97,670
1040	Disadv Bus Development County Executive	390,760	402,244	(11,484)	-3%	1,271,156	1,182,186	(88,970)	-8%	(100,455)
1011	General Office	2,971	29,000	(26,029)	-90%	1,085,450	1,301,630	216,180	17%	190,151
1021	Veterans Service	13,000	13,000	-	0%	284,764	331,245	46,481	14%	46,481
1110	Civil Service Commission	-	-	-	N/A	54,078	66,249	12,171	18%	12,171
1120	Personnel Review Board	215	-	215	N/A	214,731	217,943	3,212	1%	3,426
1130	Corporation Counsel Dept of Administrative Services	163,251	160,000	3,251	2%	1,598,290	1,905,094	306,804	16%	310,055
1019	Persons with Disabilities	170,502	138,500	32,002	23%	910,379	1,030,158	119,779	12%	151,781
1140	Human Resources	6,181	6,200	(19)	0%	2,634,122	2,856,877	222,756	8%	222,736
1188	Employee Benefits	1,312,111	1,458,066	(145,955)	-10%	2,129,375	2,312,403	183,028	8%	37,073
1135	Labor Relations	-	-	-	N/A	550,856	632,878	82,022	13%	82,022
1150	Risk Management	7,316,273	7,193,505	122,768	2%	7,321,257	7,382,644	61,387	1%	184,155
1151	Fiscal Affairs Division	44,319	551,000	(506,681)	-92%	4,029,011	4,296,295	267,284	6%	(239,397)
1152	Procurement	1,800	-	1,800	N/A	729,020	819,137	90,117	11%	91,917
1160	Information Management Services	16,374,980	17,476,926	(1,101,946)	-6%	16,821,130	18,795,493	1,974,363	11%	872,416
3010	Election Commission	80,110	71,358	8,752	12%	673,926	685,941	12,015	2%	20,766
3090	County Treasurer	3,327,095	2,655,916	671,179	25%	1,553,601	1,568,511	14,910	1%	686,089
3270	County Clerk	439,469	480,625	(41,156)	-9%	802,285	792,635	(9,650)	-1%	(50,806)
3400	Register of Deeds	3,816,525	5,235,954	(1,419,429)	-27%	4,088,141	4,205,024	116,883	3%	(1,302,546)
	Total Legislative, Executive & Staff	33,462,392	35,897,794	(2,435,402)	-7%	55,446,588	59,559,814	4,113,226	7%	1,677,823
Courts and Judiciary										
2000	Combined Court Related Operations	10,501,496	11,379,995	(878,499)	-8%	51,897,620	51,395,100	(502,520)	-1%	(1,381,019)
2430	Dept. of Child Support Enforcement	16,754,422	17,325,747	(571,325)	-3%	17,626,565	18,578,001	951,436	5%	380,111
	Total Courts and Judiciary	27,255,918	28,705,742	(1,449,824)	-5%	69,524,185	69,973,101	448,916	1%	(1,000,908)
Public Safety										
4900	Medical Examiner	1,015,424	1,111,263	(95,839)	-9%	4,675,458	4,653,294	(22,164)	0%	(118,003)
4000	Sheriff	15,531,263	18,326,748	(2,795,485)	-15%	91,932,585	95,613,174	3,680,589	4%	885,105
4300	House of Correction	4,390,555	4,999,268	(608,713)	-12%	48,698,588	49,802,251	1,103,663	2%	494,951
4500	District Attorney	7,872,628	8,784,474	(911,846)	-10%	19,033,301	20,374,152	1,340,851	7%	429,006
	Total Public Safety	28,809,870	33,221,753	(4,411,883)	-13%	164,339,931	170,442,871	6,102,940	4%	1,691,057
Non-Departmental's										
1950	Fringe Benefits	35,068,736	6,396,056	28,672,680	448%	35,225,739	18,559,430	(16,666,309)	-90%	12,006,371
1992	Interest Income	5,107,257	5,962,842	(855,585)	-14%	-	-	-	N/A	(855,585)
1945	Contingency	-	-	-	N/A	-	10,468,028	10,468,028	100%	10,468,028
1935	Charges to Other County Departments	-	-	-	N/A	(10,155,809)	(7,905,809)	2,250,000	-28%	2,250,000
1991	Property Taxes	254,415,284	257,637,283	(3,221,999)	-1%	-	-	-	N/A	(3,221,999)
1969	Medicare Part D Reimbursement	5,456,317	3,593,974	1,862,343	52%	-	-	-	N/A	1,862,343
1996	Sales Taxes	58,838,176	67,435,903	(8,597,727)	-13%	-	-	-	N/A	(8,597,727)
1933	Land Sales	256,340	6,030,117	(5,773,777)	-96%	-	-	-	N/A	(5,773,777)
	Other Non-Departmental	59,050,342	62,981,871	(3,931,529)	-6%	4,446,785	8,446,712	3,999,927	47%	68,398
1900'S	Total Non-Departmental	418,192,453	410,038,046	8,154,407	2%	29,516,715	29,568,361	51,646	0%	8,206,052

		2009 Actual Revenues	2009 Budgeted Net Revenues	Revenue Variance	% Variance	2009 Actual Expenditures	2009 Budgeted Net Expenditures	Expense Variance	% Variance	4th Quarter Surplus (Deficit)
	Public Works									
5040	Airport	71,798,165	78,595,577	(6,797,412)	-9%	73,613,189	80,410,601	6,797,412	8%	(0)
5070	Transportation Services	1,683,231	2,291,553	(608,322)	-27%	1,938,099	2,429,271	491,172	20%	(117,149)
5080	Architectural/ Environmental Services	5,530,334	5,648,378	(118,044)	-2%	6,348,726	6,509,132	160,406	2%	42,362
5100	Highway Maintenance	16,602,201	16,903,197	(300,996)	-2%	16,862,642	17,358,758	496,116	3%	195,120
5300	Fleet Management	9,038,545	9,398,285	(359,740)	-4%	6,596,617	9,385,524	2,788,907	30%	2,429,167
5500	Utility	1,925,233	1,827,416	97,817	5%	2,142,913	2,045,097	(97,816)	-5%	0
5600	Transit/Paratransit System	101,024,832	101,033,265	(8,433)	0%	123,522,587	123,944,413	421,826	0%	413,392
5700	Facilities Management	24,554,640	24,938,726	(384,086)	-2%	21,448,415	21,598,595	150,180	1%	(233,906)
5800	Public Works Administration	1,970,585	2,279,397	(308,812)	-14%	1,234,699	1,738,326	503,627	29%	194,815
	Total Public Works	234,127,766	242,915,794	(8,788,028)	-4%	253,707,888	265,419,717	11,711,829	4%	2,923,802
	Health & Human Services									
6300	Behavioral Health Division	128,790,085	133,686,068	(4,895,983)	-4%	178,518,749	180,073,054	1,554,305	1%	(3,341,678)
7200	County Health Related Programs	2,211,635	1,526,880	684,755	45%	15,244,997	17,056,959	1,811,962	11%	2,496,717
7900	Department on Aging	16,019,561	16,458,787	(439,226)	-3%	17,112,754	19,118,745	2,005,991	10%	1,566,766
7990	Department on Aging – CMO	219,467,558	219,195,242	272,316	0%	218,721,567	218,449,251	(272,316)	0%	(0)
8000	Department of Human Services	199,022,217	216,609,115	(17,586,898)	-8%	222,042,337	238,569,320	16,526,983	7%	(1,059,915)
	Total Health & Human Services	565,511,057	587,476,092	(21,965,035)	-4%	651,640,404	673,267,329	21,626,925	3%	(338,110)
	Parks, Recreation & Culture									
9000	Department of Parks	17,701,093	19,672,859	(1,971,766)	-10%	41,788,773	43,986,934	2,198,161	5%	226,395
9500	Zoological Department	15,169,209	18,362,730	(3,193,521)	-17%	22,398,080	24,086,641	1,688,561	7%	(1,504,959)
9700	Milwaukee Public Museum	-	-	-	N/A	3,502,376	3,502,376	-	0%	-
9910	University Extension	117,463	121,080	(3,617)	-3%	479,771	501,064	21,293	4%	17,676
	Total Parks, Recreation & Culture	32,987,766	38,156,669	(5,168,903)	-14%	68,169,000	72,077,015	3,908,015	5%	(1,260,888)
9960	Debt Retirement and Interest	431,116,653	15,575,539	415,541,114	2668%	486,948,671	68,816,337	(418,132,334)	-608%	(2,591,219)
1200-1899	Capital Improvements	140,275,546	139,552,345	723,201	1%	135,534,327	134,755,590	(778,737)	-1%	(55,536)
	Expendable Trusts									
FUND 3	Zoo Trust Funds	712,538	977,390	(264,852)	-27%	751,543	996,359	244,816	25%	(20,036)
FUND 5	Parks Trust Funds	163,080	-	163,080	N/A	236,648	227,459	(9,189)	-4%	153,891
FUND 6	Office on Handicapped Trust Fund	(1,575)	12,000	(13,575)	-113%	4,000	12,000	8,000	67%	(5,575)
FUND 7	Behavioral Health Complex Trust Funds	-	35,100	(35,100)	-100%	366,467	35,100	(331,367)	-944%	(366,467)
FUND 8	Airport PFC Trust	11,380,447	-	11,380,447	N/A	23,381,677	-	(23,381,677)	N/A	(12,001,230)
FUND 9	DAS -- Midwest Airlines Trust	98,204	-	98,204	N/A	-	-	-	N/A	98,204
FUND 10	DAS -- Trust	-	-	-	N/A	326	-	(326)	N/A	(326)
FUND 11	Fleet/Facilities Reserve Trust	-	-	-	N/A	509,612	-	(509,612)	N/A	(509,612)
	Total Expendable Trusts	12,352,694	1,024,490	11,328,204	1106%	25,250,273	1,270,918	(23,979,355)	-1887%	(12,651,151)
	Surplus (Deficit)	1,924,092,115	1,532,564,264	391,527,851	26%	1,940,077,982	1,545,151,053	(394,926,929)	-26%	(3,399,078)
	Addback Expendable Trusts									12,651,151
	Contribution to Debt Service Reserve									(3,832,062)
	Decrease/ (Increase) in General Fund Reserves									(1,275,993)
	Total Projected Surplus (Deficit)									\$ 4,144,018

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE: July 19, 2010

TO: Supervisor Elizabeth Coggs, Chairwoman, Committee on Finance & Audit
Supervisor Patricia Jursik, Chairwoman, Committee on Personnel

FROM: Employee Benefits Workgroup

SUBJECT: 2009/2010 Employee Health Care and Prescription Drug Plan

Background

In 2009, the budget for employee healthcare claims realized an unexpected surplus of approximately \$12 million. To better understand if this surplus was due to a one-time event or represented a potentially on-going reduction in employee health care costs that would allow a reduction in the base budget, the Department of Administration, in conjunction with the Employee Benefits Workgroup, hired Cambridge Advisory Group Inc. to conduct a detailed evaluation of the cause and sustainability of the surplus.

Cambridge was also requested to review our underlying health plan, compare our employee and cost demographics with similar plans, and report on this comparison. In addition, Cambridge was asked to look at issues that may arise due to national Health Care Reform.

Following the analysis, Cambridge was asked to provide a report of their findings and present suggested direction for the County in health care.

Reports

Attached to this cover memo is a PowerPoint document prepared by Cambridge, which summarizes their work and conclusions, based on their review.

Findings

Cambridge has indicated that the 2009 surplus was linked to a significant and unexplained decrease in large claims (i.e. claims exceeding \$50,000). Cambridge also noted that although the costs reduction can be primarily attributed to the reduced number of large claims, a smaller portion of the savings also occurred due to the county shifting to United Health Care as the third-party provider, deeper discounts, and greater network access.

Based on analysis of both historic and year-to-date activity, Cambridge does not believe this surplus will be replicated in 2010 or future years.

Cambridge has identified other areas of concern that are explained in the attached report and summarized as follows:

- Average age of the county's active workforce is higher than the national norm for all employers
- The county's health coverage, member to employee ratio, is higher than most employers (i.e. more dependents per employee)
- The county has above national norm levels of chronic disease that causes an above national norm of large claims (i.e. claims exceeding \$50,000)
- Health risks for the county have been identified as tobacco, overweight/obesity and physical inactivity
- The county employee drug costs greatly exceed the national norm, due to higher utilization of prescription medication and higher prescription medication costs
- The county employee contribution rate is considerably lower than the national norm
- The county employee cost for co-payments, deductibles, and coinsurance is considerably lower than national levels

The Employee Benefits Work Group will continue to work with Cambridge to further analyze employee health care claims and develop strategies for managing costs.

cc: County Executive Scott Walker
Milwaukee County Board of Supervisors
Tom Nardelli, Chief of Staff County Executive's Office
Terry Cooley, Chief of Staff, County Board Chairman's Office
Jodi Mapp, Personnel Committee Clerk
Carol Mueller, Finance and Audit Committee Clerk



Milwaukee County Health Plan

Issues and Considerations

June 2010

CAMBRIDGE
advisory group inc.

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Recent History

- 2007-WPS selected on an insured basis under a multiyear contract which financially disadvantaged the County.
- 2007-Health Benefits Advisory Committee formed. Renegotiated WPS contract midyear and retrospectively saving The County tens of millions of dollars over the contract period.
- 2007-Wellness initiative as negotiated with union(s) is put into place. APS selected through RFP process.
- 2008-WPS loses access to a major provider group leading to network inadequacy. Enables release of County from contract with WPS.
- 2009-United Health selected through RFP. Deeper discounts and greater network access. First year savings exceeding \$10 million Trended Savings accrue in future years due to continued use of a superior provider network.
- 2009-Medco selected as Pharmacy Benefit Managers (PBM) on a “carve out” basis. First year savings of \$1.2 million growing to approximately \$4 million over the three year period of the contract.
- 2009-Health Plan experiences unexpected budget surplus linked to significant and unexplained decrease in claims exceeding \$50,000.
- Mid 2010- County increases needed internal resources to monitor and manage finances of the plan.

Present Situation

- Health Benefits Advisory Committee convenes to examine several key issues:
 - Understand 2009 surplus and the sustainability of related improved large claims experience.
 - Enhance necessary controls and ongoing oversight requirements to establish monitoring of budget levels and monthly costs performance of the health plan.
 - Create database and analyze underlying costs, risks and liabilities of the plan from both an actuarial and clinical perspective.
 - Quantify the potential costs and/or savings to the County due to Health Care Reform.
 - Consider possible adjustments to design and vendors to strengthen competitiveness of benefit levels, quality administrative service and address health management requirements for improved outcomes. Review Consumer Directed Health Plan options and need to redirect wellness and disease management initiatives.

Financial Considerations

- Through April plan costs are running \$2.5 million (2%) above budget on an annualized basis. This is a preliminary analysis subject to variance and volatility by year end due to:
 - Cost sharing by participants has somewhat lowered this number year to date. Later in the year and increasing number of participants will reach their out of pocket maximums thus increasing the County's cost as the year continues.
 - Offset to County's costs are claimants who exceed individual stop-loss of \$300,000 as the year goes on.
 - Number of claimants projected to incur costs above \$50,000 by year end is expected to exceed 2009s total of 200 by up to 25-30%. This increase in large claims is the reason for, and explains the present projected budget deficit.

Underlying Costs, Risks and Liabilities

- Claims are being incurred in a health care market place which is one of the five most costly in the country from a unit cost standpoint and by providers with no discernable superior clinical quality or outcomes
- County's demographics are above national norm.
 - Average age of 46 of active workforce verses norm of 42. This number worsens when includes early retirees (a disproportionate number of claimants exceeding \$50,000) who receive benefit levels equal to active employees.
 - Member to employee ration of 2.45 to 1 verses norm of 2.1 to 1. The County provides coverage to a greater number of lives (e.g. family size) than most employers.
 - A historic level of 250-300 claims exceeding \$50,000 each year versus an expected norm of 175-225. The 2009 plan year was the only one over the last four years to fall within the normal range. This is the apparent reason for the unexpected budget surplus. 2010 appears to project a number exceeding 225.

Underlying Costs, Risks and Liabilities

- Per Employee Per Month drug costs of \$266 versus an expected norm of \$141-167. This has been driven by below norm use of lower cost generic equivalents and mail order service as well as above norm use of high cost specialty drugs. In addition, the use of specialty drugs has been above norm at physician offices and retail pharmacies as compared to the lower cost mail order option.
- An active employee contribution rate of approximately 5-7% versus national norm of 20-25% and an employee cost charge (e.g. copayments, deductibles, coinsurance) of 7% on the HMO and 20% on the PPO versus national norms of 12-15% on HMOs and 20-25% on PPOs. Participants paying less than national norms for plan designs richer than national norm.
- A retiree population which pays no contribution if hired before 1994. Existing individual lifetime maximums may be nullified under Health Care Reform. No overall cap of the plan (still allowable under Reform) exists. Also, all retirees hired after 1994 are allowed to “buy in” on a fully contributory basis. This results in significant adverse selection. Reform will offer these participants additional options.

Underlying Costs, Risks and Liabilities

- Above norm levels of chronic disease states including, hypertension, hyperlipidemia, diabetes, asthma, depression and heart disease linked directly to County risk factors of obesity, tobacco and physical inactivity. These factors drive the continuous above norm large claim activity which are not currently addressed by the wellness program which incents enrollment rather than adherence.
- The County faces continuous annual double digit health care increases due to the outlined casualties.

Health Care Reform

- The County faces potential substantial exposure, requiring ongoing analysis around Health Care Reform. Proper calculation of costs and liabilities must consider:
 - Increased administrative expenses, effect of Medicare/Medicaid cost shift, elimination of lifetime limits, per participant fee for comparative effectiveness research, inclusion of preventive care at 100% and individual mandate provisions.
 - Waiting to calculate additional effects on taxes to insurers which are expected to be passed on to plan sponsors and cost of excise tax on “Cadillac plans” which projects to apply to the County, based on its costs and historic healthcare trend.
 - Need to gain regulatory clarification around Health Care Reform potential offsets and/or revenue streams for Behavioral Health and Jailhouse covered populations.

Considered Changes

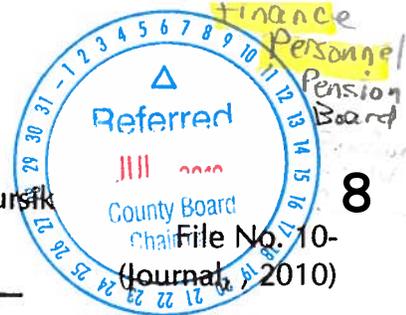
- Prepare for the administrative, costs and challenges of Health Care Reform.
- Bring participant contribution and cost share levels to market levels.
- Redesign pharmacy benefit levels to increase generic and mail order utilization as well as to close potential gaps in care linked to possible adherence shortfalls.
- Change clinical management model
 - Alter existing wellness design to incent adherence over enrollment. Prepare RFP based on redesign, pay for performance and health improvement matrices.
 - Develop appropriate risk reduction strategies and programs.
 - Implement an integrated health management model which leverages the resources of UHC, Medco and selected wellness vendor to engage members through effective risk stratification, coordinate outreach and communication to effect participant behavior.

Considered Changes

- Significantly delay considered implementation of Consumer Directed Health Plan (CDHP) option.
 - CDHP designs often create an unintended consequence whereby participants delay or avoid needed services for chronic care in order to maintain account balances.
 - The covered population needs support, resources and time to grow into educated consumers who historically have had access to established needed clinical arrangement resources.
 - The local health care delivery system needs to alter its behavior and cost levels for CDHP to be appropriate for the County's covered population.
 - Health Care Reform will cause the need to focus existing limited administrative resources which would be unreasonably burdened by a CDHP's required administration and communication responsibilities of CDHP.

Conclusion

- Need to maintain focus and work of Health Benefit Advisory Committee based to understand the non-sustainability of present cost escalation levels.
- Focus development of appropriate integrated health management strategies and programs which leverage resources among County's vendors.
- Continued negotiations with UHC and Medco to improve their accountability to the County and their performance regarding unit cost for medical and pharmacy services.
- Consideration of alternative plan provisions, management strategies and vendors to positively affect escalating.
- Actively recognize and work on the costs, needed resources and possible revenue streams tied to Health Care Reform.



1 By Supervisors Sanfelippo, Rice, Borkowski, Cesarz, Schmitt and Jursik

2
3 FILE NO. 10-263

4
5 **A RESOLUTION/ORDINANCE**

6
7 To amend Section 201.24 of the Milwaukee County Code of General Ordinances to
8 reduce the annual pension service credit multiplier for elected officials from two percent to
9 one and six-tenths percent for future years.

10
11 WHEREAS, the 2010 Adopted Budget included employee wage, health and pension
12 benefit modifications that are anticipated to result in significant expenditure reductions to
13 help improve Milwaukee County's fiscal outlook; and

14
15 WHEREAS in December 2009, the County Board of Supervisors adopted the
16 recommended employee wage and benefit modifications for employees not represented by
17 a collective bargaining agreement, memorializing the 2010 Adopted Budget actions (File
18 No. 09-471); and

19
20 WHEREAS, the deductible and co-payment increases in the employee health
21 package fully apply to Milwaukee County elected officials, although the salary related
22 components of the package cannot be applied to elected officials in term; and

23
24 WHEREAS, elected officials and deputy sheriffs were exempted from a key
25 component of the benefit modification package that reduced the annual pension service
26 credit multiplier for non-represented members of the Milwaukee County Employee's
27 Retirement System (ERS) for all future years from 2.0 percent to 1.6 percent; and

28
29 WHEREAS, while these wage and pension benefit modifications will initially be
30 applied only to non-represented employees, the modifications are expected to be included
31 in the County's proposals during the collective bargaining process in order to extend these
32 benefits to employees who are represented by a collective bargaining unit; and

33
34 WHEREAS, inasmuch as elected officials are relying on employee wage and benefit
35 modifications to improve Milwaukee County's fiscal situation, it is fair and equitable for
36 elected officials to also accept the decrease in the pension multiplier recently enacted for
37 other employees; and

38
39 WHEREAS, the Milwaukee County defined benefit plan exists in part as an incentive
40 to attract and retain career-oriented public servants and should not be a primary incentive
41 to public service for an elected official; and

42
43 WHEREAS, inasmuch as Milwaukee County elected officials, by the nature of their
44 elected status, are more likely to leave County service prior to attaining a normal or
45 deferred retirement benefit, it would be beneficial to future elected officials, the ERS, and

46 the taxpayer if a separate portable and contributory 401K-style pension plan was designed
47 solely for the participation of future Milwaukee County elected officials; and

48
49 WHEREAS, the attached changes to Section 201.24 of the Milwaukee County Code
50 of General Ordinances (MCGO) extend the reduction of the pension multiplier from 2.0
51 percent to 1.6 percent to Milwaukee County elected officials covered by the ERS for all
52 future earned pension service credit; and

53
54 WHEREAS, the proposed changes to Section 201.24 of the MCGO have been
55 referred to the pension fund actuary whose actuarial analysis indicates the changes will
56 decrease the accrued liability and the normal actuarial cost; and

57
58 WHEREAS, the Committee on Personnel, at its meeting of March 9, 2010,
59 recommended approval of the resolution/ordinance as AMENDED (vote 6-0); and

60
61 WHEREAS, the Pension Study Commission reviewed the pension fund actuary's
62 report on March 11, 2010, and has recommended the County Board adopt the proposed
63 changes to Section 201.24 of the MCGO (vote 3-1); and

64
65 WHEREAS, the Committee on Finance and Audit, at its meeting of March 11, 2010,
66 by virtue of a tie vote, made no recommendation to the full Board on adoption of the
67 aforesaid matter (vote 3-3); now, therefore,

68
69 BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby amends
70 Section 201.24 of the Milwaukee County Code of General Ordinances by adopting the
71 following,

72
73 **AN ORDINANCE**

74
75 The County Board of Supervisors of the County of Milwaukee does ordain as
76 follows:

77
78 **SECTION 1.** Section 201.24 (5.1)(4) of the General Ordinances of Milwaukee County, is
79 amended as follows:

80
81 **5.1. Normal pension.**

82
83 (4) A member who is an elected official whose continuous membership began prior to
84 January 1, 1982, and who meets the requirements for a normal pension, shall
85 receive an amount equal to two and one-half (2 1/2) percent of his final average
86 salary multiplied by the number of his years of service as an elected official. A
87 member who is an elected official whose continuous membership began after
88 January 1, 1982, and who meets the requirements for a normal pension, shall
89 receive an amount equal to two (2) percent of his final average salary multiplied by
90 the number of his years of service as an elected official. Regardless of when

91 membership began, an elected official shall receive an amount equal to one and six-
92 tenths (1.6) percent of his final average salary multiplied by the number of his years
93 of service rendered on and after [date of passage and publication] as an elected
94 official.

95
96 **SECTION 2.** Section 201.24 (5.15) of the General Ordinances of Milwaukee County, is
97 amended as follows:

98
99 **5.15. Recruitment and retention incentive effective January 1, 2001.**

100
101 The provisions of this section shall apply to all members of the employees' retirement
102 system eligible to accrue pension service credit as of January 1, 2001, who are not
103 represented by a collective bargaining unit and file an application for retirement after
104 January 1, 2001. This section shall supercede any provisions of Section 5.1 that may
105 conflict with this section. The provisions of this section shall not apply to any member of
106 the employees' retirement system who filed an application for retirement prior to January 1,
107 2001, which shall be effective on or after January 1, 2001. The provisions of this section
108 shall not apply to members of the employees' retirement system who, as of January 1,
109 2001, are either eligible for a deferred vested retirement benefit under Section 4.5 or are
110 receiving a retirement benefit, unless such members return to a status eligible to accrue
111 additional service credit on or after January 1, 2001. The provisions of this section shall
112 not apply to years of service earned on or after January 1, 2010, by a member who, at the
113 time the service is earned, is not covered by the terms of a collective bargaining agreement,
114 nor shall this section apply to service credit earned on or after [date of passage and
115 publication] by a member and who, at the time service is earned, is not an elected official.
116

117 (1) If membership in the employees' retirement system initially began on or after January 1,
118 1982, the following recruitment and retention incentives shall apply:

119
120 (a) Except for a non-represented deputy sheriff whose membership began prior to
121 July 1, 1995, and elected officials whose membership began on or after March 15,
122 2002, all pension service credit earned on and after January 1, 2001, shall be
123 credited in an amount equal to an additional 0.5 percent of the member's final
124 average salary. For each year of service credit earned after January 1, 2001, eight
125 years of service credit earned prior to January 1, 2001, shall be credited at an
126 additional 0.5 percent of the member's final average salary. The additional service
127 credits under this Section 5.15(1)(a) shall not apply to any elected official whose
128 membership began prior to March 15, 2002, if such elected official consents
129 irrevocably in writing filed with the system to waive the right to receive such
130 additional pension service credits.

131
132 (b) An employee shall not be eligible for a deferred vested pension if his/her
133 employment is terminated prior to his/her completion of five (5) years of service.

134
135 (2) Retention incentive bonus. If initial membership in the employees' retirement system

136 began prior to January 1, 1982, or July 1, 1995, for a non-represented Deputy Sheriff at
137 the time of retirement, the member shall have their final average salary increased by a
138 bonus of 7.5 percent for each year of pension service credit earned after January 1,
139 2001. The maximum bonus that shall be added to an eligible member's final average
140 salary shall not be more than twenty-five (25) percent. This provision shall not apply to a
141 member of the employees' retirement system who became a member of the system
142 prior to January 1, 1982, and, as of January 1, 2001, is either eligible for a deferred
143 vested benefit under 201.24 (4.5), or is receiving a pension benefit, unless such member
144 returns to a status whereby the member is eligible to earn additional pension service
145 credit on or after January 1, 2001. The retention incentive bonus under this Section
146 5.15(2) shall not apply to any elected official who is otherwise eligible to receive such
147 bonus if such elected official consents irrevocably in writing filed with the system to
148 waive the right to receive such retention incentive bonus.

149
150 (3) Members who hold positions for which membership in the employees' retirement
151 system is optional and opt for such membership, shall have pension service credit
152 earned after January 1, 2001, credited at two (2) percent. However, such service credit
153 shall not result in a multiplier increase for service credit earned prior to January 1,
154 2001, nor shall such service credit qualify the member for a retention incentive bonus.

155
156 The provisions of this section shall not apply to a member of the employees' retirement
157 system who is either eligible for a deferred vested benefit under 201.24 (4.5), or is
158 receiving a pension benefit as of January 1, 2001, unless such member returns to active
159 County employment and is eligible to earn additional pension service credit under 201.24.

160
161 **SECTION 3.** The provisions of this ordinance shall be effective upon passage and
162 publication

163
164 ; and

165
166 **BE IT FURTHER RESOLVED,** in the event collective bargaining agreements or
167 arbitration decisions covering a majority of represented County employees include pension
168 modifications that are not in agreement with the terms and provisions of Sections 1 and 2
169 above, revisions to these ordinances shall be drafted within 90 days to match those settled
170 or arbitrated pension modifications, subject to approval of the County Board; and

171
172 **BE IT FURTHER RESOLVED,** that the Employee Benefits Work Group is authorized
173 and directed to review any and all issues related to developing a contributory pension
174 benefit exclusively for future Milwaukee County elected officials, not to exceed the
175 pension benefit available to non-represented employees, that features characteristics similar
176 to those of 401K- style plans including, at a minimum, participant contributions, employer
177 matching contributions, and account portability; and

178
179 **BE IT FURTHER RESOLVED,** that the Employee Benefits Work Group shall report its
180 findings, including estimated implementation costs and projected pension savings, to the

181 Personnel and Finance and Audit Committees as soon as possible, but no later than
182 October 2010 meeting cycle.

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MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: June 28, 2010

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution amending Section 201.24 of the Milwaukee County Code of General Ordinances to reduce the annual pension service credit multiplier from 2.0% to 1.6% for future years for elected officials.

FISCAL EFFECT:

- | | |
|---|--|
| <input type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input type="checkbox"/> Not Absorbed Within Agency's Budget
<input checked="" type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|---|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	-25,417	-25,417
	Revenue	0	0
	Net Cost	-25,417	-25,417
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

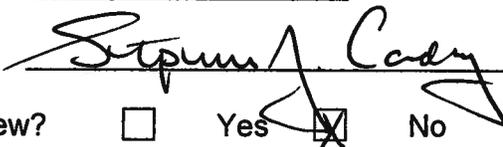
DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. ¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Per the March 3, 2010 report of the actuary, attached to and made a part of this file, reducing the pension service credit multiplier for elected officials from 2.0% to 1.6% was estimated to have the effect of decreasing the annual pension contribution from \$30.36 million to \$30.33 million (the specific reduction was calculated at \$25,417 which was rounded to \$30,000 in the tables accompanying the report). Future annual pension contributions would be reduced by a similar amount.

Department/Prepared By County Board / Ceschin

Authorized Signature 

Did DAS-Fiscal Staff Review? Yes No

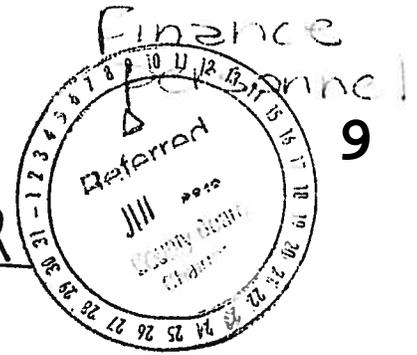
CHAIRMAN
COUNTY BOARD

2010 JUN 29 PM 3:40

RECEIVED

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

FILE NO. 10-222



1 By Supervisors Larson and Weishan
2
3

4 **A RESOLUTION**
5

6 Authorizing the transfer of \$232,675 in projected surplus Airport revenues to expenditure
7 accounts and to rescind ten positions that were laid off in 2010 due to budgetary shortfalls
8
9

10 WHEREAS, the 2010 Adopted Budget reduced individual department accounts for
11 savings anticipated due to furlough days and employee concessions on wage, pension and
12 health care benefits; and
13

14 WHEREAS, expenditures in Org. 5040 – Department of Transportation and Public
15 Works – Airport ("Airport"), were reduced \$1,628,851 in the 2010 due to the anticipated
16 savings mentioned above; and
17

18 WHEREAS, since the Airport is operated without tax levy support, any budgetary
19 savings will remain with the Airport and will not positively impact the County's fiscal
20 bottom line; and
21

22 WHEREAS, a total of ten Airport positions were laid off effective March 12, 2010,
23 including seven positions of Airport Maintenance Worker Assistant and one position each
24 of Telephone Clerk, Clerk Messenger and Noise Abatement Specialist; and
25

26 WHEREAS, Milwaukee County's General Mitchell Airport became the fastest
27 growing airport in the country beginning in the fourth quarter of last year, and the nearly
28 40% increase in the first quarter of 2010 continues that trend; and
29

30 WHEREAS, based on the first quarter 2010 fiscal projections from Airport
31 management, service fee and concession revenues are approximately \$1.6 million more
32 than budgeted, providing additional funds to rehire laid off staff; and
33

34 WHEREAS, according to Airport fiscal staff, the cost to cover the salary and active
35 fringe benefits of the ten laid off positions is approximately \$46,535 per month, or
36 \$232,675 for the last five months of the year; and

37 WHEREAS, in light of the need to maintain vital staffing and service levels at the
38 Airport, which is experiencing record passenger traffic this year, an appropriation transfer
39 to recognize the higher revenues will allow for the recall of laid off staff; now, therefore,
40

41 BE IT RESOLVED, that the Director of the Department of Administrative Services is
42 authorized and directed to process an appropriation transfer of \$232,675 for Org. Unit
43 5040 – DTPW – Airport, to recognize higher than anticipated service fee and concession
44 revenues offset by increased expenditure authority within the appropriation personal
45 service accounts affected by the layoff of ten positions in March; and
46

47 BE IT FURTHER RESOLVED, that the County Board of Supervisors rescinds the ten
48 layoffs in the Department of Transportation and Public Works – Airport Division because
49 additional Airport revenues have been realized to cover the cost of the positions for the last
50 five months of the year.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 07/01/10

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution authorizing the transfer of \$232,675 in projected surplus Airport revenues to expenditure accounts and to rescind ten positions that were laid off in 2010 due to budgetary shortfalls

FISCAL EFFECT:

- | | |
|--|--|
| <input type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input checked="" type="checkbox"/> Absorbed Within Agency's Budget
<input type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|--|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	232,675	
	Revenue	232,675	
	Net Cost	0	
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

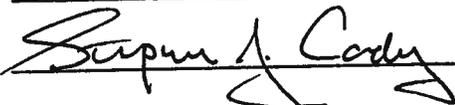
- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Approval of this resolution will authorize an appropriation transfer for Org. Unit 5040 - DTPW - Airport, to recognize higher than anticipated revenues and to establish expenditure authority to allow for the recall of ten positions that were laid off in March 2010.

Based on additional expenditures of approximately \$46,535 per month for the ten positions, the increased expenditures for the remaining five months (August-December) of the year is \$232,675. Additional revenues of \$232,675 will be recognized to completely offset the increased expenditures. The first quarter fiscal report for the Airport projected that revenues for the year would be approximately \$1.6 million more than originally budgeted.

The operation of the Airport does not require the use of tax levy funds.

Department/Prepared By Steve Cady, Fiscal and Budget Analyst, County Board

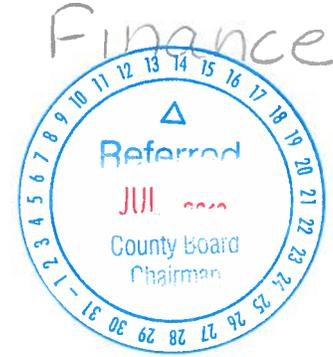
Authorized Signature 

Did DAS-Fiscal Staff Review? Yes No

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

1 By Supervisor Thomas

2
3 FILE NO. 10-285



6 **A RESOLUTION/ORDINANCE**

7
8 To create Chapter 32.93 of the General Ordinances of Milwaukee County to
9 codify due diligence procedures and establish guidelines for the review of privatization
10 initiatives

11
12 WHEREAS, the Department of Administrative Services (DAS) publishes the
13 Administrative Manual for Milwaukee County which includes Section 7.92, Due
14 Diligence, that identifies the procedures to be undertaken prior to entering into
15 ventures with other entities; and

16
17 WHEREAS, due diligence is the systematic, formal review of financial and
18 business risks associated with non-county entities; and

19
20 WHEREAS, Milwaukee County has entered into several privatization
21 initiatives that are not subject to formal due diligence procedures, and therefore the
22 public was not afforded an opportunity to better understand the financial and business
23 risks related to such endeavors; and

24
25 WHEREAS, establishing the due diligence procedures in the General
26 Ordinances will underscore the importance of careful review of all qualifying public-
27 private partnerships and document the review process for policymaker evaluation; and

28
29 WHEREAS, security screening functions in certain County buildings were
30 recently privatized by the County Executive with Wackenhut Corporation resulting in
31 the layoff of 27 Facilities Worker Security positions; and

32
33 WHEREAS, no due diligence procedures were required prior to the execution
34 of the agreement with Wackenhut for security screening functions; the Committee on
35 Finance and Audit only received a brief synopsis of the budgetary impact from the
36 Fiscal and Budget Administrator after the agreement was executed; and

37
38 WHEREAS, thorough due diligence ensures that detailed information is given
39 to policy decision makers and protects the taxpayers from entering into ventures that
40 may require unforeseen public subsidy in the future; now, therefore,

41
42 BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby
43 creates Chapter 32.93 of the Milwaukee County Code of General Ordinances by
44 adopting the following:
45

46 AN ORDINANCE

47 The Milwaukee County Board of Supervisors ordains as follows:

48 SECTION 1. Section 32.93 of the General Ordinances of Milwaukee County as
49 amended to and including _____ is hereby created as follows:

50
51
52 32.93 Due Diligence

53 (1) DEFINITIONS. The meaning of certain terms used in this section is as follows:

54
55 (a) Due Diligence. A systematic, formal review of financial and business risks
56 associated with ventures with non-county entities.

57
58 (b) Non-County Entities. Any agency, business, group or corporation including
59 both private sector proprietary and nonproprietary entities and governmental
60 entities.

61
62 (c) Ventures. For purposes of this section, ventures shall be defined as any
63 agreement involving a shared responsibility regarding management, development,
64 financing, expenditure or revenue sharing for programs, services or facilities. This
65 includes, for example, revenue based leases but does not include flat fee property
66 rentals. Further, this section shall apply only to ventures where potential total
67 expenditures or revenues are equal to or greater than \$100,000.

68
69 (2) RESPONSIBILITY. Any Milwaukee County agency considering a venture with a
70 Non-County entity is responsible for ensuring that all relevant provisions of this
71 section are addressed subject to Department of Administrative Services – Fiscal
72 Affairs Division review.

73
74 (3) BONDING. Adopted County Board policy states that in any future public/private
75 partnership agreements or contracts, wherein the County issues bonds for the
76 construction of a facility and there is a multi-year schedule for repayment of the
77 bonds through a rental agreement with a third party, that the agreement or contract
78 contain provisions for the repayment to coincide with or commence prior to the
79 time of the due date for each payment on the outstanding bonds. In those contracts
80 where such a condition would not be feasible or where there is deemed a "worthy
81 community purpose" wherein the County decides to "underwrite" a given policy by
82 not requiring payments to retire debt on bonds, any alternative proposal must be
83 brought back to the County Board for review and approval by the County Board and
84 County Executive.

85
86 For purpose of this section, this policy also applies to ventures with governmental
87 agencies.

91 (4) CHECKLIST. Prior to recommending any venture for consideration, responsible
92 County agencies shall ensure that any of the following applicable factors have been
93 identified:
94

- 95 (a) Letter of full disclosure and cooperation.
- 96 (b) Cash flow projections for the venture.
- 97 (c) Operating budget impact.
- 98 (d) Debt management responsibilities, schedules and procedures.
- 99 (e) Legal liability for all priorities.
- 100 (f) Financial reporting systems and controls.
- 101 (g) Right-to-audit provisions.
- 102 (h) Project feasibility studies and market analysis.
- 103 (i) Key factors for success/failure of the venture.
- 104 (j) Governance structure and procedures.
- 105 (k) Public policy impacts (e.g. Affirmative Action. Disadvantaged Business).
- 106 (l) Employee/labor relations impacts (including benefits).
- 107 (m) Environmental concerns.
- 108 (n) Tax consequences.
- 109 (o) Capital management (e.g. maintenance).
- 110 (p) Conflicts of interest/ethics.
- 111 (q) Performance measurements.
- 112 (r) Organizational Chart & Mission Statement.
- 113 (s) Name of lending institution or bank to determine single or combined reporting.

114
115 Each relevant item noted above should be included in the description of the
116 proposal that is submitted for approval by the County Executive and County Board.
117

118 (7) Privatization Review. In addition to the checklist of applicable factors above, it is
119 understood that the review of a proposed privatization may include other factors,
120 especially in instances where county positions are being eliminated and duties
121 replaced by a private vendor. In these cases, the following factors should also be
122 considered in addition to the list above:
123

- 124 (a) Analysis of proposed fiscal costs, or savings, for current and subsequent year(s),
125 including any revenue offsets, fringe benefit impacts, unemployment
126 compensation costs or any other one-time costs.
- 127 (b) Commitment of the proposed vendor to make a good faith effort to retain county
128 workers that may otherwise be subject to layoff.
- 129 (c) Assessment of the current marketplace to determine if adequate competition
130 exists to ensure that future year price agreements are competitively priced.
- 131 (d) Location of employer and residences of proposed employees to assess the
132 amount of public funds that will be retained in Milwaukee County.
- 133 (e) Description of current and proposed performance standards and how
134 accountability from the private vendor will be measured and reported.

135

SECTION 2. This ordinance shall become effective upon passage and publication.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 7/13/10

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution/ordinance to create Chapter 32.93 of the General Ordinances of Milwaukee County to codify due diligence procedures and establish guidelines for the review of privatization initiatives

FISCAL EFFECT:

- | | |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact
<input checked="" type="checkbox"/> Existing Staff Time Required
<input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|--|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

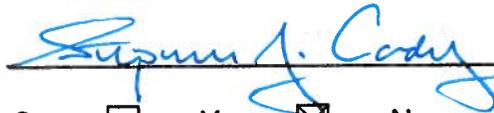
In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. ¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Approval of this resolution will not require an expenditure of funds, however it will require staff time to gather the information. The due diligence guidelines are already included in the Administrative Manual and is required before approving public/private partnerships.

Department/Prepared By Steve Cady, Fiscal and Budget Analyst, County Board

Authorized Signature



Did DAS-Fiscal Staff Review?

Yes

No

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

APR 22 2010

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File No. 10-134
(Journal, March 18, 2010)

(ITEM NO. 6) A resolution by Supervisors Dimitrijevic, Weishan and Johnson, reaffirming the position of the Milwaukee County Board of Supervisors as reflected in the 2010 Adopted Budget regarding the proposal from the County Executive to contract for building security services, by recommending adoption of the following:

AN AMENDED RESOLUTION

WHEREAS, the County Executive's 2010 Recommended Budget included a provision in the Department of Transportation, Public Works and Transit – Facilities Management budget to abolish 30 FTE Facility Worker Security and one FTE Facility Worker Security (Hourly) positions, to be replaced by a private security service; and

WHEREAS, according to the Recommended Budget, the contract cost would be in excess of \$1.1 million; and

WHEREAS, on November 9, 2009, the County Board voted to amend the County Executive's budget to restore abolished positions and to remove language permitting the privatization of most building security functions (Amendment 1A018; Vote 14-5); and

WHEREAS, the County Executive subsequently vetoed that amendment, indicating an intent to "award a contract for these services as soon as practicable"; and

WHEREAS, nonetheless, on November 18, 2009, the County Board voted to override the County Executive's veto (Vote 13-6) thereby affirming the Board's policy directive in the 2010 Adopted Budget that the County Executive's Administration would not be permitted to layoff security personnel or outsource security services; and

WHEREAS, despite this unambiguous policy directive in the 2010 Adopted Budget, the County Executive has ordered the layoff of all County security personnel and has indicated his intent to award a contract with a private vendor to provide these services, effective on or about March 14, 2010; and

WHEREAS, in addition to the layoff of 27 Facilities Worker Security positions, an additional 50 positions were laid off, including nine positions at General Mitchell Airport, which will not generate any tax levy savings; now, therefore,

WHEREAS, the Committee on Finance and Audit, at its meeting on April 15, 2010, voted 4-2 to approve the amended resolution; now therefore,

BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby reiterates and reaffirms the policy directive, as previously stated in affirming votes taken on November 9, 2009 and November 18, 2009, that the Milwaukee County Executive was

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38 not authorized per the 2010 Adopted Budget, as a matter of public policy, to layoff security
39 services personnel and/or contract with a vendor for these services; and

40 BE IT FURTHER RESOLVED, that the County Board of Supervisors rescinds the nine
41 layoffs in the Department of Transportation and Public Works-Airport Division because
42 they will not yield any tax levy savings to Milwaukee County.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 3/3/10

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: A resolution reaffirming the position of the Milwaukee County Board of Supervisors as reflected in the 2010 Adopted Budget regarding the proposal from the County Executive to contract for building security services

FISCAL EFFECT:

- | | |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. ¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

Approval of this resolution indicates support for an adopted policy and does not require the expenditure of funds.

Department/Prepared By Steve Cady, Fiscal and Budget Analyst, County Board

Authorized Signature

Steve J. Cady

Did DAS-Fiscal Staff Review?

Yes

No

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.



County of Milwaukee
Office of the Sheriff

David A. Clarke, Jr.
Sheriff

DATE: June 24, 2010

TO: Scott Walker, County Executive
 Supervisor Lee Holloway, County Board Chairman
 Supervisor Elizabeth Coggs, Chair, Finance and Audit Committee
 Supervisor Willie Johnson, Jr., Chair, Judiciary, Public Safety and General
 Services Committee
 Cynthia Archer, Director, Department of Administrative Services

FROM: Jon C. Priebe, Public Safety Fiscal Administrator

SUBJECT: Projected Revenue Deficit in Excess of \$75,000

Milwaukee County Ordinance 56.02 requires each person in charge of any County Office, department agency, or any non-departmental account to submit a written report to the County Executive, the Finance Committee of the County Board and the Department of Administrative Services, whenever such person has reason to know or believe that a deficit of \$75,000 or more in any revenue account will occur for the division of county government under the supervision of that person.

BACKGROUND

Huber/Home Detention

The Office of the Sheriff assumed operation of the home detention and Huber programs formerly run by the House of Correction (HOC) with the adoption of the 2009 Budget. The 2010 Adopted Budget contained the following revenue amounts:

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 414-278-4766 • <http://www.mksheriff.org>

Revenue Type	Number of inmates	Amount per day	Total Budgeted
Home Detention	125	24	\$1,095,000
Huber – to offset Farm & Fish	10	24	\$89,555
Huber – Main facility	75	24	\$657,000
Total	210	24	\$1,841,555

Due to a decrease in employed home detention and Huber inmates, primarily as a result of the current economic conditions, revenue from these inmates has not been as high as budgeted. Actual revenue received in the first three months from these programs was \$338,105 and the average number of employed participants was 156. However, the number of employed participants has been increasing. Therefore it is projected that revenue from these programs will be \$1,462,997 in 2010. This results in a projected deficit of \$378,558.

State Inmates

The 2010 budget for the Sheriff's Office included State reimbursement revenue of \$3,362,922 for housing an average of 180 State inmates per day. The actual number of state inmates housed in 2009 averaged 153. Therefore, actual revenue received from this program in 2009 was \$2,858,186. This is \$504,736 less than the 2010 budget. The number of State inmates housed during the first five months of 2010 averaged 144 inmates per day. The State has indicated that they will increase the number of inmates to the budgeted level of 180 in the second half of 2010. This results in a projected deficit of \$335,000 for 2010.

U.S. Marshal Inmates

The 2010 Adopted Budget included revenue of \$1,650,000 for housing 75 U.S. Marshal inmates per day at a rate of \$60 per day plus transportation costs. In March of 2010, that rate increased to \$81 per day. Actual U.S. Marshal inmates housed during the first five months of 2010 has averaged only 33 inmates per day. The U.S. Marshal's Office has indicated that it will increase the number of inmates housed in the second half of 2010 to approximately 50 per day. The year-end projection for this revenue is \$1,152,800, which is a revenue deficit of \$497,200.

CORRECTIVE ACTION PLAN

The Office of the Sheriff is projecting surpluses in other revenue and expenditure accounts to offset these projected revenue deficits and is not anticipating an operating deficit for the agency at year end, therefore no additional action is necessary at this time.


 Jon C. Priebe, Public Safety Fiscal Administrator
 Office of the Sheriff, Milwaukee County

Service to the Community since 1835

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 414-278-4766 • <http://www.mksheriff.org>

**COUNTY OF MILWAUKEE
INTER-OFFICE MEMORANDUM**

DATE: May 24, 2010
TO: Elizabeth Coggs, Chairman, Finance and Audit Committee
FROM: John Barrett, Clerk of Circuit Court/Register in Probate
SUBJECT: 2010 Deficit Report (For Information Only)

The Milwaukee County Combined Courts Related Operations is reporting a projected year-end deficit of \$691,000 as required by Milwaukee County Ordinance 56.02. This includes a revenue surplus of \$223,000 and an expenditure deficit of (\$914,000).

The deficit includes a surplus in revenue of \$223,000, offset by a deficit in expenditures of (\$914,000). The deficit in expenditures includes a shortfall in personnel services of \$1,115,000 due to furlough day allocation and vacancy and turnover. DAS allocated furlough savings to the Courts' budget of \$693,103 for 12 days. They also calculated \$122,821 revenue lost if these days would be taken. This nets to a tax levy savings of \$570,282 for 12 days or \$47,524 per day.

The Courts agreed to offset \$475,234 of furlough day allocation with reduced expenditures of \$253,000 and increased revenues of \$223,000. The Courts have also taken furlough days that amounted to a \$95,048 tax levy savings. The remaining deficit in personnel services is due to a structural deficit of unachievable vacancy and turnover, and to an additional lump sum reduction of \$150,790 placed in the Courts budget to offset the cost of the Criminal Justice Resource Center.



John Barrett
Clerk of Circuit Court/Register in Probate

smg

c: County Executive Scott Walker
Lee Holloway, County Board Chairman
Willie Johnson, Jr., Chairman, Judiciary, Safety and General Services Committee
Scott Manske, Controller
Steve Cady, County Board Fiscal and Budget Analyst
Cynthia Archer, Department of Administrative Services
Antionette Thomas-Bailey, Department of Administrative Services
Jeffrey A. Kremers, Chief Judge
Bruce Harvey, District Court Administrator
James J. Smith
Deborah Bachun
Dee Hervey

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

14

DATE: July 9, 2010

TO: County Executive Scott Walker
Supervisor Elizabeth Coggs, Chairperson, Committee on Finance and Audit
Cynthia Archer, Director, Department of Administrative Services

FROM: Geri Lyday, Interim Director - Department of Health and Human Services
John Chianelli, Administrator - Behavioral Health Division

SUBJECT: 2010 Patient Revenue Deficit Report for the Behavioral Health Division

Issue

Milwaukee County Ordinance 56.02 requires department heads to submit a written report to the County Executive, Finance and Audit Committee, and the Department of Administrative Services when potential revenue deficits of \$75,000 or more are identified.

Background

The Department of Health and Human Services previously reported in January 2010, State Medicaid funding in all the direct patient service areas decreased as the State of Wisconsin faced a \$600 million deficit in their Medicaid budget. As reported previously in the January, May and June 2010 informational reports, inpatient state Medicaid revenue decreased and the trend continues.

However, based upon actual patient billing and collection experience through May 31, 2010, BHD has seen a further decline in patient revenue of approximately \$264,000. State Medicaid rate changes are arriving quarterly, however, no new notices of rates have been received in the month of June. Furthermore, BHD is continuing to see other insurance companies (HMOs, private insurance etc) change their payment schedule to mirror State Medicaid. The HMO's have also received decreased state Medicaid payments and are now passing those reductions onto local providers. This is adversely affecting BHD patient revenue. Given the reductions in State funding known at this time, the updated patient revenue deficit is projected to increase by \$294,000, bringing total patient revenue deficit to \$2,532,656 and the overall revenue deficit to \$2,737,273.

Finally, BHD continues to work diligently to address known revenue issues by monitoring State cost savings initiatives and negotiating new contracts with various HMO's/private insurance companies. The Department of Health and Human Services and the Behavioral Health Division are committed to providing updated reports each month as new State information becomes available.

Recommendation

This is an informational report required by Section 56.02 of the Milwaukee County Ordinances. No action is necessary.



Geri Lyday, Interim Director
Department of Health & Human Services

cc: Tom Nardelli, County Executive's Office
Steve Kreklow, Fiscal and Budget Director, DAS
Joseph Carey, Fiscal Management Analyst



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: July 13, 2010

TO: Lee Holloway, Chairman, County Board of Supervisors

FROM: Geri Lyday, Interim Director, Department of Health and Human Services
Steven R. Kreklow, Fiscal and Budget Administrator, Department of
Administrative Services

*Prepared by: John Chianelli, Administrator, Behavioral Health Division
Allison Rozek, Fiscal and Management Analyst, DAS*

SUBJECT: REPORT FROM THE INTERIM DIRECTOR OF HEALTH AND HUMAN SERVICES AND THE FISCAL AND BUDGET ADMINISTRATOR OF THE DEPARTMENT OF ADMINISTRATIVE SERVICES REQUESTING THE RELEASE OF \$1,825,890 FROM THE 2010 BEHAVIORAL HEALTH DIVISION CAPITAL FUNDS TO ADDRESS ISSUES RELATED TO THE STATEMENT OF DEFICIENCY

ISSUE

On June 3, 2010 BHD received a Statement of Deficiency (SOD) from the State of Wisconsin as a result of a recent State Centers for Medicaid and Medicare Services (CMS) survey. This was BHD's routine four-year survey that encompasses a comprehensive review of the physical plant and its operations. The majority of the citations BHD received were regarding the physical building. BHD was required to respond with an initial plan for corrective action by June 14, 2010 and an immediate corrective action on specified citations by June 25, 2010.

At the special joint meeting of the Committees on Health and Human Needs and the Finance and Audit on June 23, 2010, the BHD updated the Committees on the status of a Statement of Deficiency (SOD) from the State of Wisconsin.

BHD and the Department of Administrative Services (DAS) are currently returning to the Board with further information regarding the SOD plan of correction and requesting the expenditure authority for \$1,825,890 in 2010 BHD Capital Funds to address all SOD related capital conditions by the final deadline of April 1, 2011.

DISCUSSION

The first requirement of the SOD was to respond to the Conditions, or immediate citations listed in Table A below, by June 25, 2010. All Conditions were completed by BHD and reviewed by State Surveyors during the week of June 28, 2010. At this point in time, BHD has no outstanding Conditions regarding the initial list for June 25, 2010.

It was necessary for BHD to take immediate action to address the SOD citations requiring correction by the June 25, 2010 deadline for the surveyors to review shortly thereafter. The risk of not demonstrating immediate and continuing efforts to respond to the citations would have resulted in sanctions by the State, with the possibility of losing Medicaid Certification. Without such Certification, the County would have lost significant revenue, similar to what recently occurred at the State’s mental health facility – Mendota Mental Health Institute. The Plan of Correction is a work-in-progress and the expectation by the State surveyors is that continuous progress be made in correcting all cited conditions by April 1, 2011. The State has at least 5 opportunities to review citations and conduct site visits/inspections before the final inspection April 1, 2011. Therefore, it is possible that additional citations and resulting costs for compliance may be incurred.

The following is a list of Conditions that were met by the initial June 25, 2010 deadline:

TABLE A	
Conditions/Citations	Status
Maintain clear access to exits by removing storage	Completed
Remove various shelving	Completed
Clean and dust various office closets, storage spaces and ventilation grills	Completed
Flush floor and shower drains	Completed
Lock unused rooms and maintain log	Completed
Adjust waste storage per guidelines	Completed
Seal all holes, penetrations throughout BHD	Completed
Replace metal plate in Crisis	Completed
Replace tissue dispenser	Completed
Remove bed rails	Completed
Replace missing heat guards	Completed
Remove dust/lint in laundry room	Completed
Change various locks	Completed
Replace various dietary equipment	Completed
Replace insulation on some water pipes	Completed
Caulk various locations throughout BHD	Completed
General adjustments and fixes for doors including install of push/pull door releases, replacement of door hardware, removal of some doors, adjustments of door guides etc	Completed
Seal various walls for smoke barrier	Completed
Replace lighting in various closets/storage areas, replace aluminum plates and adjust other burnt out lighting	Completed
Remove storage from various areas and adjust to meet fire code	Completed
Replace damaged escutcheon sprinkler rings	Completed
Seal ceiling holes due to misaligned tiles	Completed
Electrical clearance issues	Completed

Replace damaged astragal	Completed
Adjust doors to have positive latches, repair self-closure mechanisms and change fire plan accordingly	Completed
Repair damaged floor areas in bathrooms	Completed
Replace gate in stairwell	Completed
Replace cover on heater	Completed
Replace refrigerator on CAIS	Completed
Replace door on fire hose container	Completed

Due to the extremely short timeframe mandated by the State for responding to the Conditions listed in Table A above, BHD Administration determined that applicable purchases and maintenance staff overtime were emergency costs that needed to be immediately incurred. This action was taken to ensure compliance with State regulations and avoid risk of decertification that could result in the loss of State Medicaid reimbursement to BHD. The current cost estimate for year-to-date supplies/commodities and additional contract work (such as deep cleaning, moving vans, and dumpsters etc) is \$224,463. The BHD maintenance overtime for the most recent pay periods related to the SOD is \$24,252. Additional Department of Transportation and Public Works (DTPW) skilled trades costs for labor and overtime is estimated at \$32,503 YTD-bringing the total spent on corrective actions for SOD issues out of BHD operating funds to \$281,218.

The total of \$281,218 has been paid with the use of annual operating budget funds, on an emergency basis, which has placed a strain on the BHD operating budget. Although BHD has available 2010 expenditure authority to fund these repairs, BHD is currently projecting a total operating deficit for 2010. BHD and DAS will continue to work to determine if and what amount might need to be transferred later in the year and identify sources of funds for such transfer. Potential sources of funds to be transferred include the Appropriation for Contingencies and capital projects funded with cash from land sale proceeds. BHD's 2nd Quarter projections will incorporate the funds expended so far on corrective actions for SOD issues.

In addition to the immediate (conditional) items that have been completed, there are a number of citations that require a longer time frame for completion. These citations are displayed below and grouped as bond-eligible projects, Table B, and cash-financed projects, Table C. While the cost estimates are the most accurate available to date, they should be considered preliminary estimates as plans are still being finalized and bids have not yet been received. BHD continues to work with the Department of Administrative Services (DAS); the DTPW – Architectural, Engineering and Environmental Services (A&E); and Zimmerman Architectural Studios Inc, an outside consultant, to obtain refined quotes BHD is required to have all work, which addresses the citations completed by April 1, 2011 as documented in the SOD report.

TABLE B
Bondable Items (based on information available July 7, 2010)

Issue	Cost Estimate*	Due Date Per Plan of Correction
Remove and replace Library Halon System	\$35,000	October 1, 2010
Door Replacement	\$54,000	August 1, 2010/October 1,

		2010 (two phases)
Additional Sprinkler Heads	\$13,750	August 1, 2010 / October 15, 2010 (two phases)
Construct 100,000 sq ft of seamless ceilings	\$575,000	August 1, 2010
Repair 300 feet of foundation	\$26,500	October 1, 2010
Replace damaged window sills	\$130,000	October 1, 2010
Determine hazardous storage rooms and create smoke barriers	\$324,000	November 1, 2010
Replace milk cooler and installation	\$25,000	TBD
Dish Room and Laundry Repairs	\$200,000**	April 1, 2011
Materials and labor (DTPW, BHD and Time and Materials Contractors)	\$276,650	On-going
Contingency (10%)	\$165,990	
Total	\$1,825,890	

**Items above represent initial quotes and have preliminarily been determined to be bond eligible. DAS- capital staff will continue to review and work with BHD staff to solidify actual costs and ensure all items are bond-eligible. If the scope of a project changes, it may be determined that cash financing needs to fund certain portions of the above listed projects. A 10% contingency has been included in the cost sub-total to account for any fluctuations that may occur as hard costs are obtained.*

***The Dish Room and Laundry facility repairs are a significant project within the SOD citations and are based on conceptual plan only. BHD has currently hired a consultant to conduct the architectural and engineering. The consultant will complete its report in September 2010. This cost estimation will likely fluctuate based on the September consultant report and has been included in this request as a place holder to ensure all compliance costs were included in this request for County Board consideration.*

TABLE C
Cash Items (based on information available July 7, 2010)

Issue	Cost Estimate*	Time Frame
Seal bathrooms to be water tight	\$75,000	March 1, 2011
Replace sidewalks	\$28,200	October 1, 2010
Exit Lighting	\$4,550	September 13, 2010
Roof repair at Food Service Building and Hospital	\$9,600	August 1, 2010
Electrical Upgrades	Included in DTPW OT estimates and YTD purchases	July 1, 2010 (completed)
Install Door Closers	Included in YTD purchases	July 15, 2010
Ventilation Addition	\$53,250	December 1, 2010
Replace floor in tray line	\$8,121	September 1, 2010
Medical Records Room fire walls and ventilation	\$12,000	March 1, 2011
Materials and labor (DTPW,	\$38,144	On-going

BHD and Time and Materials Contractors)	(preliminary estimate)	
Contingency (10%)	\$22,887	
Total	\$251,752	

**All estimates are based on the best information available as of July 7, 2010 and are subject to change based on scope of the project and information gained from more detailed reviews. DAS staff will continue to review and work with BHD staff to solidify actual costs based on additional quotes. A 10% contingency has been included in the cost sub-total to account for any fluctuations that may occur as hard costs are obtained.*

BHD has worked diligently to address immediate SOD Conditions and continues to move forward with the long-term projects to ensure all corrections are completed by the State deadline of April 1, 2011. To achieve this, BHD needs to address the funding issues associated with the SOD.

PROPOSED FUNDING SOURCES

The 2010 Capital Improvements budget included a project (WE033-Behavioral Health Facility) for \$12,596,494 to renovate the Behavioral Health Facility in the Department of Health and Human Services (DHHS), Behavioral Health Division (BHD). The capital funds were placed into the allocated contingency fund, which requires a recommendation from the Health and Human Needs Committee followed by Finance and Audit Committee review. The County Board must subsequently approve releasing the funds by a two-thirds majority vote. The 2010 Capital Budget for this project is included as Attachment 1.

DHHS-BHD and DAS are requesting that \$1,825,890 of the 2010 Capital Budget be released for use for the detailed SOD capital corrections outlined in Table B above. If the Board releases the requested capital funds, all SOD corrections will be completed by the April 1, 2011 deadline and \$10,770,604 will remain to address the original capital items listed in the 2010 Capital BHD Budget.

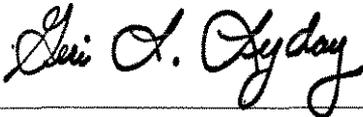
In addition, BHD has paid \$281,218 in repairs (as identified in Table A above) and an additional \$251,752 in repairs (as identified in Table C above) is anticipated. These repairs do not appear to be eligible for bond financing. BHD is not requesting cash funding at this time. BHD currently has 2010 expenditure authority sufficient to make the needed cash-financed repairs. However, BHD is currently projecting a 2010 operating deficit. The combination of the \$281,218 in already incurred cash-financed repairs plus the \$251,752 in upcoming cash-financed repairs will likely increase this projected deficit. BHD and DAS will continue to work to determine how much funding may be needed later in the year and identify sources of funds for such transfer. BHD will include the costs incurred to date associated with the SOD corrective actions in their second quarter report.

While the items included in Tables A, B, and C above include all current citations noted in the SOD, it is possible that additional items may be added based on future State inspections. As surveyors return to BHD to review progress and check the status of the SOD, they have the ability to modify any corrections made, which could result in additional costs. BHD and DAS will provide the Board with informational reports as work progresses.

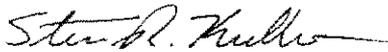
RECOMMENDATION

It is recommended that the Milwaukee County Board of Supervisors authorize release of \$1,825,890 in capital funding from the 2010 Capital Project WE033 and that the Interim Director, DHHS and the Fiscal and Budget Administrator, or their designees, be authorized to use the funding for BHD building repairs and improvements related to the SOD.

Respectfully Submitted:



Geris Lyday, Interim Director
Department of Health and Human Services



Steven R. Kreklow, Fiscal and Budget Administrator
Department of Administrative Services

cc: County Executive Scott Walker
Supervisor Peggy West, Chairperson, Committee on Health and Human Services
Supervisor Elizabeth Coggs, Chairperson, Committee on Finance and Audit
Cynthia Archer, Director, DAS
John Chianelli, Administrator, Behavioral Health Division
Pamela Bryant, Capital Finance Manager, DAS
Allison Rozek, Fiscal & Management Analyst, DAS
Joseph Carey, Fiscal & Management Analyst, DAS
Carol Mueller, Committee Clerk, County Board Staff
Jodi Mapp, Committee Clerk, County Board Staff
Steve Cady, Analyst, County Board Staff
Jennifer Collins, Analyst, County Board Staff

ATTACHMENT 1

Attachment 1

2010 ADOPTED CAPITAL IMPROVEMENTS

MILWAUKEE COUNTY

WE033 – Behavioral Health Facility

An appropriation of \$12,596,494 is budgeted, including \$247,000 in capitalized interest, to renovate the Behavioral Health Facility at the Department of Health and Human Services – Behavioral Health Division. Financing will be provided by \$12,470,494 in general obligation bonds and \$126,000 in investment earnings.

Over the past few years the Behavioral Health Division (BHD) has been actively working on space planning and exploring various options to provide efficient space for BHD operations. In March 2009, the County decided not to pursue the option of leasing St. Michael's hospital to relocate BHD. Since that time, BHD has been working on a new initiative to renovate the existing Behavioral Health Facility.

The current facility has a total of 591,000 square feet, much of which is underutilized. In addition, improvements to the BHD facility have been postponed in recent years due to the consideration of alternative proposals and no long-term strategic plan has been developed.

BHD conducted a significant portion of the planning and space evaluation process with Zimmerman Architectural Studios for the St. Michael's project. To take advantage of the existing work, BHD has continued to work with Zimmerman, taking the initial steps toward an Operational Utilization Plan.

This appropriation includes funding for the planning, design and construction of a new facility and/or the renovation of the current facility. The renovation of the facility is comprised of four components outlined below: Planning/Strategic Master Plan, Psychiatric Crisis Services/Observation Unit Renovation, Patient Unit Refurbishing and Office Space Update/Renovation. There may be major maintenance items contained in the project, particularly the refurbished or remodeled work elements that would be financed with operating funds. The Department of Administrative Services will work with BHD on the appropriate financing for the project once the project scope has been fully developed.

In addition, the entire WE033 appropriation is placed into the allocated contingency fund, which requires review by the Committee on Finance and Audit after the committee receives a recommendation from the Committee on Health and Human Needs, and approval of the County Board by a two-thirds vote.

Planning/Strategic Master Plan

The initial phase of the project would provide for the development of a Master Space Plan for the facility. The Master Space Plan would consist of the consolidation of BHD operations into the main Psychiatric Hospital (leaving the Day Hospital vacant) and conceptual designs for renovation of the entire facility. In addition, design work and bid documents will be prepared for the Psychiatric Crisis Services (PCS) Renovation and Patient Unit Refurbishing.

Psychiatric Crisis Services Renovation

The second phase of the project involves substantial renovation of BHD's Psychiatric Crisis Services (PCS) area including the Observation Unit and the potential move of the Child and Adolescent Inpatient Services (CAIS) to the renovated space. The project scope consists of extensive demolition and new construction in the PCS area to improve patient security, privacy and work flow. Included are new patient interview rooms, nurses' area, medical staff area, offices, patient exam rooms and waiting room reconfiguration. In addition, a separate entrance for children will be created that will directly link to the CAIS unit providing additional security and more appropriate care for patients.

Patient Unit Remodeling and Refurbishing

The third phase of the project consists of the remodeling and refurbishing of eleven patient units. The project consists of refurbishing patient rooms, patient common areas and staff areas for each of BHD's eleven units (five

Acute units, three Hilltop units, three Central units). The scope of work also includes the replacement of all of the nurse's stations and improvements to the utility and medication rooms.

Office Space Remodel/Update

The final phase 4 includes consists of remodeling and refurbishing 300,000 square feet of non-patient care space within BHD. The space included in this plan includes offices, common areas, hallways, conference rooms and other shared space in the Mental Health Complex.

Staffing Plan

Department of Transportation and Public Works staff will be responsible for overall project management. As part of this initiative, a Request for Proposals (RFP) process to secure a design firm to do the planning, design, and construction bid documents will be completed. The RFP will include a requirement that the selected firm comply with Milwaukee County's disadvantaged business enterprise (DBE) participation as outlined in Chapters 42 and 56.30 of the Milwaukee County Ordinances.

1 By the Committees on Finance & Audit and Health & Human Needs, Reporting on:

2
3 File No.
4

5 (ITEM NO.) A resolution authorizing and directing the Director Department of
6 Administrative Services to release \$1,825,890 in expenditure authority from the allocated
7 contingency fund within Capital Project WE033 – Behavioral Health Facility Renovations
8 for the purpose of addressing bond-eligible citations received in a Statement of Deficiency
9 as a result of a recent State/Centers for Medicaid and Medicare Services survey, by
10 recommending adoption of the following:

11
12 **A RESOLUTION**
13

14 WHEREAS, on Thursday, June 3, 2010, the Behavioral Health Division (BHD)
15 received a Statement of Deficiency (SOD) from the State of Wisconsin as a result of a
16 recent State/Centers for Medicaid and Medicare Services (CMS) survey; and
17

18 WHEREAS, the majority of the citations that BHD received were regarding the
19 physical building; and
20

21 WHEREAS, BHD responded with an initial corrective action plan regarding the SOD
22 on Monday, June 14, as required, outlining actions that will be taken including a response
23 to the Conditions, or immediate citations, by June 25, 2010; and
24

25 WHEREAS, at the June 2010 Committees of Health and Human Needs and Finance
26 and Audit, BHD updated the Board on the status of the SOD from the State of Wisconsin
27 and the committees requested that BHD return as soon as possible with more specific
28 information about individual projects, time frames, cost estimates and funding sources in
29 regards to the physical plant deficiencies as identified in the State survey; and
30

31 WHEREAS, the Interim Director of the Department of Health and Human Services
32 and the Fiscal and Budget Administrator, Department of Administrative Services, presented
33 an informational report outlining the following information at a special joint meeting of the
34 Committees of Finance and Audit and Health and Human Needs on June 23, 2010:
35

- 36
- 37 ▪ A list of the conditions and their status
 - 38 ▪ A list of citations that require a longer time frame for completion due to
financing, engineering, and planning tasks
 - 39 ▪ An overview of possible funding options available to finance the repairs
- 40

41 ; and
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43 WHEREAS, All initial, most immediate citations have been completed by
44 June 25, 2010; and

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WHEREAS, the State expects that continuous progress will be made to correct all sited conditions by April 1, 2010; and

WHEREAS, this report contains cost estimates for all remaining citations, and identifies the necessary financing; and

WHEREAS, the 2010 Adopted Capital Budget contains an appropriation of \$12,596,494, placed in the allocated contingency fund to be used for Capital Project, WE033 – Behavioral Health Facility, upon review by the Committee on Finance and Audit, recommendation from the Committee on Health and Human Needs to release the funds, and approval of the County Board by a two-thirds vote; and

WHEREAS, upon reviewing the June 23, 2010 report, policymakers at the special joint committee meeting thought it would be prudent to recommend the release of funding from the allocated contingency fund to begin work on the bond eligible projects with cost estimates identified; and

WHEREAS, the Committees on Health and Human Needs and Finance and Audit, at its joint meeting, on June 23, 2010, approved the resolution by a vote of: 4-2 (Health and Human Needs) and 4-1 (Finance and Audit); now, therefore,

BE IT RESOLVED, that the Director Department of Administrative Services (DAS) is authorized and directed to release \$1,825,890 in expenditure authority from the allocated contingency fund for the purpose of addressing bond eligible capital improvements required by the State/CMS Statement of Deficiency; and

FURTHER IT BE RESOLVED, that the proper county officials are authorized to enter into any and all necessary contracts to administer the repairs.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 7/12/10

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Request to Release \$1,825,890 2010 Capital Funds for Statement Of Deficiency Related Capital Projects in the Department of Health and Human Services – Behavioral Health Division

FISCAL EFFECT:

- | | |
|--|---|
| <input type="checkbox"/> No Direct County Fiscal Impact | <input checked="" type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure		
	Revenue		
	Net Cost		
Capital Improvement Budget	Expenditure	\$1,825,890	
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. This resolution authorizes and directs the Department of Administrative Services (DAS) to release \$1,825,890 in expenditure authority from the allocated contingency fund within Capital Project WE033 – Behavioral Health Facility Renovations for the purposes of addressing immediate bond eligible capital improvements required to address the State/CMS Statement of Deficiencies (SOD). The adopted 2010 Capital Improvements Budget - Project WE033-Behavioral Health Facility Renovations total budget to will be reduced from \$12,596,494 to \$10,770,604.

The requested funding will address all SOD-related citations by the required state deadline of April 1, 2011.

Passage of this resolution does not result in a net increase to the 2010 Adopted Budget, but does authorize the expenditure of funds held in the allocated contingency fund with Capital Project WE033.

B/C. The 2010 Capital Improvement Budget included Project WE033 for \$12,596,494 to renovate the BHD facility in the DHHS – Behavioral Health Division. The capital funds were placed into the allocated contingency fund, which requires a recommendation from the Committee of Health and Human Needs and Committee on Finance and Audit to reflect the funds. The County Board must then approve the release of funds by a two-thirds majority vote.

Year-to-date, BHD has spent \$281,218 of its 2010 operating budget on an emergency basis to complete the first round of non-bond eligible, improvements. The improvements are required by the corrective action plan agreed upon by BHD and the State of Wisconsin- compliance deadline of June 25th. In addition, there are \$247,912 in projects (initially determined to be non-bond eligible) that require funding and required to be completed by April 1, 2011. BHD is not requesting cash funding at this time. BHD has 2010 expenditure authority sufficient to make the needed cash-financed repairs. However, BHD is currently projecting a 2010 operating deficit. The combination of the \$281,218 in already incurred cash-financed repairs plus the \$251,752 in upcoming cash-financed repairs will likely increase this projected deficit. BHD and DAS will continue to work to determine any

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

future transfer amounts and identify sources of funding. After the 2nd Quarter BHD and Countywide projections are complete, BHD and DAS will return with a request for funding, if necessary.

BHD has also received citations for capital projects that require a longer time frame for completion. These citations must be corrected by April 1, 2011. Initially the improvements related to the citations are eligible for bond financing and total \$1,825,890, including a 10% contingency. BHD and DAS are requesting that a total of \$1,825,890 be released from the allocated contingency fund- Project WE033.

Both the cash-financed and bond-eligible improvement will be on-going through 2011, with the majority of the work to be completed in 2010. Any necessary carry-overs of funds will be completed at the end of 2010 to take the funding into 2011.

Department/Prepared By DAS/Allison Rozek

Authorized Signature 

Did DAS-Fiscal Staff Review? Yes No

COUNTY OF MILWAUKEE

Inter-Office Communication

Date: July 2, 2010

To: Supervisor Elizabeth M. Coggs, Chair, Finance and Audit Committee
Supervisor Peggy West, Chair, Health and Human Needs Committee

From: Stephanie Sue Stein, Director, Department on Aging

Subject: MCDA-CMO Income Statement for the period January 1, through May 31, 2010

The attached MCDA-CMO Income Statement summarizes the actual results of the CMO for the period January 1, through May 31, 2010. In addition, it shows the variance of those results to the 2010 adjusted budget. The actual amounts are preliminary (see the recurring Note on the attached MCDA-CMO Income Statement for further information). The budgeted amounts have been "adjusted" by multiplying the total annual budgeted amount by 41.67% to reflect 5/12ths of the budget year.

The CMO is showing a preliminary actual Net Income of \$668,517 for the first five months of 2010. Comparing this to the adjusted budgeted Net Income of \$435,482 creates a negative Net Income Variance of \$233,035 for the period. While preliminary results through May show both revenues and expenditures below the adjusted budget, the variance in revenues was less than the variance in expenditures resulting in a positive Net Income Variance for the period.

CMO enrollment as of May 31, 2010 was 7,346 members, a net increase of 261 members, or 3.7%, from the December 31, 2009 enrollment of 7,085 members. The CMO enrollment as of May 31 includes 6,570 members 60 or older (89.4%) and 776 members 59 and under (10.6%).

If you have questions concerning the attached income statement, please contact me at 289-6876.

Respectfully Submitted:



Stephanie Sue Stein, Director
Milwaukee County Department on Aging

Attachment

cc: County Executive Scott Walker
Supervisor Lee Holloway
Thomas Nardelli

Supervisor Peggy West
Supervisor Elizabeth Coggs
July 2, 2010
Page Two

cc: Stephen Cady
Jennifer Collins
Cynthia Archer
Steve Kreklow
Antionette Thomas-Bailey
Joseph Carey
Geri Lyday
Jeanne Dorff
Jonette Arms
Nubia Serrano
Mary Proctor Brown
Maria Ledger
Jim Hodson
Linda Murphy
Eva Williams
Chester Kuzminski
Ed Eberle
Gary Portenier
Pat Rogers

MCDA-CMO Income Statement
For the period of January 1 thru May 31, 2010

<u>Revenues</u>	1/1/10 - 5/31/10 Preliminary Actual	1/1/10 - 5/31/10 Adjusted Budget
Capitation Revenues	\$92,560,927	\$92,474,536
Member Obligation Revenues	\$11,142,837	\$11,400,560
Other Revenues	\$131,832	\$102,000
Total Revenues	\$103,835,596	\$103,977,096
<u>Expenses</u>		
Member Service Expenses	\$96,408,993	\$95,827,775
Administrative Expenses:		
---Labor & Fringes	\$3,068,187	\$3,122,092
---Vendor Contracts	\$1,624,726	\$1,902,745
---Cross Charges/internal transfers	\$848,021	\$900,458
---Other expenses (supplies, mileage, etc.)	\$1,217,152	\$1,788,544
--- Est. contribution to reserve		
Total Expenses	\$103,167,079	\$103,541,614
Net Surplus/(Deficit)	\$668,517	\$435,482

May 2010 CMO Enrollment:

Nursing Home level of care (Comprehensive):	
59 and Under	776
60 and Over	6,526
Non-Nursing Home level of care (Intermediate):	
60 and Over	44
Total Members Served - 5/31/10	7,346

Note: The above financial summary represent actual results as of the reporting date, however, the rest can change due to changes occurring in member service utilization (IBNR), outstanding receivab internal charges or other regulatory changes. Any change from a prior period is accounted for in year-to-date aggregate results. Prior period reporting is not restated.

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE: July 9, 2010

TO: Supervisor Theodore Lipscomb, Vice Chair
Committee on Economic & Community Development

Supervisor Elizabeth Coggs, Chairperson
Committee on Finance and Audit

FROM: Craig C. Dillmann, Manager of Real Estate Services
Department of Transportation and Public Works

SUBJECT: From the Manager, Real Estate Services, DTPW, monthly informational report for the land sale closing on UWM/Innovation Park.

This update highlights activities taken place since the last report to the Economic and Community Development Committee on June 14, 2010 and the Finance & Audit Committee on June 17, 2010.

The Purchase Agreement contractual time frames are currently as follows:

- Due diligence commencement date –July 1, 2009 (Purchase Agreement executed)
- Escrow Deposit of \$25,000 paid- July 6, 2009
- Contingency Waiver (“CW”) Date Expiration-December 31, 2009
- CW Date Extension w/in Purchase Agreement- March 31, 2010
- CW Date Extension-July 31, 2010 (3/18/10 County Board approval)
- Closing Date- on or before August 31, 2010

As previously reported, the following project milestones have been approved by the City of Wauwatosa (“City”):

- Preliminary Business Planned Development
- Change of zoning
- Land division by Certified Survey Map (“CSM”). The CSM document is completed and has been submitted to the City for their final review and execution. Upon full execution and recording, the CSM is the means of legally describing the land to be conveyed at closing.

UWM Foundation officials continue to explore with the City the creation of tax incremental financing (“TIF”) for the needed street and other public infrastructure improvements for Innovation Park. The necessary “Notice” dates in the TIF approval schedule were met to initiate consideration of the TIF in the July Common Council cycle. However, the City in cooperation with UWM, has determined it is prudent to undertake further financial analysis of the projected costs, anticipated increment, and potential impacts of the TIF. As a result, the TIF will not be considered at the July 12th City Plan Commission meeting, the July 13th Budget and Finance Committee and the July 20th Common Council meeting as anticipated.

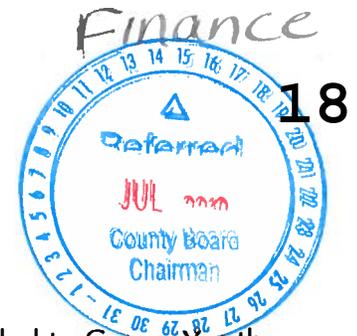
Therefore, to keep the Purchase Agreement between the County and UWM in force while the additional TIF analysis is being performed, an extension to the existing July 31, 2010 Contingency Waiver Date is necessary.

Craig C. Dillmann, Manager
Real Estate Services

Meeting Dates: July 19, 2010 (ECD)
July 22, 2010 (F&A)

Attachment

cc: Scott Walker, County Executive
Lee Holloway, County Board Chairman
Cynthia Archer, Director of DAS
Steven Kreklow, Fiscal & Budget Administrator, DAS
Josh Fudge, Fiscal Mgt Analyst-DAS
Jack Takerian, Director- DPTW
Steve Cady, Fiscal and Budget Analyst, County Board



FILE NO. 10-286

By Supervisor Holloway

A RESOLUTION

Directing that a grant in the amount of \$46,282.46 be provided to Career Youth Development, Inc., for services provided for the Victory Over Violence Grief Counseling and Survivor Center Initiative as adopted in the 2009 Milwaukee County Budget

WHEREAS, the Milwaukee County 2009 Adopted County Budget for the District Attorney included the following:

An appropriation of \$50,000 is provided for Career Youth Development (CYD) for the Victory Over Violence Grief Counseling and Survivor Center Initiative. These funds will help support violence prevention in Milwaukee County and the Survivor Center Homicide Group.

; and

WHEREAS, a formal agreement between the District Attorney and CYD was never developed nor executed by the District Attorney, but CYD did not interpret that inaction as the County's rescission of the funding appropriated in the Adopted Budget, but rather operated on the assumption that the Adopted Budget language provided the authority to proceed with the program; and

WHEREAS, although the \$50,000 appropriated in the District Attorney's 2009 Budget was not spent nor a contract executed by the District Attorney, in anticipation of the need to provide funding under the budget authority, the Department of Administrative Services "expensed" the amount to allow for closing of the 2009 books and to provide latitude to pay for the services rendered under the budget authority; and

WHEREAS, CYD has submitted an invoice in the amount of \$46,282.46 for the work it has performed during 2009 under the budget authorization, indicating it has "operated in good faith throughout the year of 2009 and has provided services to more than 50 families of murder victims"; and

WHEREAS, the invoice submitted by CYD has been submitted to and reviewed by the Department of Audit to ensure that proper activities have been performed under the 2009 Budget authorization; and

WHEREAS, since budget authority was clearly granted for the Victory Over Violence Grief Counseling and Survivor Center Initiative, but no contract was executed, an appropriate method of payment for the services would be through a grant to CYD equal to the amount of service invoiced; now, therefore,

46 BE IT RESOLVED that the Milwaukee County Board of Supervisors does hereby
47 direct that a grant in the amount of \$46,282.46 be provided to Career Youth Development,
48 Inc., for services provided for the Victory Over Violence Grief Counseling and Survivor
49 Center Initiative as adopted in the 2009 Milwaukee County Budget, for this specific
50 purpose for this specific agency; and

51

52 BE IT FURTHER RESOLVED, that the Director of the Department of Administrative
53 Services is hereby authorized and directed to process a payment to Career Youth
54 Development in the amount of \$46,282.46 for services rendered in 2009 through the
55 Victory Over Violence Grief Counseling and Survivor Center Initiative under authorization
56 of the 2009 Adopted Milwaukee County Budget for this specific purpose for this specific
57 agency.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 7/15/2010

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Directing that a grant in the amount of \$46,282.46 be provided to Career Youth Development, Inc., for services provided for the Victory Over Violence Grief Counseling and Survivor Center Initiative as adopted in the 2009 Milwaukee County Budget.

FISCAL EFFECT:

- | | |
|---|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|---|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. The resolution directs that a grant in the amount of \$46,282.46 be provided to Career Youth Development, Inc., for services provided for the Victory Over Violence Grief Counseling and Survivor Center Initiative as adopted in the 2009 Milwaukee County Budget.

B. A \$50,000 appropriation for this program was included in the 2009 Adopted Budget to cover the costs of the program.

C. There are no budgetary impacts since \$50,000 in funds for this purpose were encumbered in the 2009 District Attorney's Budget and are available to make payment as originally intended.

D. No specific assumptions or interpretations were utilized in filling out this form.

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Department/Prepared By County Board / Terrence Cooley

Authorized Signature *Terrence Cooley*

Did DAS-Fiscal Staff Review? Yes No

DATE : June 24, 2010
TO : Supervisor Lee Holloway, Chairperson, County Board of Supervisors
FROM : Jack Takerian, Interim Director of Transportation & Public Works
SUBJECT : **TRANSFER OF CREDIT ASSISTANCE AGREEMENT BETWEEN MIDWEST AIRLINES AND FRONTIER AIRLINES**

POLICY

In July 2003, Milwaukee County agreed to provide credit assistance to Midwest Airlines ("Midwest") through County Board Resolution 03-265 (a)(a). The credit support allowed Midwest to gain access to additional operating capital to support the Airline's cash flow needs. In 2003, access to capital was essential because of the concern regarding the long-term financial strength of Midwest. In 2009, Republic Airways Holdings, Inc. purchased Midwest's stock from a private equity company. Republic Airways is requesting to transfer the credit assistance agreement from Midwest to Frontier Airlines, a subsidiary of Republic Airways, along with providing a guarantee of the debt obligations if Frontier Airlines is unable to support the debt.

BACKGROUND

Republic Airways Holdings, Inc. ("Republic") purchased Midwest in 2009 from a private capital investor. Recently, Republic made a decision to release the brand name of Midwest in favor of Frontier Airlines (Frontier). Midwest will no longer operate as an airline, and therefore, the credit assistance provided to Midwest will need to be transferred to Republic and Frontier. By means of the resolution attached, the Director, Department of Administrative Services and the Director, Department of Transportation and Public Works, are requesting authority to have Frontier assume all of the obligations of Midwest and Skyway Airlines (a commuter subsidiary of Midwest) under the Credit Assistance Agreement signed in 2003. In addition, Republic would enter into a guarantee and reimbursement agreement with Milwaukee County, to guarantee Frontier's obligations under the hangar leases and the Credit Assistance Agreement.

The Department of Administrative Services and the Department of Transportation and Public Works had originally proposed to Republic that they would assume the credit support of the two IDRBS. Republic is currently unwilling to take on the credit support of the debt due to the current financial conditions in the airline industry.

A counter proposal was made by Republic Airways, whereby the credit assistance agreements would be transferred to Frontier Airlines, since they were taking over the operations of Midwest. Frontier is operating in place of Midwest Airlines and is only beginning to take over the air routes, hangars, leases, gates, and reservations of Midwest Airlines.

Milwaukee County countered with a partial guarantee requirement by Republic, and faster payment of bond principal, plus other proposals. The counter proposal from Republic was for transfer of the credit assistance to Frontier and a full guarantee by Republic.

This proposed agreement was presented to Republic, pursuant to a letter dated June 18, 2010 from Airport Director C. Barry Bateman to Scott Durgin of Republic Airways Holdings, Inc., a copy of which is attached. Republic and Frontier have responded to the letter and indicated that the terms set forth in the letter are acceptable to them.

The attached resolution requests approval to enter into all agreements necessary to meet the requirements of the memorandum of understanding.

Background:

Two industrial revenue bonds used to construct hangars for Midwest, and its subsidiary Skyway Airlines, was being guaranteed in 2003 by Midwest. An addition was made to the Midwest hangar in 1998 which was funded by the issuance of \$8.3 million of City of Milwaukee, Wisconsin Variable Rate Demand Industrial Development Revenue Bonds. A new hangar was built for Skyway Airlines in 2001 using proceeds from a \$7.0 million City of Milwaukee, Wisconsin Variable Rate Demand Industrial Revenue Bonds. The balance owed on these two industrial revenue bonds in 2003 was \$14.4 million.

Midwest pledged assets of the company as a guarantee for the repayment of the hangar debt. Midwest requested Milwaukee County to stand in for Midwest's pledged assets through a guarantee to the bank, who had issued a letter of credit in support of the bonds. The pledged assets, if freed from the guarantee, would provide access to additional capital for Midwest's cash flow needs. Milwaukee County entered into a Credit Assistance Agreement with Midwest and a Standby Reimbursement Agreement with US Bank.

In return for Milwaukee County's guarantee, the County was given a mortgage on the hangars of Midwest and Skyway, guaranteed the lease payments of the hangars, plus provided cash from Midwest of \$900,000 and the State of Wisconsin Department of Commerce Community Development Block Grant of \$4,000,000. The funds were placed in a trust account of the County, and have received interest since the date of inception. An appraisal of the hangars in 2003 was for \$12.75 million. Total assets pledged for the repayment of \$14,400,000 of debt was \$17,650,000.

Due to the credit needs of Midwest, and a concern by the County of Midwest's long-term fiscal condition, the agreements between the County, Midwest, Skyway and US Bank were written to protect the County's interest in the hangars, and the cash funds placed into trust. As a result, the County was not able to demand that Midwest retake responsibility for the credit support for the debt under the two IDR B's. A five-year provision was placed into the agreement to request that Midwest use its best efforts to retake the credit support for the two IDR B's. Midwest was unable to do this in 2008 based on their financial condition at the time. As a result, a new appraisal of the hangars was requested along with the start of the amortization of the IDR B debt using level debt service payments.

Status of Loans and Collateral

The following is a comparison of the loan balance and collateral as of October 2003 and June 2010. The current Credit Assistance Agreement with Midwest Airlines requires that the County have collateral of at least \$17.65 million to support outstanding bonds of \$14,215,000 issued to build hangars for Midwest Airlines.

Item	Description	2003 Balances	2010 Balances
1.	1998 Bonds	7,905,000	7,905,000
2	2001 Bonds	6,310,000	6,310,000
3	Total Debt	14,215,000	14,215,000
4	Appraisal Midwest Hangar	8,850,000	10,500,000
5	Appraisal Skyway Hangar	3,900,000	4,200,000
6	Midwest Airlines Reserve Account	900,000	1,039,032
7	State CDBG Reserve Account	4,000,000	4,829,897
8	Total Collateral	17,650,000	20,568,929

Midwest Airlines begin making principal payments on the outstanding debt (amortizing debt) in April 2010. Per the Reserve Account Agreement between Milwaukee County, Racine County and Wisconsin Department of Commerce for the State CDBG Reserve Account “the amount in the Reserve Account shall be reduced by a percentage equal to the percentage of the outstanding principal amount of the bonds which is redeemed on that date.” In 2010, Midwest Airlines will make principal payments of \$290,000 on the \$14,215,000 of outstanding debt. This represents 2.04% of the outstanding debt. The County will have to repay 2.04% of the outstanding State CDBG Reserve account balance or \$102,176. The payments will be made 50% to the State and 50% to Racine County. This process would continue for every year that payments are made on the debt.

Current Agreements under Credit Assistance with Midwest Airlines:

Frontier Airlines under an Assumption Agreement would assume the following agreements.

1. Credit Assistance Agreement — an agreement between County and Midwest that provides for the commitment of the County to Midwest, the conditions to the County commitment, the pledge of Midwest to make lease payments, the transfer of \$900,000 for a lease loss reserve, the term of the County assistance, and the pledge for Midwest to pay fees and expenses of the agreements.
2. Amendment No. 6 to Airport Agreement No. AC-965 (“Lease Amendment”) — Midwest and Midwest Connect (a subsidiary of Midwest Airlines) operates at General Mitchell International Airport under lease agreement with the airport. The lease agreements are being amended to ensure the pledge of lease payments for the payment of principal and interest for the IDR B’s from the Midwest hangars.
3. Amendment No. 2 to Airport Agreement No. HP-1302 (“Lease Amendment”) — Skyway Airlines, Inc. (a subsidiary of Midwest Airlines) operates at General Mitchell International Airport under lease agreement with the airport. The lease agreements are being amended to ensure the pledge of lease payments for the payment of principal and interest for the IDR B’s from the Skyway hangar.

4. Mortgages– document to guarantee the pledge by Midwest of certain hangar assets including the two adjacent hangars located on Cargo Way in Milwaukee County, referred to as the 1989 Midwest Hangar and the 1998 Midwest Hangar, and the hangar located on Layton Avenue in Milwaukee County, referred to as the 2001 Midwest Connect Hangar.
5. Collateral Assignment of Lease– guarantee that lease payments under for the two hangars would become the property of Milwaukee County under certain circumstances.

The following agreements will continue in force, as they are between Milwaukee County and an entity other than Midwest Airlines.

6. Standby Reimbursement Agreement –agreement between US Bank and Milwaukee County for the County’s commitment to stand-in for the reimbursement of the Letters of Credit if they are ever called to liquidate the IDRB debt, in the event of default in payment. In addition, this agreement allows for the issuance of a promissory note between the County and US Bank to pay for the County’s commitment, so that County cash is not immediately drawn upon. The promissory note can be paid in ten equal annual principal payments with interest at a variable rate provided for in the agreement. As an option, the County could replace the promissory note with the issuance of General Obligation debt at a fixed rate of interest, based upon rates as of that time.
7. Community Development Block Grant (“CDBG”) Loan Loss Reserve Agreement – - Agreement between Milwaukee County, Racine County and the State of Wisconsin Department of Commerce as to how the \$4.0 million of CDBG funds will be used by Milwaukee County to support its credit assistance for Midwest. This agreement has not been drafted as of this date.

Proposal for the assumption by Frontier Airlines and Guarantee by Republic Airways.

Given the corporate changes and restructuring that have occurred with respect to Midwest, Skyway, Frontier and Republic, the parties have agreed that it is appropriate to enter into a new contractual arrangement with respect to the Credit Assistance Agreement and the Hangar Leases. In general terms, under this new arrangement, (a) Frontier would assume the obligations of Midwest and Skyway under the Credit Assistance Agreement, the related collateral documents and the Hangar Leases and related documents and (b) Republic would guarantee Frontier's obligations. Implementation of this new arrangement requires the following steps and includes the following elements:

- Frontier would execute an assumption agreement (or agreements) under which it would assume all of the obligations of Midwest and Skyway under the Credit Assistance Agreement (as well as the Hangar Leases and the related Collateral Assignments of Lease and the Mortgages and Assignments of Leases and Rents).
- Republic would enter into a guarantee and reimbursement agreement with the County under which Republic would (a) guarantee Frontier's obligations (i) to make lease payments under the Hangar Leases and (ii) under the Credit Assistance Agreement and (b) agree to reimburse the County for any payments the County was required to make under the Standby Reimbursement Agreement. The guarantee and reimbursement agreement would provide that Republic's

obligations under such agreement would remain in place even if Frontier was sold or if there was otherwise a change in control of Frontier.

- The Hangar Leases would be amended to the extent necessary to reflect the assumption of obligations by Frontier and the guarantee and reimbursement agreement by Republic.
- Officers' Certificates including organizational documents and authorizing resolutions or other evidence of authority would be provided by Frontier and Republic to evidence proper corporate authorization for the transactions and the incumbency of the officers of Frontier and Republic executing documents, and legal opinions would be provided by counsel for Frontier and Republic regarding due authorization, execution and delivery and the enforceability of the assumption agreements and the guarantee and reimbursement agreement and such other matters as may be requested by the County.
- Frontier and Republic would be responsible for obtaining a legal opinion of bond counsel that the transactions with Frontier and Republic and the assumption arrangements do not have an adverse effect on the tax-exempt status of the outstanding Bonds.
- Endorsements to the existing title insurance policies issued in connection with the original Credit Assistance Agreement transaction would be obtained to show no intervening liens.
- All existing reserve account arrangements would remain in effect.
- UCC Financing Statement Lien Searches would be obtained.
- Evidence of Insurance would be provided.
- All fees and expenses of the County shall be paid by Frontier and Republic.

RECOMMENDATION

Department of Administrative Services (DAS) and Department of Transportation and Public Works/Airport Staff recommend that the County Board authorize the Director of the DAS and the Airport Director to sign the amendments and documents to effectuate the transfer of credit assistance agreements to Frontier Airlines, with further backing by Republic Airways Holdings. Corporation Counsel has reviewed and approved of the amendments and documentation.

FISCAL NOTE

The County's credit assistance to Frontier Airlines remains the same as it was with Midwest Airlines; however, Frontier Airlines, with the backing of Republic, is financially superior to Midwest Airlines.

Prepared by:

Approved by:

Jack Takerian, Interim Director
Transportation & Public Works

C. Barry Bateman, Airport Director

Scott Manske, Controller

Timothy Karaskiewicz
Assistant Principal Corporation Counsel

(Item) From the Director of Transportation & Public Works requesting that Milwaukee County authorize the DAS Director and the Airport Director to sign the amendments and documents effectuating the transfer of credit assistance agreements from Midwest Airlines to Frontier Airlines, with further backing by Republic Airways Holdings by recommending adoption of the following.

RESOLUTION

WHEREAS, two industrial revenue bonds used to construct hangars for Midwest, and its subsidiary Skyway Airlines, were being guaranteed in 2003 by Midwest; and

WHEREAS, an addition was made to the Midwest hangar in 1998 which was funded by the issuance of \$8.3 million of City of Milwaukee, Wisconsin Variable Rate Demand Industrial Development Revenue Bonds; and

WHEREAS, a new hangar was built for Skyway Airlines in 2001 using proceeds from a \$7.0 million City of Milwaukee, Wisconsin Variable Rate Demand Industrial Revenue Bonds; and

WHEREAS, the balance owed on these two industrial revenue bonds in 2003 was \$14.4 million; and

WHEREAS, Midwest pledged assets of the company as a guarantee for the repayment of the hangar debt; and

WHEREAS, Midwest requested Milwaukee County to stand in for Midwest's pledged assets through a guarantee to the bank, who had issued a letter of credit in support of the bonds; and

WHEREAS, the pledged assets, if freed from the guarantee, would provide access to additional capital for Midwest's cash flow needs; and

WHEREAS, Milwaukee County entered into a Credit Assistance Agreement with Midwest and a Standby Reimbursement Agreement with US Bank; and

WHEREAS, in return for Milwaukee County's guarantee, the County was given a mortgage on the hangars of Midwest and Skyway, guaranteed the lease payments of the hangars, plus provided cash from Midwest of \$900,000 and the State of Wisconsin Department of Commerce Community Development Block Grant of \$4,000,000; and

WHEREAS, the funds were placed in a trust account of the County, and have received interest since the date of inception; and

WHEREAS, an appraisal of the hangars in 2003 was for \$12.75 million; and

49 WHEREAS, total assets pledged for the repayment of \$14,400,000 of debt was
50 \$17,650,000; and

51
52 WHEREAS, due to the credit needs of Midwest, and a concern by the County of
53 Midwest's long-term fiscal condition, the agreements between the County, Midwest,
54 Skyway and US Bank were written to protect the County's interest in the hangars, and the
55 cash funds placed into trust; and

56
57 WHEREAS, as a result, the County was not able to demand that Midwest retake
58 responsibility for the credit support for the debt under the two IDRBS; and

59
60 WHEREAS, a five-year provision was placed into the agreement to request that
61 Midwest use its best efforts to retake the credit support for the two IDRBS; and

62
63 WHEREAS, Midwest was unable to do this in 2008 based on their financial
64 condition at the time; and

65
66 WHEREAS, as a result, a new appraisal of the hangars was requested along with the
67 start of the amortization of the IDRBS debt using level debt service payments; and

68
69 WHEREAS, Frontier Airlines under an Assumption Agreement would assume the
70 following agreements:

- 71
- 72 1. Credit Assistance Agreement — an agreement between County and Midwest
73 that provides for the commitment of the County to Midwest, the conditions
74 to the County commitment, the pledge of Midwest to make lease payments,
75 the transfer of \$900,000 for a lease loss reserve, the term of the County
76 assistance, and the pledge for Midwest to pay fees and expenses of the
77 agreements;
 - 78
79 2. Amendment No. 6 to Airport Agreement No. AC-965 ("Lease Amendment")
80 — Midwest and Midwest Connect (a subsidiary of Midwest Airlines) operates
81 at General Mitchell International Airport under lease agreement with the
82 airport. The lease agreements are being amended to ensure the pledge of
83 lease payments for the payment of principal and interest for the IDRBS from
84 the Midwest hangars;
 - 85
86 3. Amendment No. 2 to Airport Agreement No. HP-1302 ("Lease Amend-
87 ment") — Skyway Airlines, Inc. (a subsidiary of Midwest Airlines) operates at
88 General Mitchell International Airport under lease agreement with the
89 airport. The lease agreements are being amended to ensure the pledge of
90 lease payments for the payment of principal and interest for the IDRBS from
91 the Skyway hangar;
 - 92
93 4. Mortgages – document to guarantee the pledge by Midwest of certain hangar
94 assets including the two adjacent hangars located on Cargo Way in
95 Milwaukee County, referred to as the 1989 Midwest Hangar and the 1998

96 Midwest Hangar, and the hangar located on Layton Avenue in Milwaukee
97 County, referred to as the 2001 Midwest Connect Hangar;
98

- 99 5. Collateral Assignment of Lease – guarantee that lease payments under for the
100 two hangars would become the property of Milwaukee County under certain
101 circumstances; and
102

103 WHEREAS, the following agreements will continue in force, as they are between
104 Milwaukee County and an entity other than Midwest Airlines:
105

- 106 6. Standby Reimbursement Agreement – agreement between US Bank and
107 Milwaukee County for the County’s commitment to stand-in for the
108 reimbursement of the Letters of Credit if they are ever called to liquidate the
109 IDRDB debt, in the event of default in payment. In addition, this agreement
110 allows for the issuance of a promissory note between the County and US
111 Bank to pay for the County’s commitment, so that County cash is not
112 immediately drawn upon. The promissory note can be paid in ten equal
113 annual principal payments with interest at a variable rate provided for in the
114 agreement. As an option, the County could replace the promissory note with
115 the issuance of General Obligation debt at a fixed rate of interest, based
116 upon rates as of that time;
117

- 118 7. Community Development Block Grant (“CDBG”) Loan Loss Reserve
119 Agreement – - Agreement between Milwaukee County, Racine County and
120 the State of Wisconsin Department of Commerce as to how the \$4.0 million
121 of CDBG funds will be used by Milwaukee County to support its credit
122 assistance for Midwest. This agreement has not been drafted as of this date;
123 and
124

125 WHEREAS, given the corporate changes and restructuring that have occurred with
126 respect to Midwest, Skyway, Frontier and Republic, the parties have agreed that it is
127 appropriate to enter into a new contractual arrangement with respect to the Credit
128 Assistance Agreement and the Hangar Leases; and
129

130 WHEREAS, in general terms, under this new arrangement, (a) Frontier would
131 assume the obligations of Midwest and Skyway under the Credit Assistance Agreement, the
132 related collateral documents and the Hangar Leases and related documents and (b)
133 Republic would guarantee Frontier's obligations; and
134

135 WHEREAS, Implementation of this new arrangement requires the following steps
136 and includes the following elements:
137

- 138 • Frontier would execute an assumption agreement (or agreements) under
139 which it would assume all of the obligations of Midwest and Skyway under
140 the Credit Assistance Agreement (as well as the Hangar Leases and the
141 related Collateral Assignments of Lease and the Mortgages and Assignments
142 of Leases and Rents);

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- Republic would enter into a guarantee and reimbursement agreement with the County under which Republic would (a) guarantee Frontier's obligations (i) to make lease payments under the Hangar Leases and (ii) under the Credit Assistance Agreement and (b) agree to reimburse the County for any payments the County was required to make under the Standby Reimbursement Agreement. The guarantee and reimbursement agreement would provide that Republic's obligations under such agreement would remain in place even if Frontier was sold or if there was otherwise a change in control of Frontier;
- The Hangar Leases would be amended to the extent necessary to reflect the assumption of obligations by Frontier and the guarantee and reimbursement agreement by Republic;
- Officers' Certificates including organizational documents and authorizing resolutions or other evidence of authority would be provided by Frontier and Republic to evidence proper corporate authorization for the transactions and the incumbency of the officers of Frontier and Republic executing documents, and legal opinions would be provided by counsel for Frontier and Republic regarding due authorization, execution and delivery and the enforceability of the assumption agreements and the guarantee and reimbursement agreement and such other matters as may be requested by the County;
- Frontier and Republic would be responsible for obtaining a legal opinion of bond counsel that the transactions with Frontier and Republic and the assumption arrangements do not have an adverse effect on the tax-exempt status of the outstanding Bonds;
- Endorsements to the existing title insurance policies issued in connection with the original Credit Assistance Agreement transaction would be obtained to show no intervening liens;
- All existing reserve account arrangements would remain in effect;
- UCC Financing Statement Lien Searches would be obtained;
- Evidence of Insurance would be provided;
- All fees and expenses of the County shall be paid by Frontier and Republic; and

WHEREAS, the Transportation, Public Works and Transit Committee, at its meeting of July 14, 2010, recommended that the DAS Director and the Airport Director be authorized to sign the amendments and documents effectuating the transfer of credit assistance agreements from Midwest Airlines to Frontier Airlines, with further backing by Republic Airways Holdings (vote _____), now, therefore,

BE IT RESOLVED, that Milwaukee County hereby approves that the DAS Director and the Airport Director be authorized to sign the amendments and documents effectuating the transfer of credit assistance agreements from Midwest Airlines to Frontier Airlines, with further backing by Republic Airways Holdings

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MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: June 22, 2010

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: TRANSFER OF CREDIT ASSISTANCE AGREEMENT BETWEEN MIDWEST AIRLINES AND FRONTIER AIRLINES

FISCAL EFFECT:

- | | |
|---|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of Contingent Funds |
|---|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. ¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

The County's credit assistance to Frontier Airlines remains the same as it was with Midwest Airlines; however, Frontier Airlines, with the backing of Republic, is financially superior to Midwest Airlines.

Department/Prepared by: Scott Manske, Controller

Authorized Signature _____

Did DAS-Fiscal Staff Review? Yes No

Reviewed by:

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

20A

Date: July 1, 2010

To: Scott Walker, County Executive
Chairman Lee Holloway, County Board of Supervisors

From: Jack Takerian, Director of Transportation and Public Works

Subject: **NOTIFICATION OF EMERGENCY REPAIR PURSUANT TO
MILWAUKEE COUNTY ORDINANCE SECTION 44.14(6) – Examination
of the Exterior of Selected County Buildings**

Policy Issue

Section 44.14 (6) of the Milwaukee County Code of Ordinances allows, in the event of any emergency where immediate action is necessary to preserve property, that the Director of DTPW is authorized to take action to construct or repair, provided that a report is submitted thereon to the County Executive and County Board within seventy-two (72) hours. Pursuant to the above, the Department of Transportation and Public Works (DTPW) is proceeding with Emergency Work to remediate a potential safety issue regarding the façades of selected Milwaukee County buildings.

Background

On Thursday June 24, 2010 at approximately 4:00 pm, a precast concrete panel over the east vehicle exit of the O'Donnell Park parking structure fell approximately 10 to 12 feet from the 2nd level of the structure. One person was killed and two people were injured by the falling panel.

Jack Takerian, Director of DTPW, in conjunction with the County Executive's Office and the Office of the County Board Chairman have determined that it is in the best interest of the citizens of Milwaukee County to conduct emergency inspections on selected Milwaukee County buildings to search for any safety hazards and repair them immediately. This proactive step is being taken to reassure the public in the aftermath the accident at O'Donnell Park parking garage.

The building reviews will include facades, overhangs and other exterior areas that might pose safety risks. Buildings included are located within the Parks and Zoo, at the airports, transit and county grounds properties, at the Cogg's human services building, the county jail, the county correctional facility in Franklin and others. Buildings owned by the County but operated by other organizations, such as the Milwaukee Public Museum, the Marcus Center for the Performing Arts and the War Memorial Center will also be inspected.

Milwaukee County will perform a general building exterior site inspection on selected County-owned buildings to determine potential issues impacting public safety. This inspection will include all buildings over one story in height with masonry exterior that have not received a façade inspection or a building assessment within the last 5 years. The older buildings will be inspected first.

Scott Walker, County Executive
Chairman Lee Holloway, County Board of Supervisors
July 1, 2010
Page 2 of 3

Written notification will be sent immediately to all organizations currently leasing county owned buildings including the War Memorial, Marcus Center for the Performing Arts and the Milwaukee Public Museum requiring confirmation of the same type of general building exterior site inspection.

The scope of work for the general exterior building site inspection will include:

- Initial visual examination covering all applicable building elevations including exterior façade components, cornices, soffits and other overhangs and features.
- Remote visual examinations will be performed on the entire façade from ground and/or roof levels.
- Assuming that certain conditions of distress and/or deterioration cannot be detected solely by remote visual examination, close up “arms-length” visual examinations will be performed on selected buildings in selected areas as determined by the inspector in the field.
- Additional examinations will be performed where deemed necessary by the inspector for wall areas with external visible distress, as evidenced by suspicious bowing, bulging, leaning, displacement or discoloration.
- If warranted, a visual examination of concealed façade components will be performed by either using an inspection probe or by removing exterior and/or interior façade components.
- Should the examination find any distressed areas in danger of imminent failure, actions will be taken immediately to remediate any safety hazard.

The time frame for completing this work will be 6 to 8 weeks. A general schedule of activities is being developed and will be shared as soon as possible with the County operating departments affected.

In order to perform this work within this expedited schedule, Milwaukee County DTPW is contracting on a sole source basis with the qualified engineering and architectural consulting firm of Graef USA. Based on the firm’s extensive experience with the buildings at most County facilities and past good performance on work for the County, DTPW is confident Graef can provide overall project direction, coordination and hiring of sufficient qualified technical staff from local sub-consultants across the Milwaukee metropolitan area to complete this work within the time allocated. A DBE participation goal of 25% has been established.

DTPW is proceeding with Emergency Work necessary to remediate any safety issues.

Fiscal Note

The estimated cost for conducting this façade examination work is approximately \$300,000.

Prepared by: Gregory G. High

Scott Walker, County Executive
Chairman Lee Holloway, County Board of Supervisors
July 1, 2010
Page 3 of 3
Approved by:



Jack Takerian, Director
Transportation & Public Works

cc: Supervisor Michael Mayo, Sr
Supervisor Elizabeth Coggs-Jones
Tom Nardelli, Chief of Staff, County Executive's Office
Terry Cooley, Chief of Staff, County Board of Supervisors
Cynthia Archer, Director, DAS
Timothy Schoewe, Interim Corporation Counsel
Steve Kreklow, Fiscal & Budget Administrator, Admin. & Fiscal Affairs Division/DAS
Greg High, Director, AE&ES
Mahmoud Malas, Resident Contract Manager (Bridges and Structures), DTPW
Jodi Mapp, TPW Committee Clerk
Martin Weddle, TPW Analyst
Pam Bryant, Administration & Fiscal Affairs Division/DAS

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

20B

To: Scott Walker, County Executive
Chairman Lee Holloway, County Board of Supervisors

From: Jack Takerian, Director of Transportation and Public Works

Subject: **NOTIFICATION OF EMERGENCY REPAIR PURSUANT TO
MILWAUKEE COUNTY ORDINANCE SECTION 44.14(6) – O'Donnell
Park Parking Structure**

Policy Issue

Section 44.14 (6) of the Milwaukee County Code of Ordinances allows, in the event of any emergency where immediate action is necessary to preserve property, that the Director of DTPW is authorized to take action to construct or repair, provided that a report is submitted thereon to the County Executive and County Board within seventy-two (72) hours. Pursuant to the above, the Department of Transportation and Public Works (DTPW) is proceeding with Emergency Work to remediate a safety issue regarding the precast façade panels at the Milwaukee County O'Donnell Park Parking Structure.

Background

On Thursday June 24, 2010 at approximately 4:00 pm, a precast concrete panel over the east vehicle exit of the parking structure fell approximately 10 to 12 feet from the 2nd level of the structure. One person was killed and two people were injured by the falling panel.

Milwaukee County DTPW staff along with staff from Graef USA reported to the site to assess whether there were additional safety concerns. Graef is the "engineer of record" for this structure and their staff is very familiar with it. The parking structure was heavily occupied by vehicles due to Summerfest and other public activities in the area. Priority one was to confirm the short-term safety of the south entrance/exit roadways. Priority two was to confirm the short-term safety of the access points for the entire structure. These two priority activities were accomplished

By the 7:00 pm that same evening the site was declared a crime scene by the Milwaukee District Attorney's Office, the site was secured by the County Sheriff's Office and the parking garage closed until further notice.

Concurrently I decided that since Graef USA was the engineer of record for the O'Donnell parking structure it would be best to hire an independent third party that had expertise in structural engineering of similar concrete structures and forensic analysis of such structural failures.

DTPW staff selected INSPEC on a sole source basis. INSPEC is an engineering consultant with experience in both structural and forensic engineering analysis. INSPEC has also recently worked with the County Risk Management Division in inspecting the Courthouse after a piece of masonry broke off of the east façade. Since

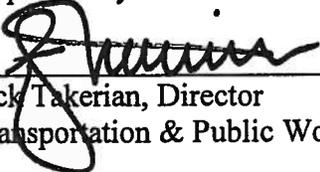
that time, DTPW staff has worked with INSPEC to develop a plan to properly determine the nature and cause of the precast panel support failure. To identify a repair strategy for the damaged section and a preventative strategy to insure no additional failures of this type occur. DTPW is proceeding with emergency work necessary to remediate any safety issues.

Fiscal Note

The estimated cost for the repair is being developed at this time.

Prepared by: Gregory G. High

Approved by:



Jack Takerian, Director
Transportation & Public Works

cc: Supervisor Michael Mayo, Sr
Supervisor Elizabeth Coggs-Jones
Supervisor Willie Johnson, Jr.
Supervisor Gerry Broderick
Tom Nardelli, Chief of Staff, County Executive's Office
Terry Cooley, Chief of Staff, County Board of Supervisors
Cynthia Archer, Director, DAS
Sue Black, Director, Parks Department
Timothy Schoewe, Interim Corporation Counsel
John Schapekahn, Principal Assistant Corporation Counsel
Jason Gates, Director, Risk Management
Steve Kreklow, Fiscal & Budget Administrator, Admin. & Fiscal Affairs Division/DAS
Greg High, Director, AE&ES
Mahmoud Malas, Resident Contract Manager (Bridges and Structures), DTPW
Joe Roszak, Chief of Recreation, Park Department
Jim Keegan, Chief of Finance, Parks Department
Dennis Dietscher, County Safety Coord., Risk Management
Julie Esch, Research Analyst, County Board
Carol Mueller, PEEC Committee Clerk
Jodi Mapp, TPW Committee Clerk
Martin Weddle, TPW Analyst
Pam Bryant, Administration & Fiscal Affairs Division/DAS