OFFICE OF THE COUNTY EXECUTIVE
Chris Abele
MILWAUKEE COUNTY EXECUTIVE

DATE: May 31, 2011

TO: The Honorable Lee Holloway, Chairman. Milwaukee County Board of Supervisors

FROM: Chris Abele, County Executive

SUBJECT: **Appointment of Patrick Farley**

Pursuant to Sec. 59.17(2) Wis. Stats, and subject to confirmation of your Honorable Body, I am pleased to appoint Mr. Patrick J. Farley to the position of Director of the Department of Administrative Services for Milwaukee County.

Mr. Farley's past leadership within key state administrative agencies, legal background, and experience in the private sector and with labor organizations make him an ideal choice for Director of the Department of Administrative Services. Mr. Farley has served as administrator of two divisions of the Wisconsin Department of Administration, and also served as a Milwaukee County assistant district attorney. He has extensive experience in procurement, creating public and private partnerships, risk management and other critical administrative functions and services. He will bring exceptional organizational leadership skills and public policy background to the position.

Mr. Farley will bring to the Department of Administrative Services the strong leadership and vision needed for Milwaukee County government and residents. I urge you to give this appointment your favorable consideration.

Chris Abele
Milwaukee County Executive

Attachment

Cc: Supervisor John Thomas
Terry Cooley – Chief of Staff
Steve Cady – Research Analyst
Carol Mueller, Committee Clerk
Patrick Farley

MILWAUKEE COUNTY COURTHOUSE, 901 NORTH 9TH STREET, ROOM 306, MILWAUKEE, WI 53233
TELEPHONE (414) 278-4211 FAX (414) 223-1375 COUNTY.MILWAUKEE.GOV/COUNTYEXECUTIVE

PATRICK J. FARLEY

8711 Glenwood Dr.
Greendale, WI 53129

(414) 704-1921
farley.p@sbcglobal.net

EXPERIENCE

DAVIS & FARLEY, Milwaukee, WI
Partner, 2010 – present

- Counsel and advise clients in developing and executing strategies to successfully work with all levels of government, including regulatory matters.
- Counsel and advise clients in building and maintaining strategic relationships and leveraging stakeholder interests to achieve desired outcome.
- Lead the firm's government procurement practice, which includes bid and proposal preparation, award controversies, contract administration issues and compliance matters.

AXLEY BRYNELSON, Madison, WI
Partner, 2008 – 2010
Axley Brynelson is a 54 attorney law firm founded in 1885, practicing in a broad array of areas including: administrative, business, health care, litigation, labor and employment, estate planning and public law.

- Led Axley Brynelson's government procurement practice, which included bid and proposal preparation, award controversies, contract administration issues and compliance matters.
- Counsel and advise clients in building and maintaining strategic relationships and leveraging stakeholder interests to achieve desired outcome.
- Counsel and advise clients in developing and executing strategies to successfully work with all levels of government, including regulatory matters.

OFFICE OF WISCONSIN GOVERNOR JIM DOYLE, Madison, WI
Director of External Relations, 2007 – 2008
Member of senior management team. Collaborated with businesses, interest groups, organizations, local elected officials and citizens to discuss and help develop the Governor's initiatives and maintain open lines of communication by responding to questions, concerns, and ideas. Supervised the planning, advancing, and staffing of public events for the Governor.

DIVISION OF ENTERPRISE OPERATIONS,
WISCONSIN DEPARTMENT OF ADMINISTRATION, Madison, WI
Division Administrator, 2004 – 2007
Managed the State of Wisconsin's Division of Enterprise Operations. The Division provides services, sets policy and gives direction to State agencies, the University of Wisconsin System and its campuses with procurement, transportation, risk management and document services. Procurement activities include statewide contracting for goods and services and minority business contracting. Transportation services include car fleet management and air transportation services. Risk management activities include managing the State's self-funded program for liability, property and workers compensation, and assisting agencies and UW campuses with loss prevention. Document services include managing the State Records Center, document sales and interdepartmental mail services. Enterprise Operations also directs the State's federal and State surplus property programs, municipal cooperative purchasing, and contracting with sheltered work centers

DIVISION OF INTERGOVERNMENTAL RELATIONS,
WISCONSIN DEPARTMENT OF ADMINISTRATION, Madison, WI
Division Administrator, 2003 – 2004

Managed the State of Wisconsin's Division of Intergovernmental Relations. The Division provides a broad array of resources and expertise that serves the public and all levels of government through the following: Coordinate the creation and execution of the Governor's Federal Issues Agenda; State and Federal Policy Analysis and Federal Grant Review; Wisconsin Coastal Management Program; Wisconsin Comprehensive Planning Program; Wisconsin Land Council; Wisconsin Land Information Program; Wisconsin Land Information Board;; Municipal Boundary Review; Plat Review; Demographic Services Center; Length of Service Award Program; Payment for Municipal Services; and Municipal Waiver Review.

MILWAUKEE COUNTY DISTRICT ATTORNEY'S OFFICE, Milwaukee, WI
Assistant District Attorney, 1998 – 2003
Litigated thousands of cases in Milwaukee County

SERVICE EMPLOYEES INTERNATIONAL UNION, WISCONSIN STATE COUNCIL, Milwaukee, WI.
Political Director, 1997-1998

WISCONSIN EDUCATION ASSOCIATION COUNCIL, Madison, WI.
Associate Counsel, 1995-1997

EDUCATION, HONORS & AWARDS

UNIVERSITY OF WISCONSIN LAW SCHOOL, Madison, WI. Juris Doctorate, 1995.

MARQUETTE UNIVERSITY, Milwaukee, WI. B.A. Political Science & History, Magna cum Laude, 1991

Phi Beta Kappa
Alpha Sigma Nu (National Jesuit Honor Society)
Pi Sigma Alpha (National Political Science Honor Society)
Phi Alpha Theta (National History Honor Society)

PROFESSIONAL AFFILIATIONS

American Bar Association
State Bar of Wisconsin
Milwaukee Bar Association

REPRESENTATIVE BOARD MEMBERSHIPS

Board member, League of United Latin American Citizens (LULAC) - Council 319, 1999 -present
Commissioner, Village of Greendale Fire & Police Commission, 2010 to present
St. Alphonsus Athletic Association, Communications Administrator, 2009 to present
Wisconsin Business Council, Secretary and General Council, 2009 to present
Clean, Responsible Energy for Wisconsin's Economy (CREWE), 2009 – 2010
Board member, Wisconsin Housing and Economic Development Authority (WHEDA), 2003 - 2007
Board member, Wisconsin Prison Industries Board, 2004 - 2007
Board member, Wisconsin Small Business Regulatory Review Board, 2004- 2007
Board member, Wisconsin State Use Board, 2004- 2007
Board member, Wisconsin Incorporation Review Board, 2004
Council member, Council on Small, Veteran, Minority Business Opportunities, 2004 - 2007
Wisconsin representative, Coastal States Organization (CSO), 2003- 2004
Wisconsin representative, Governors Ethanol Coalition, 2003-2004
Volunteer, Irish Fest
Volunteer, Mexican Fiesta

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

2

DATE : May 26, 2011

TO : County Executive Chris Abele
Johnny Thomas, Chairman, Finance and Audit Committee
Cynthia Pahl, Interim Assistant Fiscal and Budget Administrator

FROM : Charles Wikenhauser, Director, Zoological Department

SUBJECT : **2011 Revenue Deficit (For Information Only)**

Issue

Milwaukee County Ordinance 56.02 requires department administrators to submit a 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. The Milwaukee County Zoo is projecting a revenue deficit of $416,344.

Background

As of April 30, 2011, the Zoo is $416,344 short of its year-to-date revenue goal of $1,733,634 and 63,290 visitors short of its 219,592 year-to-date attendance goal. Expenditure savings are projected to be $416,344 for a zero tax levy impact.

Attendance and visitor spending are key factors that affect revenues. The Journal Sentinel reported that we have not had a spring this cool since 1996. The period of March 20 to April 23 ranks as the 33rd coolest average temperature in the past 141 years of recordkeeping. The other key factor, visitor spending, continues to be negatively impacted by the national recession.

Corrective Action Plan

Expenditure savings through April 30 are projected to be $416,344, which completely offsets the revenue shortfall. The Zoo has a freeze on all non-essential purchases and will continue to identify additional savings if attendance and visitor spending continues to fall behind budget.

Recommendation

This is an informational report required by Section 56.02 of the Milwaukee County Ordinances and requires no action.

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Charles Wikenhauser
Director, Zoological Department

pc: Lee Holloway, County Board Chairman
Supervisor Gerry Broderick, Chairman, Committee on Parks, Energy and Environment
George Aldrich, Chief of Staff, County Executive's Office
Scott Manske, Controller
Steve Cady, County Board, Fiscal and Budget Analyst
Sarah Jankowski, DAS, Fiscal and Management Analyst
Vera Westphal, Deputy Zoo Director (Administration/Finance)
Sue Rand, Accounting Manager

COUNTY OF MILWAUKEE
Inter-Office Communication

DATE: April 29, 2011

TO: Lee Holloway, Chairman, Milwaukee County Board of Supervisors

FROM: Lisa J. Marks, Director, Department of Child Support Enforcement

SUBJECT: INFORMATIONAL REPORT ON THE IMPACTS OF ACTION BY THE JOINT FINANCE COMMITTEE, MOTION #50

Issue

The Department is providing an informational report, updating the status of budget action taken by the Joint Finance Committee related to Child Support Enforcement.

Background

In the last biennial budget, the legislature provided base funding of $8.5 million for County Child Support agencies on an annual basis. Due to the availability of federal American Recovery & Reinvestment Act (ARRA) funds during that biennium, an actual expenditure of only $4.25 million general purpose revenue (GPR) was required in State Fiscal Year (SFY) 2011. The base budget, for determining Governor Walker's proposed 2012-2013 was set on the actual GPR expenditure, not the intended base funding. The Legislative Fiscal Bureau prepared paper #226 (attached) identifying three options for operation of the local program: 1) Governor Walker's proposed budget, 2) funding the program with $8.5 million GPR, or 3) modify the Governor's budget by adding an additional $2.125 in GPR.

Wisconsin was a leader among states in modeling its distribution of funds to counties based on a formula similar to performance measures used by the federal government. Wisconsin weighted measures to maximize its ability to earn federal performance incentive money. This has clearly worked in the State's favor, bringing in a higher proportion of federal incentive money compared to the size of our state. As part of this formula, the State established a floor or guarantee of funding to ensure a sufficient, stable funding source for county agencies. This also contributed to the State's success as a whole. To remove this floor destabilizes county funding, and threatens to push individual counties, and – as a long-term result - the State, into the downward spiral of falling performance and falling federal incentives as referenced in the Legislative Fiscal Bureau Paper # 226.

Milwaukee County has 36% of the State's total caseload- anything that decreases Milwaukee's ability to perform not only endangers Milwaukee's program, but threatens the entire State's performance funding. Almost one half (48%) of the children who live in Milwaukee County are served by MC CSE. For every dollar spent in administrative costs, $5.04 is collected and distributed to families. These funds reduce dependency on public assistance programs, as federal statistics show that for every $4 spent on the child support program, $5 is saved in public assistance benefits.

Discussion

On April 26, 2011 the Joint Finance Committee held their first hearing on Governor Walker's proposed budget. The Department of Children and Families, Child Support Enforcement, State & Local Operations led the committee's agenda. On a motion by Representative Vos and second by Senator Darling, Motion #50 (attached) was introduced and passed the Joint Finance committee on a 12 to 4 vote, following party lines.

Motion #50 adopts alternative 1 in paper #226, and additionally requires the Department of Children and Families (DCF) to submit a plan, no later than August 31, 2011 to the Joint Committee on Finance, that specifies the proposed child support allocations by Counties for (CY) 2012 and (CY) 2013 and the basis for the allocations. The motion specifically states that allocations cannot be based on an across-the-board reduction from CY2011. Additionally, in determining allocations, DCF may consider levels of efficiency and each county's performance with regard to the support order rate, paternity establishment and collection rate per FTE. DCF is prohibited from distributing funds to local child support agencies until the plan is approved by the committee. Note: "In addition, the motion would require DCF to allocate the funds available under the bill such that counties that perform better on the performance standards would receive less of a reduction to their county allocation than those counties who do not perform well."

Passage of the Governor's proposed funding level represented a $3.6 million funding ($1.2 mil GPR & $2.4 mil FED) loss to Milwaukee County Child Support Enforcement (MC CSE) and a projected staff loss of 38 workers or 28% of the current staff. It is the additional language of Motion #50 which creates further funding uncertainty, specifically for Milwaukee County.

Historically up to and including this year, Milwaukee County has received a smaller amount of funding per case than any other county in Wisconsin. Consequently, MC CSE has not had the luxury, like other counties, to pursue performance levels exceeding the federal minimum requirements. Instead, MC CSE target staff efforts on meeting the specific performance measures, and then move on to other non-performance related requirements imposed by the State. Note that Motion #50's funding reductions, prior to any loss due to a revision of the current allocation methodology, will place Milwaukee at the highest caseload per FTE. This is higher than even the worst performing urban jurisdiction – Wayne County (Detroit), Michigan.

The paternity establishment performance measure illustrates the problem created by the additional language of Motion #50. Both the federal and state contract performance level is 90%. MC CSE met this goal, finishing FFY 2010 at a performance rate of 90.50%. All of the other counties, however, exceeded 100%. Additionally, collections by FTE will also have a disproportionately negative effect on MC CSE, caused by both low dollar orders set for low income payers, and the widespread unemployment in the County.

Until the allocation is determined by DCF, the department will be unable to predict the additional fiscal impact. Based on the figures in the Governor's proposed budget, MC CSE estimates that almost 25,000 families (24,972) will go without receiving any child support, over $18million will be lost in collections, 1,680 children will go without having a legal father established, over 2,500 families will not have an order set for support, MC CSE outreach initiatives will need to be scaled back, including the new Veterans program.

Recommendation

The report is informational.

Respectfully submitted,

Lisa J. Marks, Director
Department of Child Support Enforcement

cc: Chris Able, Milwaukee County Executive
Willie Johnson Jr., Chairman, Judiciary, Safety and General Services Committee
John Thomas, Chairman, Finance and Audit Committee
James (Luigi) Schmidt, Chairman, Intergovernmental Relations Committee
George Aldrich, Chief of Staff, Milwaukee County Executive's Office
Cynthia (CJ) Pahl, Assistant Fiscal & Budget Manager, Department of Administrative Services
Rick Ceschin, Analyst - County Board
Antionette Thomas-Bailey, Analyst – Department of Administrative Services
Linda Durham, Committee Clerk - County Board

Attachments

Representative Vos
Senator Darling

CHILDREN AND FAMILIES

Posted by Wheeler Reports

Local Child Support Enforcement Activities

[LFB Paper #226]

Motion:

Move to adopt Alternative 1 in Paper #226. In addition, require the Department of Children and Families (DCF) to submit a plan no later than August 31, 2011, to the Joint Committee on Finance under a 14-day passive review process that specifies the proposed child support allocations to each county in calendar year (CY) 2012 and CY 2013 and the basis for the allocations. Specify that the allocations cannot be based on an across-the-board reduction from the CY 2011 allocations. Specify that in determining allocations, DCF may consider levels of efficiency and each county's performance with regard to the support order rate, paternity establishment, and collection rate per FTE. Prohibit DCF from distributing funds to local child support agencies until the plan is approved by the Committee.

Note:

This motion would approve the Governor's recommendation to provide $4,250,000 GPR and $8,250,000 FED annually for local child support enforcement activities.

In addition, the motion would require DCF to allocate the funds available under the bill such that counties that perform better on the performance standards would receive less of a reduction to their county allocation than those counties who do not perform well. The motion would require DCF to submit a plan with the county allocations and a description of the basis for determining the allocations to the Joint Committee on Finance by August 31, 2011. The motion would prohibit DCF from distributing funds to local child support agencies until the plan is approved by the Committee under a 14-day passive review process. DCF currently has county data on the following performance standards: (a) establishment of court orders; (b) paternity establishment; and (c) collection of current child support due.

Motion #50

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 26, 2011 | Joint Committee on Finance | Paper #226

Funding for Local Child Support Enforcement Activities (DCF -- Child Support)

CURRENT LAW

The costs of administering child support enforcement activities performed by counties in Wisconsin are supported by a combination of federal funds, state general purpose revenue (GPR), and county revenue from local sales tax, property tax, and shared revenue. The largest source of funding for child support enforcement activities comes from the federal government in the form of federal child support incentive payments and federal matching funds.

The federal government distributes child support incentive payments to states in order to encourage and reward state programs that perform in a cost-effective and efficient manner. States must compete against each other for incentive dollars. These funds support both state operations of child support enforcement activities in the Department of Children and Families (DCF) and child support enforcement activities performed by counties through contracts with DCF.

Each year, DCF distributes the first $12,340,000 of the state's federal incentive payment to counties. If the incentive payment exceeds $12,340,000, then 30% of the excess is distributed to counties and 70% is retained by DCF to support state child support enforcement activities.

Deficit Reduction Act

Prior to enactment of the federal Deficit Reduction Act (DRA) of 2005, states could claim 66% federal child support matching funds if they reinvested their federal incentive payments into child support enforcement activities. Therefore, an expenditure of $1 of federal incentive payments would generate a match of $1.94, and fund nearly $3 of child support enforcement expenditures.

For example, in calendar year (CY) 2006, $12,996,800 in federal child support incentive payments were allocated to local child support enforcement agencies. These federal funds generated an additional $25,229,100 in federal child support matching funds (66% match). As a result, local child support agencies received a total of $38,225,900 in federal funds for local child support enforcement activities.

The federal DRA eliminated the ability to receive federal matching funds for federal incentive payments, beginning October 1, 2007. Using the example above, federal funding for local child support activities would be reduced from $38.2 million to $13.0 million, a loss of $25.2 million for local child support agencies.

2007 Wisconsin Act 20

As a result of the inability to receive federal matching funds for federal incentive payments expended on child support enforcement activities, local child support agencies lost substantial federal funding for child support activities. To partially offset this reduction, 2007 Act 20 (the 2007-09 biennial budget bill) provided additional state funds for county child support enforcement activities in the amount of $2,750,000 GPR in 2007-08 and $5,500,000 GPR in 2008-09. These funds would have generated $5,338,200 in 2007-08 and $10,676,500 in 2008-09 in federal matching funds. On an annualized basis, local child support agencies would receive approximately $16.2 million to partially offset the $25.2 million in lost federal matching funds.

American Recovery and Reinvestment Act

The federal American Recovery and Reinvestment Act (ARRA) of 2009 provided temporary stimulus funding for child support enforcement activities. The federal ARRA temporarily reinstated the ability to receive federal matching funds for federal child support incentive payments for the period October 1, 2008, through September 30, 2010. Beginning October 1, 2010, the federal DRA's provision that eliminated the ability to receive federal matching funds for federal child support incentive payments was reinstated.

2009 Wisconsin Act 28

Due to the stimulus funding under ARRA, no state incentive payments were appropriated under Act 28 for local child support enforcement agencies for the last six months of the CY 2009 child support enforcement contracts or for the CY 2010 contracts during the 2009-11 biennium. However, since the temporary reinstatement of the ability to match federal child support incentive payments expired September 30, 2010, state incentive payments in the amount of $4,250,000 GPR in 2010-11 were budgeted for the first six months of the CY 2011 contracts (the last six months of the 2009-11 biennium). These funds generate an additional $8,250,000 in federal matching funds. This funding was for a six-month period. It was anticipated that funding for the last six months of the CY 2011 contracts, the CY 2012 contracts, and the first six months of the CY 2013 contracts would be funded during the 2011-13 biennial budget process.

State Funding if Federal Law Reinstated

Due to uncertainty as to whether future federal legislation would reinstate the ability to match federal child support incentive payments, 2009 Act 28 specified that GPR for local child support enforcement activities would be eliminated if federal legislation reinstates the ability to match federal child support incentive payments at a rate of 66% or more. DCF is required to include a provision in the child support contracts with local child support agencies, beginning with the CY 2011 contracts, that specifies if federal legislation is enacted, on or after the date on which the contract begins, that allows the ability to match federal child support incentive payments at a rate of 66% or more, then DCF would no longer make GPR payments beginning on the effective date of the federal legislation.

Due to a similar provision under 2007 Act 20, $2,750,000 GPR in 2008-09 of the amount budgeted under Act 20 remained unspent.

December 14, 2010, Joint Committee on Finance Meeting

The Joint Committee on Finance met on December 14, 2010, to consider several items under section 13.10 of the Wisconsin statues. One of these items, Agenda Item VII, concerned the allocation of uncommitted income augmentation revenues. Under Motion #40, $4,250,000 of the uncommitted income augmentation revenues was allocated to DCF for local child support enforcement agencies. Motion #40 also directed DCF to distribute these funds, as well as the entire amount of the $4,250,000 GPR allocated under 2009 Act 28 in 2010-11, to the local child support agencies no later than January 1, 2011.

Because $4,250,000 GPR had been allocated in 2010-11 under Act 28 for a six-month period, local child support agencies anticipated that during the 2011-13 biennial budget process, $8,500,000 GPR annually would be budgeted for local child support enforcement activities in order to partially offset the loss in federal funds from the inability to receive federal matching funds for child support incentive payments (approximately $25.2 million as mentioned above under "Deficit Reduction Act"). The annual amount of $8,500,000 GPR would generate additional federal matching funds of $16,500,000, for a total of $25,000,000.

However, DCF's agency budget request did not request $8,500,000 GPR annually. DCF requested no increase. As a result, $4,250,000 GPR annually, which is the base amount from 2010-11 that had represented six months worth of funding, was requested. These funds would generate federal matching funds of $8,250,000 annually, for a total of $12,500,000 annually. Under the budget request, local child support agencies would receive $12,500,000 less annually than they had anticipated.

To partially address the local child support agencies' concern regarding a shortfall of funding during the 2011-13 biennium, the Committee provided $4,250,000 in income augmentation revenues. With these additional funds, local child support agencies would have $8.5 million in GPR and income augmentation revenues, plus $16.5 million in federal matching funds, for a total of $25.0 million, for the CY 2011 contracts.

GOVERNOR

No provision. As a result, funding for local child support agencies is $4,250,000 GPR annually.

DISCUSSION POINTS

Federal Child Support Incentive Payments

1. The federal government distributes child support incentive payments to states in order to encourage and reward state child support enforcement programs that operate effectively. The annual incentive payment to each state is based on that state's performance, relative to the other states, on several criteria. Currently, performance on five criteria determines the amount of the award: (a) paternity establishment; (b) establishment of support orders; (c) collection of current child support due; (d) collection of child support arrearages; and (e) cost-effectiveness.

2. From the period from federal fiscal year (FFY) 2002 to FFY 2009, Wisconsin's efficiency has exceeded the national average each year. In FFY 2009, Wisconsin's collection-to-cost ratio was $6.82 in support distributions per dollar spent on enforcement efforts statewide compared with the national collection-to-cost ration of $4.78. Of the fifty states plus Puerto Rico, Guam, the Virgin Islands, and the District of Columbia, Wisconsin ranked 12th highest on this measure of program efficiency.

3. DCF distributes the state's award of these federal child support incentive payments and state funding to counties for child support enforcement activities. Counties are required to contract with DCF to implement and administer the child support enforcement program at the local level. County responsibilities include: (a) establishing child support and medical support orders; (b) establishing paternity; (c) providing data related to support orders; and (d) enforcing medical and financial child support orders.

4. Allocations to county child support agencies of these funds are determined based on the county's share of statewide support cases that receive enforcement services from a county child support agency. Each county is guaranteed from 80% to 93% of the amount of the incentive payment allocated to each performance measure. The remainder is awarded based on the county's performance on one or more standards. Four standards were used to determine CY 2011 awards: (a) percentage of cases with a child support order; (b) percentage of children for whom paternity was established; (c) percentage of child support received compared to the total amount of child support due in the federal fiscal year; and (d) percentage of cases with arrearages due at any time during the federal fiscal year for which a collection was made on the arrearages during the federal fiscal year.

Federal Changes to the Federal Child Support Incentive Payments

5. Wisconsin's share of the federal child support incentive payments has been approximately $12 million to $13 million annually. Prior to the federal DRA, these federal incentive

funds expended on child support enforcement activities generated additional federal matching funds at a rate of 66%, for a total of $23 million to $25 million in additional matching funds. The federal DRA eliminated the ability to receive federal matching funds at the 66% match rate for federal child support incentive payments, which left a shortfall for local child support agencies of approximately $25 million. The state partially offset this shortfall under 2007 Act 20 by providing additional GPR dollars, which are eligible for federal matching funds at the 66% match rate.

6. Provisions of the federal ARRA reinstated the ability to receive federal matching funds for federal child support incentive payments from the period October 1, 2008, through September 30, 2010. This ability to receive federal matching funds for federal child support incentive payments provided local child support agencies with a similar level of funding before the federal DRA went into effect through the CY 2010 contracts. Beginning, with the CY 2011 contracts, there would again be a funding shortfall of approximately $25 million per year.

State Funding Levels to Address Federal Changes

7. To address the lack of federal matching funds, beginning with the CY 2011 contracts, 2009 Act 28 provided $4,250,000 GPR in 2010-11 to offset the shortfall during the first six months of the CY 2011 contracts. On an annualized basis, the amount needed to offset the $25 million shortfall would be $8,500,000 GPR. However, the bill provides only $4,250,000 GPR annually for local child support agencies. These funds generate $8,250,000 in federal matching funds, for a total of $12,500,000. This amount is $12.5 million less than the amount needed to offset the shortfall of $25 million.

8. In December, 2010, the Committee allocated $4,250,000 in uncommitted income augmentation revenues to local child support agencies. With these funds, $8,500,000 in CY 2011 in state funding ($4,250,000 GPR in 2010-11 allocated under Act 28 and $4,250,000 in income augmentation revenues that would be used during the first six months of 2011-12) and $16,500,000 in federal matching funds, for a total of $25,000,000, would be available. Attachment 1 shows the preliminary allocations of these funds by county.

Senate Bill 27/Assembly Bill 40

9. With the funds provided under the bill of $4,250,000 GPR annually, there are several options to allocate these funds for the CY 2012 and CY 2013 contracts for local child support agencies. Two of these options are described below. As noted above, no funding under the bill is needed for the CY 2011 contracts due to the receipt of $4,250,000 in income augmentation revenue for the last six months of the CY 2011 contracts.

10. First, local child support agencies could allocate $4,250,000 GPR in 2011-12 during the first six months of CY 2012 and allocate the entire amount of $4,250,000 GPR in 2012-13 during the last six months of CY 2012. CY 2012 would be fully funded, but this would leave the first six months of CY 2013 with no state funding. The last six months of the CY 2013 contracts would be funded during the 2013-15 biennium. Assuming the same level of state funding would be appropriated during the 2013-15 biennium, $2,125,000 in state funding would be available for last

six months of CY 2013 (one-half of the $4,250,000 appropriated in 2013-14). With matching funds of $4,125,000, a total of $6,250,000 would be available to address a $25 million shortfall in CY 2013. CY 2012 county allocations would be similar to those in Attachment 1. Attachment 2 shows what county allocations in CY 2013 could look like with $2,125,000 GPR.

11. Second, the amount of funding under the bill for local child agencies could be stepped-down to make the reduction of funding in CY 2013 less dramatic. As in the above example, funding for the first six months of CY 2012 would be $4,250,000 GPR in 2011-12. However, the last six months of CY 2012 could be one-half of the amount budgeted in 2012-13, rather than the entire amount, for a total of $6,375,000 GPR in CY 2012. This amount of funding would generate $12,375,000 in federal matching funds, for a total of $18,750,000 ($6.25 million less than the shortfall of $25 million). As a result, $4,250,000 GPR would be available in CY 2013 (the remaining $2,125,000 in 2012-13 during the first six months of CY 2013 and $2,125,000 in 2013-14 for the last six months of CY 2013). These funds would generate $8,250,000 in federal matching funds, for a total of $12,500,000 ($12.5 million less than the shortfall of $25 million). Attachment 3 shows what county allocations might look like with $6,375,000 GPR in CY 2012. Attachment 4 shows what county allocations might look like with $4,250,000 GPR in CY 2013.

12. DCF has indicated that the allocation distribution to counties in CY 2012 and CY 2013 has not yet been determined. However, any option to allocate the available funding level under the bill would be a significant reduction compared to what local child support agencies were anticipating.

13. The Committee could adopt the Governor's recommendation (Alternative 1). Given the economic conditions and the competition for state funding for a variety of programs, the Committee may choose to reduce funding for local child support enforcement activities. Attachments 1 through 4 show different allocation options that could be provided to local child support agencies with this level of funding during the 2011-13 biennium as described above.

14. However, with this reduction in funding, local child support agencies indicate that elimination of staff would be necessary. With fewer staff, fewer child support orders and paternities would be established. As a result, the state's performance for the federal child support incentive payments could decline, which would result in fewer federal child support incentive dollars paid to the state. With fewer federal child support incentive payment dollars, local child support agencies would have less funding, creating a cycle of having to eliminate more staff and performing more poorly for federal child support incentive payments.

15. In addition, local child support agencies have earned less from federal medical support incentive payments due to changes in federal rules. Federal law permits child support agencies to attempt to recover birth costs that were paid by Medicaid, rather than the responsible parents, by permitting the child support agency to retain an incentive payment equal to 15% of the amount of medical support recovered by the agency. Liability for birth costs had routinely been split between the birth parents. One-half of the birth costs had been assigned to each parent. Local child support agencies earned $3.25 million in CY 2008.

16. The federal Office of Child Support Enforcement (OCSE) in the U.S. Department of Health and Human Services determined that the amount of birth costs in a medical support order must be based on the parent's ability to pay, rather than assigning one-half to each parent. Federal rules limit the amount of birth costs that the noncustodial parent may be ordered to pay to the lower amount of: (a) 5% of the father's monthly income over a 36-month period (the amount may be less than 5% for low-income payers); (b) half of the regional average amount for birth costs; or (c) half of the actual birth costs up to the full regional average amount for birth costs.

17. The OCSE notified Wisconsin that the state's request for the federal income tax refund offset would not be certified for birth cost orders that were not set in accordance with the parent's ability to pay. The federal income tax refund offset is one of the primary tools to collect birth costs owed to the state.

18. As a result of these changes, local child support agencies earned $2.58 million in CY 2009 ($0.7 million less) and $2.82 million in CY 2010 ($0.4 million less) for medical support incentive payments. Because medical support incentive payments are eligible for federal matching funds at the rate of 66% if the payments are used for child support enforcement activities, local child support agencies lost an additional $1.3 million in CY 2009 and $0.8 million in CY 2010, for a total loss of $2.0 million in CY 2009 and $1.2 million in CY 2010.

19. Additionally, there is a proposal at the federal level to eliminate the medical support incentive program entirely. Should this proposal be enacted, local child support agencies would lose approximately $2.8 million in medical support incentive payments and an additional $5.4 million in federal matching funds, for a total loss of $8.2 million.

20. Finally, the bill would also reduce other funding for services at the local level, such as shared revenue, schools, and recycling. Local child support agencies would have to compete with other local services for limited county tax revenue.

21. The Committee could choose to provide $4,250,000 GPR in 2012-13 to offset the reduction in funding due to the federal DRA (Alternative 2). These additional funds would put state funding for local child support agencies at $8,500,000 GPR annually and generate additional federal matching funds of $16,500,000, for a total of $25,000,000. County allocations for local child support enforcement activities for CY 2011, CY 2012, and CY 2013 would all be similar to Attachment 1.

22. Alternatively, the Committee could choose to provide $2,125,000 GPR in 2012-13 to partially offset the reduction in funding due to the federal DRA (Alternative 3). These additional funds would put state funding for local child support agencies at $6,375,000 GPR annually and generate additional federal matching funds of $12,375,000, for a total of $18,750,000 ($6.25 million less than the $25.0 million shortfall). Funding for CY 2011 would be similar to Attachment 1, while funding for CY 2012 and CY 2013 would be similar to Attachment 3. This alternative would require local child support agencies to absorb a loss of $6.25 million annually, beginning with the CY 2012 contracts.

ALTERNATIVES

1. Approve the Governor's recommendation to provide $4,250,000 GPR annually for local child support agencies. Base funding for the 2013-15 biennium would be $4,250,000 GPR annually, which would generate $8,250,000 in federal matching funds, for a total of $12,500,000 ($12.5 million less than the shortfall of $25 million due to the federal DRA). Under this alternative, funding for local child support agencies would be similar to either Attachment 1 for CY 2011 and CY 2012 and Attachment 2 for CY 2013, or Attachment 1 for CY 2011, Attachment 3 for CY 2012, and Attachment 4 for CY 2013, depending on how DCF would distribute the available funds under the bill.

2. Modify the Governor's recommendation to provide an additional $4,250,000 GPR in 2012-13 for local child support agencies. Base funding for the 2013-15 biennium would be $8,500,000 GPR, which would generate $16,500,000 in federal matching funds, for a total of $25,000,000 (offsetting the federal DRA shortfall of $25 million). Under this alternative, funding for CY 2011, CY 2012, and CY 2013 would be similar to Attachment 1.

ALT 2	Change to Bill Funding
GPR	$4,250,000
FED	8,250,000
Total	$12,500,000

3. Modify the Governor's recommendation to provide an additional $2,125,000 GPR in 2012-13. Base funding for the 2013-15 biennium would be $6,375,000 GPR, which would generate $12,375,000 in federal matching funds, for a total of $18,750,000 ($6.25 million less than the shortfall of $25 million due to the federal DRA). Funding for CY 2011 would be similar to Attachment 1, and CY 2012 and CY 2013 would be similar to Attachment 3.

ALT 3	Change to Bill Funding
GPR	$2,125,000
FED	4,125,000
Total	$6,250,000

Prepared by: Kim Swissdorf
Attachment

ATTACHMENT 1

CY 2011 Preliminary County Allocations for Child Support Federal Incentive Payments, $8.5 Million GPR and Income Augmentation Funds, and Federal Matching Funds for GPR and Income Augmentation Funds

County	Incentive Payment	GPR and Income Augmentation Funds	Federal Matching Funds	Total Funding
Adams	$41,181	$30,208	$58,639	$130,028
Ashland	45,536	33,403	64,841	143,780
Barron	104,751	76,841	149,162	330,754
Bayfield	25,522	18,722	36,343	80,587
Brown	485,096	355,846	690,760	1,531,702
Buffalo	18,395	13,493	26,192	58,080
Burnett	35,997	26,406	51,259	113,662
Calumet	49,856	36,572	70,993	157,421
Chippewa	109,719	80,485	156,236	346,440
Clark	43,232	31,714	61,562	136,508
Columbia	92,044	67,520	131,068	290,632
Crawford	30,777	22,577	43,826	97,180
Dane	783,979	575,094	1,116,359	2,475,432
Dodge	141,468	103,775	201,446	446,689
Door	40,569	29,759	57,767	128,095
Douglas	116,306	85,318	165,617	367,241
Dunn	74,874	54,924	106,617	236,415
Eau Claire	179,913	131,977	256,191	568,081
Florence	7,631	5,598	10,867	24,096
Fond du Lac	173,362	127,171	246,861	547,394
Forest	27,214	19,963	38,752	85,929
Grant	66,918	49,089	95,290	211,297
Green	54,032	39,635	76,938	170,605
Green Lake	30,885	22,656	43,979	97,520
Iowa	30,094	22,075	42,851	95,020
Iron	9,719	7,130	13,841	30,690
Jackson	46,724	34,275	66,534	147,533
Jefferson	138,409	101,531	197,090	437,030
Juneau	63,571	46,633	90,523	200,727
Kenosha	442,439	324,555	630,018	1,397,012
Kewaunee	24,550	18,009	34,959	77,518
La Crosse	198,668	145,734	282,895	627,297
Lafayette	21,958	16,108	31,268	69,334
Langlade	57,991	42,540	82,578	183,109
Lincoln	56,875	41,721	80,988	179,584

County	Incentive Payment	GPR and Income Augmentation Funds	Federal Matching Funds	Total Funding
Manitowoc	$137,581	$100,923	$195,909	$434,413
Marathon	223,542	163,981	318,316	705,839
Marinette	90,065	66,068	128,250	284,383
Marquette	24,946	18,299	35,522	78,767
Milwaukee	4,634,724	2,492,050	4,837,509	11,964,283
Monroe	95,464	70,028	135,937	301,429
Oconto	68,682	50,382	97,800	216,864
Oneida	67,386	49,432	95,956	212,774
Outagamie	274,297	201,213	390,590	866,100
Ozaukee	75,126	55,109	106,976	237,211
Pepin	9,755	7,156	13,891	30,802
Pierce	43,088	31,608	61,357	136,053
Polk	59,143	43,385	84,218	186,746
Portage	101,260	74,280	144,191	319,731
Price	23,182	17,005	33,010	73,197
Racine	637,363	467,543	907,583	2,012,489
Richland	31,533	23,132	44,903	99,568
Rock	422,317	309,794	601,365	1,333,476
Rusk	37,689	27,647	53,668	119,004
St. Croix	99,496	72,986	141,679	314,161
Sauk	116,018	85,106	165,206	366,330
Sawyer	51,188	37,549	72,889	161,626
Shawano	63,247	46,395	90,061	199,703
Sheboygan	182,865	134,142	260,393	577,400
Taylor	33,765	24,769	48,081	106,615
Trempealeau	46,868	34,381	66,740	147,989
Vernon	37,257	27,330	53,052	117,639
Vilas	26,206	19,224	37,317	82,747
Walworth	164,722	120,833	234,558	520,113
Washburn	38,301	28,096	54,539	120,936
Washington	132,325	97,068	188,426	417,819
Waukesha	322,029	236,227	458,558	1,016,814
Waupaca	89,345	65,539	127,223	282,107
Waushara	45,428	33,324	64,688	143,440
Winnebago	299,027	219,354	425,805	944,186
Wood	149,388	109,585	212,724	471,697
Total	$12,824,873	$8,500,000	$16,500,000	$37,824,873

ATTACHMENT 2

CY 2013 Estimated County Allocations for Child Support Federal Incentive Payments, $2.125 Million GPR, and Federal Matching Funds for GPR

County	Incentive Payment	GPR Funding	Federal Matching Funds	Total Funding
Adams	$41,181	$7,552	$14,660	$63,393
Ashland	45,536	8,351	16,211	70,098
Barron	104,751	19,210	37,290	161,251
Bayfield	25,522	4,681	9,087	39,290
Brown	485,096	88,961	172,689	746,746
Buffalo	18,395	3,374	6,550	28,319
Burnett	35,997	6,602	12,816	55,415
Calumet	49,856	9,143	17,748	76,747
Chippewa	109,719	20,121	39,058	168,898
Clark	43,232	7,929	15,392	66,553
Columbia	92,044	16,880	32,767	141,691
Crawford	30,777	5,645	10,958	47,380
Dane	783,979	143,773	279,089	1,206,841
Dodge	141,468	25,943	50,360	217,771
Door	40,569	7,440	14,442	62,451
Douglas	116,306	21,329	41,403	179,038
Dunn	74,874	13,731	26,654	115,259
Eau Claire	179,913	32,994	64,047	276,954
Florence	7,631	1,400	2,718	11,749
Fond du Lac	173,362	31,792	61,714	266,868
Forest	27,214	4,991	9,688	41,893
Grant	66,918	12,273	23,824	103,015
Green	54,032	9,909	19,235	83,176
Green Lake	30,885	5,664	10,995	47,544
Iowa	30,094	5,519	10,713	46,326
Iron	9,719	1,783	3,461	14,963
Jackson	46,724	8,569	16,634	71,927
Jefferson	138,409	25,382	49,271	213,062
Juneau	63,571	11,659	22,632	97,862
Kenosha	442,439	81,138	157,503	681,080
Kewaunee	24,550	4,503	8,741	37,794
La Crosse	198,668	36,433	70,723	305,824
Lafayette	21,958	4,027	7,817	33,802
Langlade	57,991	10,635	20,644	89,270
Lincoln	56,875	10,431	20,248	87,554

County	Incentive Payment	GPR Funding	Federal Matching Funds	Total Funding
Manitowoc	$137,581	$25,230	$48,976	$211,787
Marathon	223,542	40,995	79,579	344,116
Marinette	90,065	16,517	32,062	138,644
Marquette	24,946	4,575	8,881	38,402
Milwaukee	4,634,724	623,012	1,209,376	6,467,112
Monroe	95,464	17,507	33,984	146,955
Oconto	68,682	12,596	24,451	105,729
Oneida	67,386	12,358	23,989	103,733
Outagamie	274,297	50,303	97,647	422,247
Ozaukee	75,126	13,777	26,744	115,647
Pepin	9,755	1,789	3,473	15,017
Pierce	43,088	7,902	15,339	66,329
Polk	59,143	10,846	21,054	91,043
Portage	101,260	18,570	36,048	155,878
Price	23,182	4,252	8,254	35,688
Racine	637,363	116,885	226,894	981,142
Richland	31,533	5,783	11,226	48,542
Rock	422,317	77,448	150,340	650,105
Rusk	37,689	6,912	13,417	58,018
St. Croix	99,496	18,246	35,419	153,161
Sauk	116,018	21,276	41,301	178,595
Sawyer	51,188	9,388	18,224	78,800
Shawano	63,247	11,599	22,516	97,362
Sheboygan	182,865	33,535	65,097	281,497
Taylor	33,765	6,193	12,022	51,980
Trempealeau	46,868	8,596	16,686	72,150
Vernon	37,257	6,833	13,264	57,354
Vilas	26,206	4,806	9,329	40,341
Walworth	164,722	30,208	58,639	253,569
Washburn	38,301	7,024	13,635	58,960
Washington	132,325	24,267	47,107	203,699
Waukesha	322,029	59,056	114,638	495,723
Waupaca	89,345	16,384	31,804	137,533
Waushara	45,428	8,331	16,172	69,931
Winnebago	299,027	54,838	106,450	460,315
Wood	149,388	27,396	53,181	229,965
Total	$12,824,873	$2,125,000	$4,125,000	$19,074,873

ATTACHMENT 3

CY 2012 Estimated County Allocations for Child Support Federal Incentive Payments, $6.375 Million GPR, and Federal Matching Funds for GPR

County	Incentive Payment	GPR Funding	Federal Matching Funds	Total Funding
Adams	$41,181	$22,656	$43,979	$107,816
Ashland	45,536	25,052	48,630	119,218
Barron	104,751	57,631	111,872	274,254
Bayfield	25,522	14,042	27,258	66,822
Brown	485,096	266,884	518,069	1,270,049
Buffalo	18,395	10,120	19,645	48,160
Burnett	35,997	19,805	38,445	94,247
Calumet	49,856	27,429	53,245	130,530
Chippewa	109,719	60,364	117,177	287,260
Clark	43,232	23,786	46,173	113,191
Columbia	92,044	50,640	98,301	240,985
Crawford	30,777	16,933	32,870	80,580
Dane	783,979	431,320	837,268	2,052,567
Dodge	141,468	77,831	151,084	370,383
Door	40,569	22,319	43,325	106,213
Douglas	116,306	63,988	124,212	304,506
Dunn	74,874	41,193	79,963	196,030
Eau Claire	179,913	98,983	192,144	471,040
Florence	7,631	4,199	8,151	19,981
Fond du Lac	173,362	95,378	185,146	453,886
Forest	27,214	14,972	29,063	71,249
Grant	66,918	36,817	71,468	175,203
Green	54,032	29,726	57,703	141,461
Green Lake	30,885	16,992	32,984	80,861
Iowa	30,094	16,556	32,138	78,788
Iron	9,719	5,348	10,381	25,448
Jackson	46,724	25,706	49,900	122,330
Jefferson	138,409	76,148	147,817	362,374
Juneau	63,571	34,975	67,893	166,439
Kenosha	442,439	243,416	472,513	1,158,368
Kewaunee	24,550	13,507	26,219	64,276
La Crosse	198,668	109,300	212,171	520,139
Lafayette	21,958	12,081	23,451	57,490
Langlade	57,991	31,905	61,933	151,829
Lincoln	56,875	31,291	60,741	148,907

County	Incentive Payment	GPR Funding	Federal Matching Funds	Total Funding
Manitowoc	$137,581	$75,692	$146,932	$360,205
Marathon	223,542	122,986	238,738	585,266
Marinette	90,065	49,551	96,187	235,803
Marquette	24,946	13,724	26,641	65,311
Milwaukee	4,634,724	1,869,037	3,628,131	10,131,892
Monroe	95,464	52,521	101,953	249,938
Oconto	68,682	37,787	73,351	179,820
Oneida	67,386	37,074	71,967	176,427
Outagamie	274,297	150,910	292,943	718,150
Ozaukee	75,126	41,332	80,233	196,691
Pepin	9,755	5,367	10,418	25,540
Pierce	43,088	23,706	46,018	112,812
Polk	59,143	32,539	63,164	154,846
Portage	101,260	55,710	108,143	265,113
Price	23,182	12,754	24,758	60,694
Racine	637,363	350,657	680,687	1,668,707
Richland	31,533	17,349	33,677	82,559
Rock	422,317	232,345	451,023	1,105,685
Rusk	37,689	20,735	40,250	98,674
St. Croix	99,496	54,740	106,260	260,496
Sauk	116,018	63,829	123,903	303,750
Sawyer	51,188	28,162	54,667	134,017
Shawano	63,247	34,796	67,545	165,588
Sheboygan	182,865	100,606	195,294	478,765
Taylor	33,765	18,577	36,061	88,403
Trempealeau	46,868	25,786	50,055	122,709
Vernon	37,257	20,498	39,790	97,545
Vilas	26,206	14,418	27,988	68,612
Walworth	164,722	90,625	175,919	431,266
Washburn	38,301	21,072	40,905	100,278
Washington	132,325	72,801	141,320	346,446
Waukesha	322,029	177,170	343,918	843,117
Waupaca	89,345	49,154	95,417	233,916
Waushara	45,428	24,993	48,516	118,937
Winnebago	299,027	164,515	319,353	782,895
Wood	149,388	82,189	159,543	391,120
Total	$12,824,873	$6,375,000	$12,375,000	$31,574,873

ATTACHMENT 4

CY 2013 Estimated County Allocations for Child Support Federal Incentive Payments, $4.25 Million GPR, and Federal Matching Funds for GPR

County	Incentive Payment	GPR Funding	Federal Matching Funds	Total Funding
Adams	$41,181	$15,104	$29,320	$485,605
Ashland	45,536	16,701	32,420	94,657
Barron	104,751	38,420	74,580	217,751
Bayfield	25,522	9,361	18,171	53,054
Brown	485,096	177,923	345,380	1,008,399
Buffalo	18,395	6,747	13,097	38,239
Burnett	35,997	13,203	25,629	74,829
Calumet	49,856	18,286	35,496	103,638
Chippewa	109,719	40,242	78,117	228,078
Clark	43,232	15,857	30,781	89,870
Columbia	92,044	33,760	65,534	191,338
Crawford	30,777	11,289	21,914	63,980
Dane	783,979	287,547	558,179	1,629,705
Dodge	141,468	51,887	100,722	294,077
Door	40,569	14,880	28,885	84,334
Douglas	116,306	42,659	82,809	241,774
Dunn	74,874	27,462	53,309	155,645
Eau Claire	179,913	65,988	128,094	373,995
Florence	7,631	2,799	5,433	15,863
Fond du Lac	173,362	63,585	123,430	360,377
Forest	27,214	9,982	19,377	56,573
Grant	66,918	24,545	47,646	139,109
Green	54,032	19,818	38,470	112,320
Green Lake	30,885	11,328	21,990	64,203
Iowa	30,094	11,038	21,427	62,559
Iron	9,719	3,565	6,920	20,204
Jackson	46,724	17,138	33,268	97,130
Jefferson	138,409	50,765	98,544	287,718
Juneau	63,571	23,317	45,262	132,150
Kenosha	442,439	162,277	315,008	919,724
Kewaunee	24,550	9,005	17,480	51,035
La Crosse	198,668	72,867	141,448	412,983
Lafayette	21,958	8,054	15,634	45,646
Langlade	57,991	21,270	41,289	120,550
Lincoln	56,875	20,861	40,495	118,231

County	Incentive Payment	GPR Funding	Federal Matching Funds	Total Funding
Manitowoc	$137,581	$50,461	$97,954	$285,996
Marathon	223,542	81,990	159,157	464,689
Marinette	90,065	33,034	64,125	187,224
Marquette	24,946	9,150	17,762	51,858
Milwaukee	4,634,724	1,246,025	2,418,754	8,299,503
Monroe	95,464	35,014	67,968	198,446
Oconto	68,682	25,191	48,900	142,773
Oneida	67,386	24,716	47,978	140,080
Outagamie	274,297	100,606	195,294	570,197
Ozaukee	75,126	27,554	53,487	156,167
Pepin	9,755	3,578	6,946	20,279
Pierce	43,088	15,804	30,678	89,570
polk	59,143	21,692	42,108	122,943
Portage	101,260	37,140	72,095	210,495
Price	23,182	8,503	16,506	48,191
Racine	637,363	233,771	453,791	1,324,925
Richland	31,533	11,566	22,452	65,551
Rock	422,317	154,897	300,682	877,896
Rusk	37,689	13,824	26,835	78,348
St. Croix	99,496	36,493	70,839	206,828
Sauk	116,018	42,553	82,603	241,174
Sawyer	51,188	18,775	36,446	106,409
Shawano	63,247	23,197	45,030	131,474
Sheboygan	182,865	67,071	130,197	380,133
Taylor	33,765	12,385	24,041	70,191
Trempealeau	46,868	17,191	33,371	97,430
Vernon	37,257	13,665	26,526	77,448
Vilas	26,206	9,612	18,659	54,477
Walworth	164,722	60,417	117,280	342,419
Washburn	38,301	14,048	27,270	79,619
Washington	132,325	48,534	94,213	275,072
Waukesha	322,029	118,113	229,278	669,420
Waupaca	89,345	32,769	63,610	185,724
Waushara	45,428	16,662	32,344	94,434
Winnebago	299,027	109,677	212,902	621,606
Wood	149,388	54,792	106,361	310,541
Total	$12,824,873	$4,250,000	$8,250,000	$25,324,873

COUNTY OF MILWAUKEE
Inter-Office Communication

4

Date: May 18, 2011

To: Chairman Michael Mayo, Sr., Transportation, Public Works & Transit Committee

From: Jack H. Takerian, Director, Department of Transportation and Public Works

Subject: **O'Donnell Park Parking Structure Improvements – Project Status Report #4 (Informational Only)**

Background

The 2011 Adopted Capital includes O'Donnell Park Improvements with an appropriation of $6,557,830. Due to a delay in receiving the UWM land sale revenue, the budget amount has been reduced to $6,019,849. During the 2011 budget deliberations the County Board requested a detailed plan for these improvements. In November of 2010 the Department of Transportation and Public Works (DTPW) on behalf of the Department of Parks submitted an informational report highlighting the details of the recommended scope of work for the O'Donnell Park Parking Structure improvements. This report was received by the Committees on Transportation, Public Works and Transit and on Finance and Audit and placed on file. The Committee requested subsequent project status reports. The previous report #3 was dated March 16, 2011.

Status on the Façade Restoration Component

Demolition Contract

This construction contract scope includes removal and disposal of all the concrete pre-cast panels. The contract award was made to J. P. Cullen, Inc. on 2/11/11 with a total contract amount of $538,443. The notice to proceed was issued to the contractor on 2/16/2011. The work on this contract is substantially complete as of 4/15/2011.

Contract Schedule

Milestone dates in the proposed schedule for this contract remain as previously reported. This includes a demolition construction start on 2/16/2011 with completion on 4/20/2011.

DBE Participation and Residency Goal

A goal of 25% DBE participation was established for this construction contract. The contractor is committing to 25.2% DBE participation. A residency goal of 50% was established for this construction contract. The contractor has committed to meeting that goal.

Envelope Improvement Contract

The construction contract scope of work on this contract includes replacing the removed concrete pre-cast panel system by providing a direct applied polyer-modified cement based finish system, bid as the base bid, or an alternative bid metal wall panel system and glazed entry structure. The contract award was made on 3/11/2011 to KBS Construction Inc. (KBS) based on the base bid plus the metal panel alternative for a total contract amount of $2,926,000. The notice to proceed was made on 3/23/2011. Subsequently, the contract scope was altered to remove the metal panel alternative and revert to the base bid scope of work. A credit from the contractor of $620,000 was realized.

Contract Schedule

Milestone dates in the proposed schedule for this contract remain as previously reported. This includes an envelope improvement construction start on 3/23/2011 with completion on 6/22/2011.

DBE Participation and Residency Goal

A goal of 25% DBE participation was established for this construction contract. The contractor is committing to 25.3% DBE participation. A residency goal of 50% was established for this construction contract. The contractor has committed to meeting that goal.

Status on the Internal Repair Component

Repair Contract

The construction scope of work on this contract includes replacement of expansion joints, repair of spalled concrete, repair of cracks in concrete, resealing joints, repair of leaks in parking deck, re-waterproofing exposed plaza level decks, coat supported parking deck slabs with sealant, replace broken drainage pipes and install new heat tracing and insulation on storm drainage piping.

The contract award was made on 3/11/2011 to Ram Construction Services (RCS) in the amount of $916,316. The notice to proceed was made on 3/23/2011.

Contract Schedule

Milestone dates in the proposed schedule remain as previously reported. This includes the Internal Repair construction start on 3/23/2011 with completion on 6/3/2011.

DBE Participation and Residency Goal

A goal of 25% DBE participation was established for this construction contract. The contractor is committing to 25.2% DBE participation. The residency goal was waived for the construction contract for this component of the project only due to repair efforts requiring specialized contractors certified by the material manufacturer as a qualified installer.

Budget Overview

Current overall commitments to the budget on this project total $5,400,000. Remaining funding will be reserved for use in addressing unforeseen site conditions,

Approved by:

Jack H. Takerian, Director
Department of Transportation & Public Works

Gregory G. High, P.E.
Director, AE&ES Div., DTPW

cc: County Executive Chris Abele
Supervisor Lee Holloway, Chairperson, County Board of Supervisors
Supervisor John Weishan, Vice-Chair Transportation, Public Works & Transit Committee
Terry Cooley, Chief of Staff
George Aldrich, Chief of Staff
E. Marie Broussard, Deputy Chief of Staff
Jerry Heer, Director, Department of Audit
Sue Black, Director, Department of Parks
John Schapekahm, Principal Assistant Corporation Counsel
Dennis Dietscher, Interim Director, Risk Management
Steve Cady, Fiscal & Budget Analyst, County Board
Brian Dranzik, Director, Administration Division, DTPW
Jodi Mapp, TPW/T Committee Clerk
Martin Weddle, Research Analyst, County Board
Pam Bryant, Capital Finance Manager, Administration & Fiscal Affairs Division, DAS

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: June 8, 2011

TO: Supervisor Joe Sanfelippo, Chair, Personnel Committee
Supervisor Johnny Thomas, Chair, Finance & Audit Committee

FROM: Mark A. Grady, Acting Deputy Corporation Counsel, Chair, Employee Benefits Workgroup

SUBJECT: Informational Report Regarding a Study of Capping the Backdrop

The 2011 Adopted Budget provides that the Employee Benefits Workgroup should study what steps must occur in order to cap the backdrop pension benefit at some future point in time. The study is to include legal guidance as to how best to proceed and an actuarial study of the impact of such action. The Workgroup was to provide a report in the June 2011 meeting cycle.

The Workgroup has spent considerable time and effort analyzing impacts and preparing proposals for the County Board related to the Budget Repair Bill -- work that was not anticipated when the 2011 Budget was adopted. In addition, the Workgroup did not have expenditure authority for actuarial assistance until the March 2011 meeting cycle. Since that time, the actuary has been involved in preparing a cost study for the adopted change related to the creation of Correction Officer Lieutenant positions, a cost study related to the potential state-mandated contributions, a cost study related to applying the 1.6 multiplier and normal retirement age 64 provision to other employees and has completed the annual valuation of the Employees Retirement System. The Workgroup has also been involved in reviewing matters related to the RFP for the health plan. The Workgroup also received a referral from the Personnel Committee in May with a report in the June cycle related to vacation and sick allowance issues.

For all of these reasons, the Workgroup has not been able to address the backdrop issue. The Workgroup intends to address this matter later in the year, depending on the issues that are expected to arise related to the Budget Repair Bill or similar legislation.

cc: Carol Mueller
Jodi Mapp
George Aldrich
EBWG members

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

6

DATE : June 2, 2011

TO : Supervisor Lee Holloway, Chairman, County Board of Supervisors

FROM : Scott B. Manske, Controller

SUBJECT : Update on Matters Relating to John L. Doyne Hospital and The Cost Reimbursement From Medicare for Post Retirement Health Costs of the Hospital

Summary

Milwaukee County had filed for Medicare cost reimbursement for the post-retirement health care expenses of former John L. Doyne Hospital employees. The claim was originally made in 1996, after the closing of Doyne Hospital. The County has made various attempts to recoup the cost reimbursement, including filings with the U.S. District Court in Washington, D.C. Staff is of the current position that any further attempts to receive cost reimbursement from Medicare will not be successful.

The County received a decision from the Department of Health and Human Services Provider Reimbursement Review Board (PRRB) on April 13, 2011. The PRRB acts as the intermediary, on behalf of Medicare, on cases such as these. The U.S. District Court had sent the case back to the PRRB, to answer issues that the County had raised in previous filings with the PRRB. The PRRB decision has now answered all questions of reimbursement by the County and the U.S. District Court. The decision finds that under Medicare policy the County cannot make a claim for post-retirement health care expenses of former hospital employees as an administrative cost of the terminating provider.

All opportunities for appeal within DHHS, including the PRRB are now exhausted. The County could take the appeal back to the U.S. District Court. However, the decision by the US District Court, on the County's first appeal to that court found the PRRB arguments to be successful in all points, except for the inclusion of costs as a administrative cost of closing, which had not been answered by the PRRB. The unanswered question was referred back to the PRRB and was argued before them on April 1, 2010. The PRRB has now answered the US District Court open question. If appealed, the Court is likely to rule in favor of the PRRB administrative ruling that the post-retirement health care costs are not includable as a closing cost. In other words, our appeal to US District Court is not likely to be successful. For that reason, I have not requested and am not recommending any further appeal of this issue.

It is the recommendation of staff that the County close its case regarding Medicare reimbursement of post-retirement health costs of former Doyne Hospital employees.

Background

Milwaukee County contracted with Foley & Lardner, Weissburg & Aronson in June 1997 to assist in pursuing the claim for reimbursement regarding the 1995 Final Medicare Cost Report for John L. Doyne Hospital (JLDH). In January 2000, the Health Care Financing Administration (HCFA) issued a Notice of Program Reimbursement (NPR) to Milwaukee County in the amount of $12.5 million for settlement of the final Medicare Cost Report.

This notice represented a successful resolution to the Milwaukee County claim for reimbursement from the Medicare program for the final cost of operations of JLDH; and, the County's claim to the Medicare Program for loss on sale of the building and assets to Froedtert Memorial Lutheran Hospital. However, one major matter remains to be resolved, which was the post-retirement health care claim for former Doyne Hospital employees.

In July 1998 Milwaukee County submitted an amendment to the 1995 Cost Report for reimbursement of Medicare's share of the healthcare costs associated with retirees from Doyne Hospital. The amount of the County's claim was $8.1 million based on two years of actual expense (1996 and 1997) and a projection for the balance of a 40-year period. The HCFA notice ignored reimbursement for these costs.

The HCFA chose not to recognize the County's claim for reimbursement due to the fact that Doyne Hospital was no longer a provider of service after December 21, 1995. However, it is the County's position that Doyne Hospital appropriately followed Medicare regulations and claimed only those employee and retiree health care costs incurred on an annual basis through 1995. As of the closure of Doyne Hospital, the annual cost of providing retiree healthcare was a valid cost incurred as a hospital provider under the Medicare Program. Subsequent to the closure of Doyne Hospital, Medicare is not providing a method of reimbursement for Doyne Hospital retiree health care costs to Milwaukee County.

Foley & Lardner reviewed the matter and recommended that Milwaukee County proceed with an appeal to the PRRB on this matter. Three issues were to have been argued before the PRRB: 1) Milwaukee County's right to appeal this issue; 2) the County's position as to this being an included cost for Medicare reimbursement; and 3) an updated cost estimate and how the cost was derived. The PRRB, on December 3, 2003, granted Milwaukee County the right to appeal this issue before them, thus resolving in the County's favor the first argument. The second and third issues were to have been argued before the PRRB in May 2004 but the meeting was cancelled due to PRRB member scheduling conflicts.

In preparation for the May 2004 meeting, the County updated its claim for retiree health costs by obtaining actual costs for retirees for the period of 1996 through 2002. These costs totaled $2,340,255. Estimated retiree health costs after year 2002 were projected at $9,766,934 for a total cost estimate of $12.1 million.

In an attempt to resolve this issue, prior to the PRRB hearing, the County contacted the Medicare intermediary on the Doyne Hospital claim, United Government Services (UGS). UGS was the agency that had reviewed Doyne Hospital's final Medicare claim. They had approved the settlement for the loss on the sale, but had denied the claim for reimbursement of retiree health cost claims. Several conference calls were held with UGS, but they were not willing to recommend a settlement to Medicare or the PRRB.

Subsequent to this date, discussions were held with the Federal Department of Health and Human Services, the lead agency over Medicare, regarding the claim. These discussions did not result in any settlement or change to the process.

On March 8, 2006, the County was provided a hearing before the PRRB in Baltimore, Maryland. The hearing provided an opportunity for the County to go on record with its arguments regarding its cost report claim request. The County was represented by Foley & Lardner, the controller, a consultant (who had done the revised calculations for the claim) and an actuary (to certify as to the reasonableness of the claim).

On May 10, 2007, the County was notified that the claim had been denied. The claim was denied based on the PRRB's interpretation of a July 27, 1995 Medicare regulation regarding Deferred Compensation, which includes post-retirement health care costs.

We held a discussion with the Judiciary Committee during the June 2007 County Board cycle to discuss the status of the case and to look for a recommendation of whether the County should pursue the appeal of this claim. The cost to appeal the claim would be at least $100,000. Estimates have risen since this date and are currently expected to be $160,000. Funds were reserved at the closure of Doyne Hospital to appeal any claims against Medicare for reimbursement.

While the County determined that it did not want to file an appeal to the Administrator, in a letter dated June 5, 2007, the Administrator for DHHS indicated he would take on the appeal without a request from the County. The Administrator for DHHS, who deals with hospital claim issues, ruled that he did not take exception to the decision of the PRRB.

The County requested a judicial review of this case by filing a civil action in Federal district court for the District of Columbia. The filing occurred in August 2007. In May of 2008, the County filed its motion for summary judgment on this matter. In July 2008 the Department of Health and Human Services filed their motion for summary judgment and response to our filing.

The Federal Court denied the motion for summary judgment by the County on March 30, 2009. The Court accepted, in part, the Federal DHHS claim that the costs incurred for a terminated provider, which was Doyne Hospital, must be filed and liquidated within a reasonable period after the termination of the hospital. Since the County is on a pay as you go basis for post retirement health care costs, the costs of the Doyne Hospital retiree health care would be incurred over future years, and not at the closure of the hospital. Since the County did not pay for all future post-retirement health care costs by a specific date, the DHHS denial was valid as a closure cost.

However, the Court found that DHHS, does allow claims for salaries and fringe benefits after the termination of a hospital under section §2176 of the Provider Reimbursement Manual. Since the post-retirement health care claims would be considered a fringe benefit, the Federal Court requests that the Federal DHHS consider the costs to be termination costs. If the costs are considered to be termination costs then the costs are possibly reimbursable by the Federal DHHS.

The Federal DHHS Provider Reimbursement Review Board (PRRB) held a hearing on April 1, 2010 to hear arguments from the County regarding the Courts judgment. Specifically, the Federal DHHS Provider Reimbursement Board considered if CMS Pub. 15-1 §2176 (2176) is applicable to the County's Post-Retirement Health Care Costs. If these costs were considered termination costs, then the County could potentially be reimbursed for the Medicare costs incurred.

Foley & Lardner told the County that the case before the PRRB would be limited to Section §2176. In a decision from the PRRB on April 13, 2011 the PRRB made the following statement.

> "The costs referred to in CMS Pub. 15-1 §2176 relate to the settlement of reimbursement which arises when a provider terminates participation in the Medicare program. In this case, Milwaukee County had an obligation to pay post-retirement health care benefits. That obligation was totally independent of whether or not the provider continued to participate in the Medicare program. The cost referred to in the language of 2176 do not include those that are totally independent of a provider's termination. The Board therefore concludes that the amounts claimed for future health benefits are not reimbursable under CMS Pub. 15-1 §2176."

As a result of this decision, the staff does not recommend further appeal of this issue.

Recommended Action

Receive and place on file.

Scott Manske
Controller

cc: Chris Abele, County Executive
John Jorgensen, Acting Corporation Counsel
Jerome J. Heer, County Auditor
Stephen Cady, Director of Research-County Board

-COUNTY OF MILWAUKEE-
INTEROFFICE COMMUNICATION

DATE : June 10, 2011

TO : Supervisor Lee Holloway, Chairman, County Board of Supervisors

FROM : Pamela Bryant, Capital Finance Manager, Department of Administrative Services

SUBJECT : Lapsed Bond Proceeds From 2010 Carryover Process

REQUEST

The Department of Administrative Services (DAS) is requesting approval to apply bond proceeds that were lapsed at year-end 2010 toward the 2011 debt service payments for the individual bond issues. This action entails the reallocation of 2009 and 2010 Build America Bonds to projects that are financed with bonds issued in years 2005 through 2008 (prior year bonds) for currently active projects.

The Build America Bonds (BABs) must be used to finance capital projects and therefore cannot be used to pay debt service. However, if the County reallocates the BABs to projects that were financed with prior year bonds and then applies the prior year bonds toward the debt service for the individual bond issues that make up the prior year bonds, the County will be able to use the sales tax revenue that is budgeted to pay debt service for other purposes.

BACKGROUND/ANALYSIS

In May 2011, the County Board of Supervisors approved the 2010 carryovers, which allocated budgeted operating and capital expenditure authority and revenues into fiscal year 2011. Wisconsin State Statutes limit carryovers to 8500 accounts (major maintenance) in the operating budgets and capital improvement projects that have not accomplished the purpose for which they were intended. Cash items that are not carried over are lapsed to the general fund and bond proceeds that are not carried over are lapsed to the debt service reserve.

The results of the carryover process for 2010 yielded $43,913 in cash that will be applied towards the bottom line of the County's general fund for 2010 and $1,777,782 in lapsed bond proceeds that will be deposited in the debt service reserve. The lapsed bond amount of $1,777,782 consists of $693,245 in prior year bonds and $1,084,537 in BABs.

As of June 8, 2011, there is approximately $873,271 in prior year bonds in currently active projects. This would allow for $873,271 of the $1,084,537 in BABs to be transferred to the capital projects that were originally financed with prior year bonds. If the attached resolution is approved, the $693,245 in prior year bonds from the carryover process and the $873,271 in prior year bonds that will be reallocated from current capital projects will be applied towards the debt service payments for the individual bond issue. This will result in a total of $1,566,516 in lapsed prior year bond proceeds that can be applied towards the 2011 debt service payment for the bonds and therefore, $1,566,516 sales tax revenue will be available for other purposes.

The $1,777,782 in lapsed bond proceeds will be allocated as follows: $693,245 will be applied directly towards the debt service payment for the individual bond issues, $873,271 will be transferred to current projects that were originally financed with prior year bonds, and $211,266 will be reallocated to other bond eligible capital projects at a later date.

INFRASTRUCTURE IMPROVEMENTS

The 2011 Adopted Capital Improvements Budget included $5,000,000 in projects to be financed with proceeds from the sale of land to the University of Wisconsin-Milwaukee Innovation Park LLC. The County will not receive any funds from the land sale for the 2011 Budget. Therefore, the DAS, in conjunction with the Department of Transportation and Public Works, prepared a report for the County Board that identified $3.5 million in projects that needed to proceed in 2011. The $3.5 million includes improvements that were identified in the recent inspection of various County facilities presented in the GRAEF report. The $1,015,441 in sales tax revenue will be used to address as many of the identified improvements from the GRAEF report as possible. The DAS will work with the DTPW to compile a list of improvements. The DTPW will submit the list to the Committee on Mass Transit, Transportation and Public Works and the Committee on Finance and Audit.

In addition, inspections were performed on the courthouse. The inspection report identified work that was insured and work that was not insured. The County budgeted $138,000 for the improvements that were covered by the insurance in December 2010. There is $551,075 in improvements that was not covered by insurance. The work is proceeding but no financing source has been identified. The remaining amount of $551,075 in sales tax revenue will be used to finance the Courthouse improvements that were not covered by insurance.

The process of replacing the prior year bonds with the BABs will assist the County with expending the bonds issued in the years 2005 through 2008 and minimizing the chances that the County will incur arbitrage penalties. Although bond revenue will be exchanged, no expenditure budgets will be reduced.

The reallocation of sales tax revenue will result in a administrative transfer that establishes expenditure authority and revenues for the Courthouse improvements of $551,075 that were not covered by the insurance proceeds and the change of revenue source for the projects that were financed with land sale revenue.

RECOMMENDATION

The DAS is recommending that the available $1,566,516 in sales tax revenue be used to finance some of the infrastructure improvements budgeted in the Countywide Infrastructure Improvements that were originally financed with land sale proceeds as well as the improvements identified in the inspection of the courthouse that were not eligible to be financed with insurance proceeds.

Pamela Bryant

Pamela Bryant
Capital Finance Manager

pc: Chris Abele, County Executive
Terry Cooley, Chief of Staff, County Executive's Office
E. Marie Broussard, County Executive's Office
Cynthia Pahl, Interim Assistant Fiscal and Budget Administrator
Stephen Cady, Fiscal and Budget Analyst, County Board
Scott Manske, Controller

File No.
(Journal)

(ITEM) Request to lapse surplus bond proceeds to be used towards the 2011 debt service payments for the individual bond issues

A RESOLUTION

WHEREAS, in May 2011 the County Board approved the 2010 year end carryovers, and

WHEREAS, the 2010 carryover process lapsed $43,913 in cash and $1,777,782 in bond proceeds, and

WHEREAS, $1,084,537 of the total bond proceeds included Build America Bonds (BABs) and $693,245 in prior year bonds, and

WHEREAS, BABs must be used to finance capital projects and may not be used towards the debt service payment, and

WHEREAS, the County Board may reallocate the BABs to projects that were financed with prior year bonds and applies the prior year bonds toward the debt service payments for the individual bond issue, and

WHEREAS, once the BABs are reallocated, then the County will be able to use the sales tax revenue that had been allocated for debt service for other purposes, and

WHEREAS, as of June 10, 2011 there were approximately $873,271 in prior year bonds that are available in current projects, and

WHEREAS, including the $873,271 in prior year bonds that will be reallocated from current year projects and the $693,245 in prior year bonds that were lapsed during the carryover process, the County will have $1,566,516 in sales tax revenue available for other purposes; now therefore,

BE IT RESOLVED, that $693,245 in prior year bonds that were lapsed during the 2010 carryover process, and $873,271 in prior year bonds that will be reallocated from current capital projects be applied towards the 2011 debt service payment for the individual bond issue and $211,266 will be reallocated to other bond eligible capital projects at a later date; and,

BE IT FURTHER RESOLVED, that the Department of Administrative Services will, through an administrative appropriation transfer that will be reviewed by County Board Staff and the Department of Audit, allocate $551,075 of the $1,566,516 in sales tax revenue to a newly created capital project for the improvements identified in the inspection of the courthouse that were not eligible to be financed with insurance proceeds and change the revenue source for the projects that were financed with University of Wisconsin-Milwaukee Innovation Park, LLC land sale proceeds; and,

BE IT FURTHER RESOLVED, that the Department of Administrative Services work with the Department of Transportation and Public Works to compile a list of projects budgeted in 2011 in the Countywide Infrastructure Improvements project that were financed with University of Wisconsin-Milwaukee Innovation Park, LLC land sale proceeds, to be financed with the remaining $1,015,441 of the $1,566,516 in sales tax revenue; and,

BE IT FURTHER RESOLVED, that the Department of Transportation and Public Works will provide the list to the Committees on Finance and Audit and Transportation and Public Works.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 6/8/11

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: Lapsed Bond Proceeds From 2010 Carryover Process

FISCAL EFFECT:

☒ No Direct County Fiscal Impact

- ☐ Existing Staff Time Required

☐ Increase Operating Expenditures
(If checked, check one of two boxes below)

- ☐ Absorbed Within Agency's Budget
- ☐ Not Absorbed Within Agency's Budget

☐ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ 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		
	Revenue		
	Net Cost		
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost	See explanation.	t

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 Department of Administrative Services (DAS) is requesting approval to apply bond proceeds that were lapsed at year-end 2010 toward the 2011 debt service payments for the individual bond issues. This action entails the reallocation of 2009 and 2010 Build America Bonds to projects that are financed with bonds issued in years 2005 through 2008 (prior year bonds) for currently active projects.

The Build America Bonds (BABs) must be used to finance capital projects and therefore cannot be used to pay debt service. However, if the County reallocates the BABs to projects that were financed with prior year bonds and then applies the prior year bonds toward the debt service for the individual bond issues that make up the prior year bonds, the County will be able to use the sales tax revenue that is budgeted to pay debt service for other purposes.

B. In May 2011, the County lapsed $1,777,782 in bond proceeds as a part of the year-end carryover process. In most cases, the County applies lapsed bond proceeds to the previous year's debt service payment. The amounts would appear in the budget for the following fiscal year. The Build America Bonds are not eligible to be used for any purpose other than to finance capital improvement projects.

C. There is the potential for a $5 million shortfall in the capital improvements budget due to the loss of revenue in 2011 from the sale of the University of Wisconsin-Milwaukee Innovation Park LLC. The allocation of $873,271 in BAB proceeds to projects financed with prior year bonds (bonds issued in 2005-2008) and the subsequent application of the prior year bonds to the debt service payments for the individual bond issues and the $693,245 in lapsed prior year bonds will provide $1,566,516 in sales tax revenue to be used for other purposes. The sales tax revenue will be used to finance some of the projects that were budgeted to be financed with UniversityWM land sale revenue and Courthouse improvements that were not eligible to be financed with insurance proceeds.

[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.

Therefore, the $1,777,782 in lapsed bond proceeds will be allocated as follows: $693,245 will be applied directly towards the debt service payment for the individual bond issues, $873,271 will be transferred to current projects that were originally financed with prior year bonds, and $211,266 will be reallocated to other bond eligible capital projects at a later date.

The process of replacing the prior year bonds with the BABs will assist the County with expending the bonds issued in the years 2005 through 2008 and minimizing the chances that the County will incur arbitrage penalties. Although bond revenue will be exchanged, no expenditure budgets will be reduced.

The reallocation of sales tax revenue will result in a administrative transfer that establishes expenditure authority and revenues for the Courthouse improvements of $551,075 that were not covered by the insurance proceeds and the change of revenue source for the projects that were financed with land sale revenue.

Department/Prepared By Pamela Bryant

Authorized Signature

Did DAS-Fiscal Staff Review? ☒ Yes ☐ No

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: June 8, 2011

TO: Lee Holloway, Chairman, County Board of Supervisors

FROM: Mark Grady, Acting Deputy Corporation Counsel

SUBJECT: Proposed Ordinance Amendments in Preparation for Implementation of Possible State-Mandated Employee Pension Contributions

Issue

It is anticipated that previously-adopted, but currently enjoined, state law, or new state law, will require employee contributions to Milwaukee County's retirement system of one-half of the annual required contribution. Once such a law becomes effective, the county must comply with it and DAS will do so.

The ordinances were previously amended with respect to the county-required contributions (2%-3%-4%) and the necessary language was included to allow those contributions to be made on a pre-tax basis. Based on advice of tax counsel to the retirement system, the anticipated state-mandated contributions, like the contributions already imposed by the County, can be made on a pre-tax basis, but only after the pension ordinances have been amended to do so. Without an amendment to county ordinances, all state-mandated employee contributions will be made on an after-tax basis.

Recommendation

Therefore, the attached resolution and ordinance amendments are recommended for adoption. If adopted prior to any change in state law, all contributions required by the state law will be made by employees on a pre-tax basis.

The Employee Benefits Workgroup has discussed and agrees with this recommendation. However, the Workgroup members have not reviewed the attached ordinance amendments.

This matter should be referred to the Committee on Finance and Audit, the Committee on Personnel, the Pension Study Commission and the Pension Board.

A fiscal note will be prepared and submitted upon receipt of the actuary's analysis.

cc: Chris Abele, County Executive
George Aldrich, Chief of Staff, County Executive
Terry Cooley, Chief of Staff, County Board
Carol Mueller, County Board Clerk
Jody Mapp, County Board Clerk
Employee Benefit Work Group members

By Supervisor Res. File 10-
Journal,

A RESOLUTION AND ORDINANCE

To amend Sections 201.24(3.3), (3.5) and (3.11) of the Milwaukee County General Ordinances as it pertains to pension benefits.

WHEREAS, the State of Wisconsin previously adopted State Statute section 59.875, as part of 2011 Wisconsin Act 10, mandating that Milwaukee County collect from employees one half of the actuarially required contribution of the retirement system, and

WHEREAS, 2011 Wisconsin Act 10 has been enjoined; and

WHEREAS, the Governor and other state officials have stated an intent to adopt these same provisions as part of the state's biennial budget; and

WHEREAS, any employee contributions that may be mandated by state law can only be made on a post-tax basis under current county ordinances; and;

WHEREAS, an amendment to county ordinances is required in order for any state mandated employee pension contributions to be made on a pre-tax basis; and

WHEREAS, any state-mandated contribution effective for pay periods in 2011 shall be six percent (6%) based on the requirements of 2011 Wisconsin Act 10; and

WHEREAS, pursuant to Section 201.24(8.17) of the Milwaukee County Code of General Ordinances, the proposed changes have been referred to the Pension Board and the Pension Board has been given thirty (30) days to comment upon the proposed changes, and

WHEREAS, the proposed changes have been referred to the pension fund actuary whose actuarial analysis indicates the changes will have no actuarial effect on the retirement system, but will result in reduced contributions by Milwaukee County; and

WHEREAS, the Pension Study Commission reviewed the actuary's report on _________, 2011 and have recommended the County Board adopt the proposed changes (Vote X-X); now therefore

BE IT RESOLVED, that the Milwaukee County Board of Supervisors, consistent with section 201.24(3.11)(2)(c) below, establishes the amount of contribution for any required contributions in 2011 as six percent (6%);

BE IT FURTHER RESOLVED, that the Milwaukee County Board of Supervisors hereby amends Section 201.24 of the Milwaukee County Code of General Ordinances by adopting the following:

AN ORDINANCE

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

SECTION 1. Section 201.24(3.11) of the General Ordinances of Milwaukee County is amended and restated in its entirety as follows:

3.11 Employee Contribution

(1) Mandatory Employee Contributions. Each member of the Employees' Retirement System shall contribute to the retirement system a percentage of the "Member's Compensation" according to subsection 3.11(2) based on the following schedule:

(a) Effective January 1, 2011 through the effective date of any state law requiring member contributions, for any member who is not covered by the terms of a collective bargaining agreement, ~~who is an elected official,~~ or who is covered by a collective bargaining agreement that has adopted this ordinance, other than members who make a contribution to the System under section 3.3(2), the member shall contribute the amount provided in subsection (2)(a);

(b) Effective January 1, 2011 through the effective date of any state law requiring member contributions, for any member who is an elected official, the member shall contribute the amount provided in subsection (2)(b);

(c) Upon the effective date of any state law requiring member contributions, for any individual who is a member as of that date and who on that date is, or on a subsequent date becomes, either (1) not covered by the terms of a collective bargaining agreement, or (2) an elected official, or (3) is covered by a collective bargaining agreement with the American Federation of State, County and Municipal Employees (AFSCME), the member shall contribute the amount provided in subsection (2)(c);

(d) Any member who is either (1) not covered by the terms of a collective bargaining agreement, or (2) is an elected official, or (3) is covered by a collective bargaining agreement with the American Federation of State, County and Municipal Employees (AFSCME), and whose initial date of membership in the retirement system is on or after the effective date of any state law requiring member contributions, the member shall contribute the amount provided in subsection (2)(c);

(e) Upon the effective date of any state law requiring member contributions, or January 1, 2012, whichever is later, for a member who is covered by a collective bargaining agreement with the Association of Milwaukee County Attorneys, the Federation of Nurses and Health Professionals, the Milwaukee Building and Trades Council, TEAMCO and the International Association of Machinists and Aerospace Workers, the member shall contribute the amount provided in subsection (2)(c);

(f) Any member who is covered by the terms of a collective bargaining agreement with the Association of Milwaukee County Attorneys, the Federation of Nurses and Health Professionals, the Milwaukee Building and Trades Council, TEAMCO and the International Association of Machinists and Aerospace Workers, whose initial date of membership in the retirement system is on or after the effective date of any state law requiring member contributions, or January 1, 2012, whichever is later, shall contribute the amount provided in subsection (2)(c).

~~, shall contribute to the retirement system a percentage of the “Member’s Compensation” according to subsection 3.11(2).~~“Member Compensation” shall include all salaries and wages of the member, except for the following: overtime earned and paid; any expiring time paid such as overtime, and holiday; and injury time paid; and any supplemental time paid such as vacation or earned retirement

(2) Contribution Percentage: The percentage shall be as follows:

(a) Two (2) percent of Member's Compensation earned between January 9, 2011 and June 11, 2011;~~.~~
~~(b) T~~three (3) percent of Member's Compensation earned between June 12, 2011 and December 10, 2011;
~~(c) F~~and four (4) percent of Member's Compensation earned on or after December 11, 2011;

(~~d~~b) ~~Notwithstanding the sections 3.11(2)(a) and (c), elected officials shall contribute t~~Two (2) percent of Member’s Compensation earned ~~on and after~~ between January 9, 2011 and the effective date of any state law requiring member contributions.

(c) A percentage of Member’s Compensation as determined by the County Board. The percentage of Member’s Compensation shall be derived from the actuarially estimated pension contribution for the retirement system for the next budget year, with members being responsible for the contribution pursuant to State statutory requirements. The County Board shall establish in its annual adopted budget the percentage of a Member’s Compensation required to comply with the statutorily-required contribution. The percentage of a Member’s

Compensation may vary from year to year and shall be applicable for 26 pay periods and shall apply on a prospective basis beginning with the first pay period each year.

(3) Pick-Up Contributions. Notwithstanding the preceding, contributions shall be made by the County in lieu of contributions by the employee even though the contribution is designated as an employee contribution. Members have no option to choose to receive the contributions provided for in this section directly instead of having the contribution paid by the County to the retirement system. The contribution shall be made on a pre-tax basis, and there shall be a corresponding reduction in compensation actually paid to the member. These contributions shall qualify as pick-up contributions (pursuant to Internal Revenue Code section 414(h)(2)). These contributions shall have no impact on internal plan contribution limits or forms of benefit payment under the retirement system. The pick-up of these contributions shall not be construed to reduce the salary upon which final average salary is calculated, as defined in section 2.8. Unless specified otherwise, these contributions do not impact the calculation of a member's benefit. The designation and qualification of these contributions as pick-up contributions pursuant to Internal Revenue Code section 414(h)(2) does not, however, result in the County paying the required contribution on behalf of the employee in a manner inconsistent with State statutory requirements and its prohibition of an employer making the payment on behalf of the employee.

Notwithstanding the preceding, contributions made under this section by optional members, as defined in section 3.3(2), shall not be picked up and made on a pre-tax basis as provided in this subsection unless and until the County receives a favorable private letter ruling from the IRS authorizing such pick-up. Corporation Counsel shall determine if and when a favorable private letter ruling has been received and pick up of these contributions shall then commence for optional employees.

(4) Determination of Accumulated Contributions. A member's accumulated contributions shall be equal to the sum of his mandatory employee contributions.

(5) Refund of Accumulated Contributions.

(a) Refunds of all accumulated contributions made under this section 3.11, with interest at the rate of five percent (5%) per annum, shall be made on the same conditions and under the same circumstances as refunds under section 3.5, but may only be paid in the form of a lump sum payment. For an employee terminating employment with the County, any refund of accumulated contributions must be requested within 60 days after termination.

(b) Members receiving a refund or on whose behalf a refund is paid under this subsection shall cease to be a member of the Employees' Retirement System and shall have no further right to any benefit under this plan.

(c) The provisions of section 11.1 shall not apply to accumulated contributions withdrawn by members under this section.

SECTION 2. Section 201.24(3.3) of the General Ordinances of Milwaukee County is amended and restated in its entirety as follows:

3.3. Employe membership accounts.

(1) In addition to the contributions required by section 3.1, the county, commencing with the 4th day of January 1969, shall contribute to the system the following percentage of the earnable compensation of each member, except members listed in paragraph (2):

(a) Employes, other than deputy sheriffs and elected officials, six (6) percent.

(b) Deputy sheriffs, eight (8) percent.

(c) Elected officials, eight (8) percent.

All such sums contributed by the county for members whose last period of employment began prior to January 1, 1971, shall be credited to the employe's membership account in addition to contributions made by the employe, other than voluntary savings. The contributions provided for in this section 3.3(1) shall be considered separate and distinct from the employe contributions required under section 3.11.

(2) In addition to the contributions required by section 3.11, t~~T~~he following members, who have elected to become optional members of ERS, shall also contribute to the system, by payroll deduction, six (6) percent of their earnable compensation:

(a) All interns, students and trainees employed in non-civil-service positions.

(b) All resident physicians employed in non-civil-service positions.

(c) Seasonal employes, except those whose last period of continuous membership began prior to December 24, 1967.

(d) Employes serving under emergency appointments except:

(1) Employes whose last period of continuous membership began prior to December 24, 1967.

(2) Employes on leave of absence to accept an emergency appointment.

(3) Employes whose positions have been reclassified.

Every member required to make the above contribution shall be deemed to consent and agree to the payroll deductions made and provided herein. All sums contributed by a member shall be credited to his membership account. The contributions provided for in this section 3.3(2) shall be considered separate and distinct from the employe contributions required under section 3.11.

SECTION 3. Section 201.24(3.3) of the General Ordinances of Milwaukee County is amended and restated in its entirety as follows:

3.5. Refunds upon severance or death.

Notwithstanding the following, a member shall not be eligible to receive a refund of the portion of his membership account attributable to accumulated contributions contributed under section 3.11 if the member's employment was terminated due to fault or delinquency on the member's part under section 4.5 or if the member or a beneficiary of the member is eligible, at the time the request for a refund is made, for the present receipt of any monthly annuity benefit under sections 4.1, 4.5, 6.1, 6.2, 6.4, 7.1 or 7.2 of the Chapter 201.24 of the ordinances. Upon termination of employment, for reason other than death or retirement, a member shall be entitled to receive a refund of the balance as of the date of termination of his membership account and his savings account, accumulated at interest as set from time to time by the board. However, if a member who is eligible for a deferred vested pension withdraws his membership account, he shall forfeit all rights to a deferred vested pension.

Upon termination of employment by reason of a member's death or upon the death of a member who is eligible for a deferred vested pension, the member's beneficiary shall be paid in lump sum the balance, as of the date of death, of his membership account and his savings account, provided that if a joint and survivor option under section VII is effective or a survivorship benefit under section VI is payable, the membership account shall not be paid to the beneficiary. However, if the amount of the membership account at the date of a member's death exceeds the total of the amount of the payments made to the spouse and children under sections 6.1, 6.2, 6.4 and 7.1, after all payments due thereunder have been made, such excess shall be paid in a lump sum to the member's beneficiaries.

Upon retirement of a member, the balance of his savings account shall be paid in one (1) of the following forms as determined by the board:

(a) Lump sum payment.
(b) Life annuity with full cash refund or on a term certain basis.
(c) Installments of a designated amount or over a designated period of time.

If under any of the above options a benefit becomes payable to some other person as a result of the death of the retired member, payment shall be made to the beneficiary designated by the member or, in the absence of a valid designation, than as provided in section 2.16.

SECTION 4. The provisions of this ordinance shall be effective upon passage and publication.

June 10, 2011

Supervisor Paul M. Cesarz
Chairman
Pension Study Commission
901 N. 9th St.
Milwaukee, WI 53233

RE: Actuary's Review of Proposed Ordinance Amendment to the Employees' Retirement System for State-Mandated Employee Pension Contributions

Dear Supervisor Cesarz,

As requested, we have analyzed the actuarial impact on the Milwaukee County Employees' Retirement System of the attached ordinance amendment. This ordinance amendment is a result of Section 166 of 2011 Wisconsin Act 10.

Section 166 of 2011 Wisconsin Act 10, if enacted, will add 59.875 of the State statutes, which reads:

> **59.875 Payment of contributions in an employee retirement system of populous counties**
>
> **(1)** In this Section, "county" means any county having a population of 500,000 or more
> **(2)** Beginning the effective date of this subsection, in any employee retirement system, except as provided in a collective bargaining agreement entered into under subch.IV of ch. 111, employees shall pay half of all actuarially required contributions for funding benefits under the retirement system. The employer may not pay on behalf of an employee any of the employee's share of the actuarially required contributions.

If such a law becomes effective, the County must comply with the law. If adopted, the state-mandated employee pension contributions will not change the overall liability and costs of the Employees' Retirement System. Thus, the law does not have an actuarial impact on the retirement system. It will, however, shift the cost of the Employees' Retirement System from the County to some, but not all, of the active employees covered under the Employees' Retirement System. The shift will come in the form of employee contributions. These employee contributions will be based on the results of the annual actuarial valuation.

123 North Wacker Drive, Suite 1000 • Chicago, IL 60606
312.846.3000 • 312.846.3999 (fax)

Actuarial Analysis

Our actuarial analysis is based on our interpretation of the language in Section 166 of Wisconsin Public Act 10. The reader is encouraged to refer to our section entitled "*Commentary on Section 166 of Wisconsin Public Act 10*" later in this letter.

Our actuarial interpretations include:

- Sheriffs and firefighters, both non-represented and represented, are not required to contribute nor are members receiving benefits (retirees) or deferred members of the retirement system. We refer to these members as "non-contributors" in this analysis. All other members will be required by the State to contribute and are referred to as "contributors" in this analysis.
- The employee contribution rate is to be consistent for all contributors despite differences in benefits between individual members. Using one contribution rate minimizes administration and variability in contributions from year to year, employee group to employee group, and employee to employee.
- Contributors that are already making contributions, such as most nonrepresented employees and elected officials, will migrate to the new rate upon the effective date of the law. Other represented groups will begin a contribution upon expiration of their respective bargaining agreements. A recalculation will not be needed in between valuation reports because their numbers are already included in our calculation of the contributors' contribution rate.
- Contributors will pay for half of *their portion* of the actuarially required contributions. This entails allocating unfunded liabilities between contributors on one hand and retirees and other non-contributors on the other hand. In addition, contributors contribute one-half of the contributors' normal cost.
- The term "employees shall pay half of all actuarially required contributions for funding *benefits* under the retirement system" means that contributors do not pay for the amortization of administrative *expenses* contained in the actuarially required contributions from the County.
- The draft ordinance amendments we reviewed base the employee contribution on the budget, or estimated contribution. We believe that a more accurate method for calculation of the employee contribution would be to base the calculation on the "current year" or "actual" contribution. The current year contribution is based on verified asset and liability experience rather than being an estimate. Thus, the contribution to be made by employees in 2012 should be based on the 2011 "current year" or "actual" contribution. The county makes the 2011 actual contribution in 2012 and employees would be making their share of the 2011 contribution at the same time as the county. It is our understanding that Corporation Counsel intends to offer an amendment to the pending proposal to follow our recommendation. Therefore, for purposes of determining employee contributions for calendar year 2012, we use the 2011 Actual Contribution of $26,808,037 as the basis for the employee contribution rate. The derivation of this 2011 actual contribution is contained in the January 1, 2011 Actuarial Valuation report issued May 13, 2011.

The determination of the employee contribution is below. It is based on the interpretations above.

Milwaukee County Employees' Retirement System
Development of State-Mandated Employee Pension Contributions
Based on January 1, 2011 Valuation Results

	Results Based on Proposed Change		
Item	**Non-Contributors**	**Contributors**	**All Members**
	Amounts	**Amounts**	**Amounts**
Valuation Results as of January 1, 2011			
1. Present Value of Future Benefits			
a) Active Participants *	$ 123,674,010	$ 647,041,952	$ 770,715,962
b) Participants with Deferred Benefits	69,435,621	-	69,435,621
c) Participants Receiving Benefits	1,379,441,317	-	1,379,441,317
d) Total	$ 1,572,550,948	$ 647,041,952	$ 2,219,592,900
2. Present Value of Future Normal Cost	$ 27,844,427	$ 99,821,822	$ 127,666,249
3. Actuarial Accrued Liability: (1 - 2)	$ 1,544,706,521	$ 547,220,130	$ 2,091,926,651
4. Actuarial Value of Assets	$ 1,424,715,251	$ 504,712,613	$ 1,929,427,864
5. Funded Status: (4 / 3)	92.2%	92.2%	92.2%
6. Unfunded Actuarial Accrued Liability: (3 - 4)	$ 119,991,270	$ 42,507,517	$ 162,498,787
7. Normal Cost Rate	11.567%	8.006%	8.457%
8. Total Normal Cost for the Plan Year	$ 3,248,496	$ 15,496,676	$ 18,745,172
Projected Contributions			
1. Actual Contribution for 2011			
a) Normal Cost with Interest	$ 3,375,936	$ 16,104,153	$ 19,480,089
b) Net Annual Amortization Payments **	5,818,664	1,509,284	7,327,948
c) Total Contribution: ((a + b), not less than zero)	$ 9,194,600	$ 17,613,437	$ 26,808,037
2. Employee Contribution (50% of 1c for Contributors)	N/A	$ 8,806,718	N/A
3. Expected Salaries in 2011	28,084,168	193,563,275	221,647,443
4. Employee Contribution Rate (2÷3)	N/A	4.5%	N/A

* The actives in the Non-Contributor group include 448 members comprised of Represented Firefighters and Sheriffs and Non-Represented Firefighters and Sheriffs.

** The Net Annual Amortization Payments for the Contributors do not include the Expense Amortization Payments and was prorated based on the contributors' actuarial accrued liability compared to total actuarial accrued laibility of the Retirement System.

Based on the above analysis, if the state-mandated employee contributions are in affect for all of 2012 and all contributors contributed the state-mandated contribution rate for 2012, $8,806,718 of the $26,808,037 would be shifted from the County to active employees. Please note that some portion of the annual required contribution is already being made by nonrepresented members and elected officials. In the end, the county will contribute the difference between the actual contribution of $26,808,037 and whatever employee contributions that are ultimately made during 2012.

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Basis for the Analysis

Unless otherwise noted below, we have based this analysis on the data, assumptions and methods used for the most recently completed valuation, which was as of January 1, 2011.

The undersigned is a Member of the American Academy of Actuaries and meets the Academy's Qualification Standards to issue this Statement of Actuarial Opinion.

Commentary on Section 166 of Wisconsin Public Act 10

At first glance, the language in Section 166 of Wisconsin Public Act 10 seems quite straightforward. Unfortunately, from an actuarial standpoint, it is quite vague and potentially subject to what appears to be unanticipated consequences. These ambiguities lead to the necessity to make the actuarial interpretations that are noted above. We will address some of these ambiguities here.

- The language superficially appears to require an allocation to active, non-exempt employees of one half of the entire actuarially required contribution that would otherwise be paid by the County. For example, of the $26,808,037 2012 actual contribution from page 16 of the Actuarial Valuation Report, employees would be required to pay one-half, or $13,404,019. If we were to utilize that interpretation to derive the employee contribution rate, we would divide the employee contribution portion of $13,404,019 over expected payroll of $229,405,000 to arrive at an employee contribution rate of 5.8% for 2012. But Section 166 exempts sheriffs and firefighters from contributing. Following the superficial interpretation would effectively require the contributing County employees to pay for one-half of the cost of the exempt employee's benefits. This interpretation would reduce the payroll over which the employee contribution rate is based to $200,337,990, resulting in an employee contribution rate of 6.7% of pay. This comes close to almost the entire normal cost of the contributor group, meaning that contributors would pay for almost all of their entire annual accruals. We do not believe such an interpretation to be appropriate.
- Without the inclusion of the Pension Obligation Bond proceeds in 2009, the 2012 actual Contribution would likely be in excess of $60,000,000, resulting in an employee contribution rate of over 12% of pay. Such a contribution is substantially more than the average cost of a year's accrual for contributors (i.e., the normal cost) of roughly 8.0% of payroll.
- Most of the volatility inherent in the contribution is due to asset changes rather than liability or benefit changes. Over 65% of the assets are held for the benefit of retirees. Subjecting affected employees to contribution volatility of assets held for the benefit of retirees would result in excessive employee contribution volatility.
- Contribution rates are currently lower than anticipated due to the reflection of contribution variances over the past couple of years. In the future, total contributions are expected to almost double, resulting in a doubling of the employee contribution rate. Employee communications will be important.

buckconsultants

The above bullet points are in no means an exhaustive list of the challenges of this legislation. All stakeholders are encouraged to add input to the process.

We look forward to discussing this analysis with you.

Sincerely,

Larry Langer, ASA, EA, MAAA
Principal, Consulting Actuary

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cc: Mark Grady
Paul Wilkinson

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: May 23, 2011

To: Lee Holloway, Chairman, Milwaukee County Board of Supervisors

From: Jerome J. Heer, Director of Audits

Subject: Proposed Resolution to Amend the Professional Services Contract between the Department of Audit and Baker Tilly Virchow Krause, LLP

REQUEST

Per Section 1.13 of the Milwaukee County Administrative Manual, all contract extensions or amendments to provide additional reimbursement to the same vendor require County Board approval for each extension, unless the original contract, plus extensions, is less than $50,000.

The Department of Audit respectfully requests an amendment to the professional services contract between Milwaukee County (represented by the Department of Audit) and Baker Tilly Virchow Krause, LLP (Baker Tilly), for the provision of additional audit services.

BACKGROUND

As previously authorized by the County Board, the Department of Audit renewed a professional service contract with Baker Tilly to conduct the annual countywide financial statement audit, single audit, and other audit services required by regulatory agencies, for the year ended December 31, 2010. Baker Tilly is on track to achieve a DBE participation level of 34% and will commit to meet or exceed County DBE goals in regard to the contract amendment.

In 2010, the State of Wisconsin expanded its oversight of DFC's operation of a Care Management Organization (CMO) under the State's Family Care Program. Previously, State oversight of DFC involved solely the Department of Health Services. It now includes the Office of the Commissioner of Insurance (OCI), which subjects DFC to the specific audit requirements codified under Section Ins 57 of the Wisconsin Administrative Code. In order for DFC to meet the new regulatory requirements additional audit services will need to be performed by Baker Tilly.

RECOMMENDATION

To meet State requirements imposed on DFC in an efficient and economical manner, the Director of Audits and the Interim Director of the Department of Family Care respectfully request approval to amend the professional services contract with Baker Tilly Virchow Krause, LLP for the procurement of additional audit services.

The cost of the contract amendment (not to exceed $35,000) will be paid by the DFC using State Family Care Program funding.

The required resolution and fiscal note are attached for your consideration and referral to the appropriate standing committee(s) of the County Board of Supervisors.

Jerome J. Heer

JJH/PAG/cah

Attachments

cc: Supervisor Johnny Thomas, Chair, Committee on Finance and Audit
Chris Abele, Milwaukee County Executive
Maria Ledger, Interim Director, Department of Family Care
Scott Manske, Controller, Department of Administrative Services
Terrence Cooley, Chief of Staff, County Board Staff
Steve Cady, Research Analyst, County Board Staff
Carol Mueller, Chief Committee Clerk
CJ Pahl, Interim Fiscal & Budget Administrator, Department of Administrative Services
Davida Amenta, Fiscal & Management Analyst, Department of Administrative Services
John Knepel, Partner, Baker Tilly Virchow, Krause, LLP

File No.
(Journal,)

(ITEM) From the Director, Department of Audit, requesting authorization to amend a professional services contract between Baker Tilly Virchow Krause, LLP (Formerly Virchow, Krause & Company, LLP) and the Department of Audit to acquire additional audit services necessary for the Department of Family Care to comply with State requirements, by recommending adoption of the following:

A RESOLUTION

WHEREAS, in 2010, regulation of the Care Management Organization Division (CMO) of the Department on Aging was expanded beyond the State Department of Health Services to include the Office of the Commissioner of Insurance (OCI), thereby subjecting the CMO to a new body of regulations, including audit requirements specified in Ins 57, Wisconsin Administrative Code; and

WHEREAS, also in 2010, the State set forth a requirement that the CMO be organizationally separated from the Department on Aging and the Department of Health and Human Services as a condition for continuing under contract with the State to operate as a care management organization for administration of the Family Care Program within Milwaukee County; and

Whereas, the County Board approved creation of the Department of Family Care in July 2010 to achieve the separation required by the State; and

WHEREAS, the Department of Audit requests approval to amend the existing professional services agreement with Baker Tilly Virchow Krause, LLP for the annual audit of the County as a whole for the year ended December 31, 2010 to acquire the additional audit services required for the Department of Family Care to comply with State regulations; and

WHEREAS, the effect of the requested amendment would be to expand the current professional services contract to include additional audit services as required of the Milwaukee County Department of Family to meet the requirements of Ins 57, Wisconsin Administrative Code and to increase the total value of the contract by $35,000, bringing the total value of the contract from $416,000 to $451,000; and

WHEREAS, File No. 08-131 was previously adopted by the County Board of Supervisors to authorize and direct the Director, Department of Audit to enter into an agreement with Virchow, Krause & Company, LLP (currently Baker Tilly Virchow Krause, LLP) for the audit of the County as a whole for one year ending, December 31, 2008, with annual renewals for 2009, 2010, 2011, 2012 and 2013 at the County's option.

WHEREAS, the professional services contract with Baker Tilly Virchow Krause, LLP was renewed for the audit of Milwaukee County for the year ending December 31, 2010, in the amount of $416,000, which will be paid out of Department of Audit budget appropriations; and

WHEREAS, the $35,000 cost attributable to the contract amendment will be paid by the Department of Family Care using State Family Care Program funding; and

WHEREAS, the firm of Baker Tilly Virchow Krause, LLP is on track to meet its DBE goal of 34% for the countywide audit contract and it will commit to meet or exceed County DBE goals in regard to the contract amendment; and

BE IT RESOLVED, the Director, Department of Audit is authorized to amend the professional services contract with the firm of Baker Tilly Virchow Krause, LLP, for additional audit services which will enable the Department of Family Care to comply with State regulations; and

BE IT FURTHER RESOLVED, the effect of the requested amendment would be to increase the total value of the contract by $35,000 bringing the total value of the contract from $416,000 to $451,000.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 05-06-11

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: Amendment to Annual Countywide Audit Contract for Year Ended 12/ 31/10

FISCAL EFFECT:

☐ No Direct County Fiscal Impact

☐ Existing Staff Time Required

☒ Increase Operating Expenditures
(If checked, check one of two boxes below)

☒ Absorbed Within Agency's Budget

☐ Not Absorbed Within Agency's Budget

☐ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ 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	35,000	
	Revenue		
	Net Cost	35,000	
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 would authorize and direct the Director of Audits to amend the existing countywide audit contract with the firm of Baker Tilly Virchow Krause, LLP for additional audit services. This will enable the Department of Family Care to comply with State regulations. The $35,000 cost associated with the amendment will be paid by the Department of Family Care using Family Care Program funds.

[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 Audit/Paul Grant, Audit Compliance Manager

Authorized Signature Douglas C. Jenkins

Did DAS-Fiscal Staff Review? ☐ Yes ☒ No

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: May 31, 2011

To: Lee Holloway, Chairman, Milwaukee County Board of Supervisors

From: Jerome J. Heer, Director of Audits

Subject: Review of Issues Related to Accounting for Funds Provided by the U.S. Department of Housing and Urban Development (File No. 11-286)

In a memo dated January 14, 2011 the Milwaukee County Department of Audit was directed by then County Board Chairman Michael Mayo, Sr. to review issues related to accounting for funds provided by the U.S. Department of Housing and Urban Development (HUD). The directive stemmed from issues raised by HUD in a monitoring letter dated September 10, 2009. The letter summarized nine findings from HUD's monitoring of the County-administered HOME Investment Partnership Program for 2006, 2007 and 2008, including some findings with financial implications going back as far as 2003.

Attached is a memo summarizing the results of our review, along with a response by the Department of Health and Human Services to the three audit recommendations contained in the memo. Our suggested action is for the Committee on Finance and Audit to concur with the audit recommendations contained in the memo. Please refer this item to the Committee on Finance and Audit.

Jerome J. Heer / DCJ

Jerome J. Heer

JJH/cah

Attachment

cc: Supervisor Michael Mayo, Sr.
Chris Abele, Milwaukee County Executive
Finance & Audit Committee Members
Geri Lyday, Interim Director, Department of Health and Human Services
Leonard Jackson, Housing Division Administrator, DHHS
Terrance Cooley, Chief of Staff, County Board Staff
Stephen Cady, Fiscal & Budget Manager, County Board Staff
Carol Mueller, Chief Committee Clerk, County Board Staff

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: May 31, 2011

To: Geri Lyday, Interim Director, Department of Health and Human Services

From: Jerome J. Heer, Director of Audits

Subject: Review of Issues Related to Accounting for Funds Provided by the U.S. Department of Housing and Urban Development (File No. 11-286)

Background

In a memo dated January 14, 2011 the Milwaukee County Department of Audit was directed by the Chairman of the County Board of Supervisors to review issues related to accounting for funds provided by the U.S. Department of Housing and Urban Development (HUD). The directive stemmed from issues raised by HUD in a monitoring letter dated September 10, 2009. The letter summarized nine findings from HUD's monitoring of the County-administered HOME Investment Partnership Program for 2006, 2007 and 2008, including some findings with financial implications going back as far as 2003.

The program, currently administered by the Housing Division within the Milwaukee County Department of Health and Human Services, provides funding for the production of affordable housing and the rehabilitation of existing housing, as well as down payment and closing cash assistance for eligible first-time homebuyers. Prior to 2008, the HOME Investment Partnership Program and other home repair programs that offer low- or no-interest loans to low-income homeowners, was administered within the Economic and Community Development Division within the Department of Administrative Services.

History

There is a history of problems associated with the County's financial management of federally-funded housing programs.

- **In 2004, the Economic and Community Development Division closed the year with a deficit of $531,000.** A memo issued by the Director of Audits on May 9, 2005 regarding this deficit is attached. The foundation for this problem was a change in the funding approach used by the U.S. Department of Housing and Urban Development (HUD). However, the Division did not closely monitor the financial consequences of these changes in HUD funding methods. Two items appear to have accounted for the $531,000 deficit:

  (1) An accrual made at year-end 2003 of approximately $230,000 was not funded by HUD because it related to an 'overlease' position (on an annual basis) for which no reserve funds were available. Failure to receive this funding had to be recognized in 2004, even though the shortfall was actually related to 2003 program activity.

  (2) A 2004 HUD disallowance of approximately $300,000 because Milwaukee County exceeded its allowable Per Unit Cost rate, and there were insufficient reserve funds to cover the overrun.

The memo notes that a 2004 Adopted Budget initiative merged two separate divisions (Division of Economic Development and Division of Housing and Community Development) into one division and abolished 6.7 housing positions. Key positions lost as a result of the merger and/or retirements during the year included the Director of Housing and Community Development, the Director of Economic Development, the Housing and Development Program Coordinator and the Assistant Housing and Development Coordinator.

In light of the merger and personnel departures, the HUD changes could not have come at a worse time. Management personnel responsible for monitoring and responding to changes in regulations left and were not replaced. Absent any direction from mangers, line staff continued to operate the program as it had in 2003. The memo cautioned that the County would need to be in a better position to respond to changes in the federal regulatory environment, as such changes were likely due to increased local competition for scarce federal resources.

- **In 2006, housing programs within the Economic and Community Development Division closed the year with a deficit of $2.4 million.** A memo regarding this deficit was issued by the Director of Audits and the County Board Fiscal & Budget Administrator on May 1, 2007 (see attached)—two years after the previous memo identifying the need to improve fiscal oversight over federal housing program administration. At the time the memo was prepared, the estimated deficit in housing programs was approximately $3 million.

  Key components of the 2006 deficit included:

  (1) Administration Reimbursement Revenue – Nearly $1 million in anticipated reimbursement revenue from HUD was not realized due to administrative costs in excess of allowable limits.

  (2) Grant Revenue – Another nearly $1 million of unachieved grant revenue in five separate housing programs.

  (3) Carryovers from 2005 to 2006 – Approximately $1 million was budgeted in funding carried over from 2005 that was either not achievable as revenue or included expenditures that were to occur in 2006 that could not be incurred.

  The memo went on to detail several factors that contributed to the recurrence of deficits within the Division. These included limitations in both budgeting and fiscal monitoring procedures as well as decisions about the number and nature of fiscal staff assigned to the Division.

- **The 2009 Adopted Budget called for a review of the finances of the Community Development Block Grant program in conjunction with the program's transfer from the Department of Administrative Services to the Department of Health and Human Services.** The Department of Audit issued a memo dated March 31, 2009 summarizing its findings. The 2009 memo noted that recommendations from the 2005 and 2007 reviews of housing programs had been addressed, including the creation of a high-level accounting position, budgeting at the program level, building 'red flags' into accounting and budgeting procedures, periodic allocations of administrative charges, limiting carryover activity and creating a Deputy Controller position in DAS Central Accounting. The memo concluded that the DHHS Housing Division has unique and challenging accounting requirements that would require ongoing diligence, and that care should be taken to ensure the continuation of appropriate accounting support.

- **In May 2010, the Department of Audit issued a report titled *Better Management Oversight Needed for County Administered Federal Rent Assistance Program.*** The audit identified errors and omissions affecting the level of assistance provided in 23% of the cases reviewed from a statistically valid random sample. Many errors similar in nature to the types identified in this audit were identified in a previous audit of the Milwaukee County Rent Assistance program conducted by HUD. That audit, issued in August 2007, contained the following comments:

  > "To begin, we would like to commend your Authority in regard to the organization present, especially considering the heavy workload that your staff is dealing with. Our review determined that the errors that were encountered were more reflective of the heavy workload as opposed to egregious errors on the part of staff. It is a credit to you and your staff that you continue to operate in an effective manner given the current workload."

  The County audit identified as a contributing factor to the error rate a lack of program resources, noting that the imposition of 22 furlough days *[Note: Four additional furlough days were later added]* for Rent Assistance program staff resulted in the loss of 1,232 staff hours in 2010, or the equivalent of approximately 69% of available work hours for a typical County employee. Exacerbating the problems associated with a general lack of program resources was a high level of turnover and vacancy in the position of Housing Director. The May 2010 report noted that since 2004, under various placements within the Milwaukee County organization chart, there have been six separate appointments to the top management position overseeing the Rent Assistance and other housing programs, including several lengthy periods of vacancies.

Current Issues
The nine findings contained in the monitoring letter issued to the County by HUD in September 2009 generally pertained to a breakdown in the County's timely and accurate reporting of required financial information to HUD. Of the nine findings contained in the monitoring letter, eight were resolved over the next several months after the County:

- Provided additional documentation in support of challenged costs.

- Entered a backlog of required information into HUD's Integrated Disbursement and Information System (IDIS).

- Agreed to make modifications to better document review and accounting processes.

- Remitted $88,961 to the U.S. Treasury for interest income earned from the HOME Investment Trust Fund account during the period 2003 through 2008. The County had previously sought and obtained, in a monitoring letter dated July 22, 2003, written guidance from a HUD official regarding retention of the interest. However, the current Director of the Office of Community Planning at HUD disagreed that retention of the interest by the County is allowed under HUD regulations.

One finding with significant financial implication remained unresolved until recently. HUD cited the County for charging program administrative fees in excess of allowable limits during the period 2003 through 2008. HUD initially identified $855,762 in excess administrative charges but ultimately accepted additional documentation from the County that reduced the unallowable amount to $219,997. The County argued that this remaining amount was allowable, in part because personnel costs associated with the Housing and Development Program Coordinator position qualified as project related soft costs, which are permitted as program costs and are not counted against administrative cost limits. After reviewing a significant amount of past program records, HUD did not accept the County argument, noting that program documents did not contain sufficient evidence to distinguish the Program Coordinator's work as project related as opposed to administrative. The County's financial records reflect a payment of $219,997 posted on May 3, 2011 from current HOME/Home Repair operating funds to HUD to clear the finding, thus completing corrective action for each of the nine findings contained in the September 2009 monitoring letter.

Root Causes of Current Problems

Our analysis of the root causes of these problems are based on our review of the HUD monitoring letter, subsequent correspondence between County administrators and HUD, discussions with current HOME/Home Repair staff and DHHS management, and the past history of problems in the County's administration of federal housing programs. We have concluded that the lack of timely and accurate reporting of required HUD data, the common issue underlying most of the nine findings contained in the HUD monitoring letter, stems from two root causes that appeared as concerns in our earlier memos regarding operating deficits in the County's administration of federal housing programs. These root causes are frequent turnover and extended vacancies in key management positions, and insufficient staff positions to ensure timely compliance with all program reporting requirements.

- **Frequent turnover and extended vacancies in key management positions.** As previously noted, our May 2010 audit report noted that since 2004, under various placements within the Milwaukee County organization chart, there have been six separate appointments to the top management position overseeing the Rent Assistance and other housing programs, including several lengthy periods of vacancies. Since the issuance of that report, the Housing Division Administrator position became vacant once again at the beginning of 2011. That position was only recently filled with the Director of Health and Human Services' appointment of an Economic Development Coordinator as Housing Division Administrator, creating a vacancy in the Coordinator position.

  According to the former Housing and Development Coordinator, prior to 2004, it was standard practice for HOME/Home Repair staff to report to HUD all disbursements of funds on a project, including both Program Income (e.g., repayment of construction/repair loans granted) and draws on federal funds, after close-out of a project. This meant that the County was effectively pre-paying project costs throughout the life of a project, and providing a detailed accounting of the expenditures to HUD at the project's conclusion. In so doing, the County was failing to document to HUD, on an ongoing basis, that Program Income was being fully expended before drawing down on federal grant funds. Thus, in its September 2009 monitoring letter, HUD required that the County enter project activity to fully account for approximately $826,000 in accumulated funds in its local HOME Investment Trust Fund account before drawing any additional federal funds. A further complication developed when a number of planned projects fell through due to the poor economic conditions in recent years, which meant funds committed to those projects had to be re-allocated to other projects before additional federal funding for 2011 could be obtained. As of April 28, 2011, the County had posted entries into IDIS clearing all Program Income and drawing an additional $1.5 million in new federal funding.

Turnover in key management positions appears to have contributed to the County's failure to recognize the need for, and implement, procedural changes to comply with new HUD reporting requirements.

- **Insufficient staff positions.** The former Housing and Development Coordinator indicated that prior to 2004, there were eight positions assigned to the HOME/Home Repair program. At the time of our interview in March of this year, he stated there were three positions (plus a Clerical Assistant position shared with another housing program), with two individuals planning to retire in the near future. The former Housing and Development Coordinator subsequently retired and is currently assisting the HOME/Home Repair program on a contract basis. As of the writing of this memo, the Housing Division has vacancies in eight of its 30 funded positions, or 27% of its authorized staffing level, including two vacant positions in the HOME/Home Repair program.

After months of working through the nine findings contained in the September 2009 HUD monitoring letter, the County ultimately was required to remit a total of $308,958 to HUD for disallowances stemming from program activity during the period 2003 through 2008. Of that amount, $219,997 will negatively affect the 2011 HOME/Home Repair operating budget within the Housing Division of DHHS for 2011.

To avoid similar financial consequences going forward, we recommend DHHS management:

1. *Fill and maintain at full strength budgeted positions of the Housing Administrator and HOME/Home Repair program.*

2. *Maintain at least quarterly postings of HOME project expenditures in the federal IDIS system. Currently, HUD is requiring the County to make monthly postings to ensure compliance with reporting requirements*

3. *Establish protocols for internal management review of all IDIS postings of HOME/Home Repair program expenditures to ensure timeliness and accuracy of reported information.*

Jerome J. Heer / DCJ

Jerome J. Heer

JJH/cah

COUNTY OF MILWAUKEE
Department of Health & Human Services
INTER-OFFICE COMMUNICATION

DATE: May 31, 2011

TO: Jerome J. Heer, Director of Audits

FROM: Geri Lyday, Interim Director, Department of Health and Human Services

SUBJECT: Response to DHHS Management recommendations regarding the Review of Issues Related to Accounting for Funds provided by the U.S. Department of Housing and Urban Development

We wish to thank you for taking the time to review the Housing programs. I want to assure you that we have the fiscal tools in place to be responsive to HUD, as well as internal reports to maintain strong fiscal accountability and integrity. The historical information, as well as your insight and recommendations, will help to better manage the programs going forward.

In response to your recommendations:

1. *Fill and maintain at full strength budgeted positions of the Housing Administrator and HOME/Home Repair program.*

Response
DHHS and the Housing Division are committed to fill and maintain at full-strength budgeted positions of the Housing Administrator and HOME/Home Repair Program Coordinator. We have begun the process of filling all other Home and Economic Development positions and will work with existing staff to provide cross-training. We recognize the need to consistently maintain full staff to manage the HUD programs and we will take every step necessary to expedite and cooperatively work with HR to fill positions.

2. *Maintain at least quarterly postings of HOME project expenditures in the federal IDIS system. Currently, HUD is requiring the County to make monthly postings to ensure compliance with reporting requirements.*

Response
We have instructed staff to maintain the timely entry of HOME project expenditures in the Federal IDIS system and will develop a monthly reporting format for the program and fiscal evaluations using the IDIS information. This will facilitate the consistent and timely review of the programs by Housing Management and DHHS Fiscal Administration. The DHHS Fiscal and Budget staff are having regular meetings with the Housing Administration and

Fiscal staff to jointly work and develop fiscal monitoring tools that will be available for both DHHS and the Housing Administration to efficiently comply with program requirements.

3. *Establish protocols for internal management review of all IDIS postings of HOME/Home Repair program expenditures to ensure timeliness and accuracy of reported information.*

Response
Our Fiscal and Budget Administrator, Jeanne Dorff, will work with Housing, Accounting, Budget staff and the Audit Department to establish the protocols for internal management review of all IDIS postings of HOME/Home Repair program expenditures to ensure timeliness and accuracy of reported information. This will be in place by July 31, 2011.

Jerry, thank you and your staff again for a very informative and balanced report that will assist this department in maintaining high quality of service and appropriate fiscal checks and balances in our Housing Administration.

Geri L. Lyday

cc: Jeanne Dorff
Leonard Jackson
Doug Jenkins
Alex Koetze
Tom Lewandowski

File No. 11-286
(Journal,)

(ITEM) From the Director of Audits, Requesting County Board approval to concur with three audit recommendations related to the Department of Health and Social Services' administration of the federal Home/Home Repair program.

A RESOLUTION

WHEREAS, the Milwaukee County Department of Audit was directed by then County Board Chairman Michael Mayo, Sr. to review issues related to accounting for funds provided by the U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, the directive stemmed from issues raised by HUD in a monitoring letter dated September 10, 2009; and

WHEREAS, the letter summarized nine findings from HUD's monitoring of the County-administered HOME Investment Partnership Program for 2006, 2007 and 2008, including some findings with financial implications going back as far as 2003; and

WHEREAS, the Department of Audit issued a memo dated May 31, 2011, summarizing the results of its review, along with a response by the Department of Health and Human Services to the three audit recommendations contained in the memo; now, therefore, ,

BE IT RESOLVED, that the Milwaukee County Board of Supervisors concurs with the audit recommendations contained in the Department of Audit memo dated May 31, 2011, relating to the Department of Health and Human Services' administration of the federal HOME/Home Repair program.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 5/31/2011

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: Resolution (File No. 11-286) to concur with three audit recommendations contained in a May 31, 2011 memo related to the Department of Health and Social Services' administration of the federal HOME/Home Repair program.

FISCAL EFFECT:

☒ No Direct County Fiscal Impact

- ☒ Existing Staff Time Required

☐ Increase Operating Expenditures (If checked, check one of two boxes below)

- ☒ Absorbed Within Agency's Budget
- ☐ Not Absorbed Within Agency's Budget

☐ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ 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 resolution will require no additional expenditure of funds. Audit recommendations include filling authorized and funded positions that are currently vacant in the Housing Division of the Department of Health and Social Services, as well as implentation of procedures and management controls to ensure compliance with federal reporting requirements in the HOME/Home Repair program.

Department/Prepared By Department of Audit

[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.

Authorized Signature Douglas C. Jenkins

Did DAS-Fiscal Staff Review? ☐ Yes ☒ No

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: June 9, 2011

To: Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors

From: Jerome J. Heer, Director of Audits

Subject: Review of Wauwatosa School District's Reimbursement of Operating Costs Associated with Milwaukee County Department of Health and Human Services (DHHS) Schools for the 2009-10 School Year.

The Wauwatosa School District (School District) has provided teaching services at the DHHS schools pursuant to a written contractual agreement that automatically renewed since its inception fourteen years ago through the 2008-2009 school year. However, Milwaukee County has provided notice to the School District that effective with the 2009-2010 school year, it was cancelling the contract in an effort to negotiate a new agreement that would achieve language changes recommended the Department of Audit in previous years.

As of this point in time, a new contract has not yet been reached. Consequently, the School District and Milwaukee County have been operating under the terms of the previous contract, which includes our review of the School District's cost of providing teaching services and related reimbursements received from the Wisconsin Department of Public Instruction (DPI).

Our review has determined that for the 2009-10 school year, DPI has fully reimbursed the School District for all costs ($3,177,122) associated with school operations. In addition, the agreement provides that the School District remit to Milwaukee County funds which represent a rental payment for the DHHS school facilities. This rental payment amounts to $673,725 for the 2008-09 school year.

Historically, DPI reimbursed the School District approximately one year after the end of the school year. However, since the 1994-95 school year DPI has paid the District 75 percent of its claim early, by the fall following the end of the school year. In turn, the District has remitted early payments to the County equal to 75 percent of the rental payment since that time, with the exception of the 1999-00 (no early payment) and 2001-02 (50% early payment) school years. For the school year 2009-10, the County received 75% ($505,294) of its claim from the District by November 2009. The balance of $168,431 is to be paid within 45 days of the release of this report.

To ensure the County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis we have recommended in previous audits that the County negotiate the necessary revisions to the contract with the District. We also recommended the negotiation of contract revisions to relieve the County of any financial responsibility, or ensure it is provided a more equitable sharing of educational expenses of the program, in the event the DPI (State) does not reimburse all program costs (Milwaukee County was under-reimbursed by $59,065 for the 2000-01 school year). The contract should also be revised to reflect other changes involving the arrangement between the County and the School District occurring since its execution.

Attached is a copy of our status report, dated December 7, 2009, requested by the Committee in conjunction with its review of our annual report for the prior school year (2007-2008). The Committee voted to receive and place the status report on file at its meeting on January 28, 2010.

To expedite Milwaukee County's receipt of the balance due ($168,431) from the School District, we have issued this report without responses from DHHS and DTPW management.

Please refer this report to the Finance and Audit Committee.

Jerome J. Heer

JJH/PAG/cah

Attachments

cc: Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Dr. Phillip Ertl, Superintendent, Wauwatosa School District
Patrick J. Farley, Director, Department of Administrative Services
CJ Pahl, Interim Fiscal & Budget Administrator, DAS
Timothy Schoewe, Acting Corporation Counsel
Jack Takerian, Director, Department of Transportation and Public Works
Geri Lyday, Interim Director, Department of Health and Human Services
Terrence Cooley, Chief of Staff, County Board
Steve Cady, Fiscal & Budget Manager, County Board Staff
Carol Mueller, Chief Committee Clerk, County Board Staff

Review of Wauwatosa School District's Reimbursement of Operating Costs of Milwaukee County DHHS Schools for the 2009-10 School Year

Background

Milwaukee County has a contractual agreement with the Wauwatosa School District to provide teaching services at the Milwaukee County Department of Health and Human Services (DHHS) schools (Behavioral Health Division and Children's Detention Center). The County agrees to reimburse the School District for any program costs not reimbursed by the Wisconsin Department of Public Instruction (DPI) as they apply to the residents of the DHHS schools. As a provision of this agreement, the Milwaukee County Department of Audit reviews the School District's request for State reimbursement prior to submission of such claims to DPI. Subsequently, the Department of Audit reviews reimbursements received from DPI and reports on the settlement between the School District and Milwaukee County. As an additional part of the contractual agreement, the School District reimburses DHHS and the Department of Transportation and Public Works (DTPW) funds, which represent a rental payment for using school facilities.

Scope

Our review included the following procedures:

- Examined copies of the School District's request for State reimbursement, prior to submission of such claims to DPI, to ascertain that County invoiced rental amounts have been included in the reimbursement claims;
- Verified reimbursement received from DPI to determine the settlement between the School District and Milwaukee County;
- Reviewed the contractual agreement between the County and the School District; and
- Determined the progress made toward implementation of recommendations from prior audit reports.

Settlement for the 2009-2010 School Year

As summarized in **Exhibit I**, the amount due Milwaukee County by the Wauwatosa School District is $168,431. This amount represents the remaining balance of the outstanding 2009-2010 rental payment for the DHHS school facilities. We recommend that DHHS and DTPW:

1. *Obtain payment due Milwaukee County from the School District within the stipulated 45 days from release of this report and*

2. *Continue negotiation efforts with the School District to achieve a new contract with language changes that assures the County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis and is relieved of any financial responsibility or ensure it is provided a more equitable sharing of funding shortfalls if the DPI (State) does not fully reimburse program costs, and to reflect changes involving the arrangement between the County and the School District occurring in the fifteen years since its execution.*

Exhibit I

Review of Wauwatosa School District's
Reimbursement of Operating Costs of DHHS Schools
For the 2009-10 School Year

School Facility Rental Charges		$ 673,725
Less Net Un-reimbursed Expenditures:		
Costs	$ 3,177,122	
Less Reimbursed Expenditures	$3,177,122	
Net Unreimbursed Expenditures		0
Total Amount Due From School District		$ 673,725
Less Amount Received from School District		$ (505,294)
Remaining Balance Due from School District		$ 168,431

File No. 11-302
(Journal,)

(ITEM) From the Director of Audits, Requesting County Board concurrence with two recommendations related to the Wauwatosa School District's reimbursement of operating costs associated with Department of Health and Human Services (DHHS) schools for the 2009--2010 school year.

A RESOLUTION

WHEREAS, the Wauwatosa School District (District) has provided teaching services at the DHHS schools for the 2009--2010 school year; and

WHEREAS, Milwaukee County administrators have submitted invoices to the District totaling $631,537 for use of County facilities, of which $473,650 (75%) has been paid by the District, and;

WHEREAS, the Department of Audit noted in its annual review that the District has recently been fully reimbursed by the DPI and as a result, County administrators can now collect the $157,887 balance due from the District; and

WHEREAS, the Department of Audit issued a report dated June 9, 2011, summarizing the results of its review, along with two recommendations; now, therefore,

BE IT RESOLVED, that the Milwaukee County Board of Supervisors concurs with the audit recommendations contained in the Department of Audit report dated June 9, 2011, relating to Wauwatosa School District's reimbursement of operating costs associated with DHHS Schools for the 2009--10 school year.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 6/9/2011

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: Resolution (File No. 11-302) to concur with two recommendations contained in a June 9, 2011 report from the Department of Audit related to the the Wauwatosa School District's reimbursement of operating costs associated with Department of Health and Human Services Schools for the 2009--2010 school year.

FISCAL EFFECT:

☒ No Direct County Fiscal Impact

 ☒ Existing Staff Time Required

☐ Increase Operating Expenditures (If checked, check one of two boxes below)

 ☒ Absorbed Within Agency's Budget

 ☐ Not Absorbed Within Agency's Budget

☐ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ 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 resolution will require no additional expenditure of funds. Audit recommendations include efforts by County administrators to collect the remaining balance due from the Wauwatosa School District for rental of County facilities and to continue negotiation efforts with the School District to achieve a new contract with language changes that assures the County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis and is relieved of any financial responsibility or ensure it is provided a more equitable sharing of funding shortfalls if the DPI (State) does not fully reimburse program costs, and to reflect changes involving the arrangement between the County and the School District occurring in the fifteen years since its execution.

[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 Department of Audit

Authorized Signature Douglas C. Jenkins

Did DAS-Fiscal Staff Review? ☐ Yes ☒ No

06-16-11 FINANCE AND AUDIT COMMITTEE APPROPRIATION TRANSFERS
A DEPARTMENTAL - RECEIPT OF REVENUE File No. 11-1
(Journal, December 16, 2010)

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 2011 appropriations of the respective listed departments:

			From	To
1)	4000 – Office of the Sheriff			
	8552	– Machinery & Equipment New		$224,000
	2699	– Federal Grants & Reimbursements	$224,000	

A fund transfer of 224,000 is being requested by the Office of the Sheriff to increase revenue and expenditure authority related to the Edward Bryne Memorial Justice Assistance Grant (JAG) for the purchase of a jail tracking system and tasers for use by correctional officers.

The Office of the Sheriff (Sheriff) was authorized by the County Board to apply for and accept Edward Bryne Memorial Justice Assistance Grant funds in federal fiscal years 2009 (County Board File 09-J-4) and 2010 (County Board File 10-231). The Sheriff has received some of the appropriated funds from these grants and is requesting to increase related expenditure authority for approved purchases.

For the FY 2009 JAG grant, the Sheriff originally received approval to purchase security cameras at the Community Correctional Facility – South (CCFS) in Franklin, but has received permission to instead install a jail tracking system. This would involve installing electronic devices in each of the facility's dorms that must be touched with a keycard by a correctional officer to log each inspection round. This system enhances accountability of correctional officers so that if a security event takes place, management can check whether inspection rounds were performed at the scheduled time. The grant period runs from October 1, 2008 to September 30, 2012.

For the FY 2010 JAG grant, the Sheriff will be purchasing 134 tasers, at approximately $924 per unit, including accessories and training, for officers at both the CCFS and the Community Correctional Facility – Central. The tasers will provide additional security for correctional officers. The grant period runs from October 1, 2009 to October 30, 2013.

There is no local match required by either grant. There is no tax levy impact from this transfer.

TRANSFER SIGNED BY THE COUNTY EXECUTIVE 06/08/11.

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 2011 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 2011 capital improvement appropriations:

	From	To
1) WA171014 GMIA Holding Room Seating Replacement		
8556 – FURNITURE & FIXTURES-NEW>$2500		$800,000
0774 – Airport Development Fund Account	$800,000	

An appropriation transfer of $800,000 is requested by the Director of the Department of Transportation and Public Works (DTPW) to provide expenditure authority and revenues to create Project WA171014 General Mitchell International Airport (GMIA) Holding Room Seating Replacement.

As part of the terminal expansion and improvement projects, new seating units were purchased for all preferential gate holdrooms in the C, D, and E Concourses.

Under the new Airline-Airport Use and Lease Agreement, effective January 1, 2011, all gate holding rooms are now classified as preferential use gates as are all ticket counters and all associated ticketing area space. Airlines that have gates that were previously Exclusive Use which have now been converted to Preferential Use are using gate holding room furniture that is in very poor condition and is need of replacement. Under the former Airline-Airport Use and Lease Agreement, airlines were responsible for providing seating for the Exclusive Use gate holding rooms.

Approval of this appropriation transfer will allow GMIA to purchase new Herman Miller seating units for holding room that were formerly Exclusive Use. Over 1,000 seats and 20 tables will be purchased. These purchases are consistent with previous seating units purchased by the County and will provide seating that will have a consistent appearance throughout the airport.

Financing for this appropriation transfer request is provided from the Airport Development Fund Account (ADFA) that was created in the new Airline-Airport Use and Lease agreement. As of May 25, 2011, the current balance of the fund is $1,564,706

TRANSFER SIGNED BY THE COUNTY EXECUTIVE 06/08/11.

06-16-11 FINANCE AND AUDIT COMMITTEE APPROPRIATION TRANSFERS
C DEPARTMENTAL File No. 11-1
(Journal, December 16, 2010)

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 2011 appropriations of the respective listed departments:

			From	To
1) 8361- Resource Center				
5199	–	Salaries & Wages		$83,156
5312	–	Social Security Taxes		6,361
5420	–	Employee Health Care		64,222
5421	-	Employee Pension		18,367
8164	-	Purch Of Serv 51.42 Board	$172,106	

The Interim Director of the Department of Health and Human Services (DHHS) is requesting a fund transfer of $172,106 to adjust the department's budget in order to fund four newly created positions in the Disabilities Resource Center.

In February 2011, the County Board approved the creation of four full-time Disability Benefits Specialists (DBS) positions in the Disabilities Resource Center. These positions would be used to operate the DBS program, which is required by the State as a primary function of the Disabilities Resource Center

The DBS Program provides access to Milwaukee County Residents who want to apply for private or publicly funded benefits such as Family Care, Family Care Partnership, Supplementary Security Income (SSI), Social Security Disability Income (SSDI), Medicaid or other benefits for which they are eligible. If a client is denied benefits, the Disability Benefits Specialist helps with determining the reason for denial and resolving the issue if possible. This program also includes attorney services that are provided through a contract between the State Department of Health Services and Disability Rights Wisconsin attorneys.

In 2010, when the Disabilities Service Division began operation of the Disabilities Resource Center, the DBS function was contracted out to Independence First. Funds for this contract were also included in the 2011 adopted budget. However, after reexamining the program and its needs, the department decided to perform this function with internal staff.

This transfer would allow the department to decrease expenditures by $172,106 related to the contract with Independence First, and increase personnel services by the same amount.

There is no levy impact as a result of this fund transfer.

TRANSFER SUBMITTED TO THE COUNTY EXECUTIVE 06/08/11.

2011 BUDGETED CONTINGENCY APPROPRIATION SUMMARY

2011 Budgeted Contingency Appropriation Budget		$8,650,000
Approved Transfers from Budget through May 26, 2011		
1950 - Acturial Services for Pension Related Matters (File No. 11-136/11-142)	$	(50,000)
4000 - Unspent 2011 Funds Allocated for the WI Comm Svcs Contract (File No. 11-12(a)(a)/11-150)	$	291,135
3010 - 2011 Special Election	$	(67,500)
Unallocated Contingency Balance May 26, 2011	$	8,823,635
Transfers Pending in Finance & Audit Committee through 06/16/11		
Total Transfers Pending in Finance & Audit Committee	$	-
Net Balance	**$**	**8,823,635**

h:budget/docbdgt/finance/contingency.xls

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

Date: May 23, 2011

To: Supervisor Lee Holloway, Chairman
Milwaukee County Board of Supervisors

From: Fredrick J. Baul, Interim Director of Labor Relations

RE: Ratification of the 2012 Memorandum of Agreement between Milwaukee County and the Federation of Nurses and Health Professionals

---

Milwaukee County has reached an understanding with the bargaining team for the Federation of Nurses and Health Professionals that establishes a memorandum of agreement for 2012.

I am requesting that this item be placed on the May 26, 2011 agenda for the special joint meeting of Finance and Audit Committee and of the Personnel Committee as an action item. If the Committees' would like to meet in closed session to discuss the changes first, please request that the Committee make appropriate arrangements when noticing the meeting.

The following documents will be provided to the Committees for their review:

1) A comparison copy agreed upon language for each MOA. These copies contain both the old and new contract language. The old language will be indicated with ~~"strike through"~~ and the new language will be "underlined";

2) A Union notification that the MOAs was ratified by the membership;

3) A draft Resolution approving the MOAs, this will also be provided electronically to the appropriate committee clerks;

4) The Department of Administrative Services (DAS) is preparing a fiscal note, which will be reviewed by the Department of Audit and County Board Staff. The finalized fiscal note will be sent to the Committees by DAS as soon as it is completed.

If you have any questions, please call me at 223-1932.

cc: County Board of Supervisors
Stephen Cady, County Board Staff
Richard Ceschin, County Board Staff
Terrence Cooley, Chief of Staff, County Board
Jerome Heer, Director, Dept. of Audit
Scott Manske, Controller, DAS
Candace Richards, Interim Director of Human Resources
John Jorgensen, Acting Corporation Counsel
Cynthia (CJ) Pahl, Acting Asst. Fiscal & Budget Administrator.
George Aldrich, Chief of Staff, Office of the County Executive
Jodi Mapp, Personnel Committee Clerk
Carol Mueller, Finance and Audit Committee Clerk

Wisconsin Federation of Nurses & Health Professionals AFT, AFL-CIO
A Union of Professionals

9620 West Greenfield Ave.
West Allis, WI 53214-2601
T: 414/475-6065
800/828-2256
F: 414/475-5722
www.wfnhp.org

Local 5001
Dynacare Laboratories
Milwaukee County
St. Francis Hospital

Local 5011
Sheboygan City Professionals
Sheboygan County Health Care Centers
Sheboygan County Divisions of Public Health & Community Programs

Local 5012
Memorial Hospital of Burlington

Local 5024
Dodge County Public Health & Human Services

Local 5032
Clement J Zablocki Veterans Administration Medical Center

Local 5033
Langlade Memorial Hospital

Local 5034
Eagle River Memorial Hospital

Local 5035
Middle River Health & Rehabilitation Center

Local 5037
Wood County Health Department

Local 5038
West Allis Health Department

Local 5039
Ridgewood Care Center

Local 5040
Cumberland Memorial Hospital

Local 5061
Brookside Care Center
Kenosha County Division of Health

Local 5068
Manitowoc County Health Department

Local 5084
Columbia County Department of Health & Human Services

An affiliate of the American Federation of Teachers, AFL-CIO

May 24, 2011

Mr. Fred Bau, Action Director
Milwaukee County
Department of Labor Relations
Milwaukee County Courthouse
901 N. 9th Street – Room 302
Milwaukee, WI 53233

Dear Mr. Bau:

This is to inform you that the Wisconsin Federation of Nurses and Health Professionals, Local 5001, AFT, AFL-CIO, has ratified the agreement reached with Milwaukee County for the 2012 contract.

I want to also offer my personal thanks and appreciation for your assistance with these negotiations. I believe both Milwaukee County and the members of Local 5001 were well served by your efforts and the actions of the Personnel Committee.

Sincerely,

Candice Owley

Candice Owley, R.N.
President, WFNHP Local 5001

CO/DAK

1w/md/mc/ratification5-24-11

~~2009-2011~~ 2012

AGREEMENT

BETWEEN

COUNTY OF MILWAUKEE

AND

FEDERATION OF NURSES AND HEALTH PROFESSIONALS

LOCAL 5001, AFT, AFL-CIO

1.04 DURATION OF AGREEMENT

(1) The provisions of this Agreement shall become effective January 1, ~~2009~~ 2012, unless otherwise herein provided. Unless otherwise modified or extended by mutual agreement of the parties, this Agreement shall expire on December 31, ~~2011~~ 2012. If during the term of this Agreement the State Legislature modifies the educational requirements for the licensure of Registered Nurses, the County agrees to meet with the Federation for the singular purpose of negotiating the impact of such legislative action on wages, hours and conditions of employment.

2.01 WAGES

~~(1) Effective Pay Period One (1) 2010, (December 27, 2009) wages of bargaining unit employees shall be increased by one and one quarter percent (1.25%).~~

~~(2) Effective Pay Period Fourteen (14) 2010, (June 27, 2010) wages of bargaining unit employees shall be increased by one percent (1%).~~

~~(3) Effective Pay Period One (1) 2011, (December 26, 2010) wages of bargaining unit employees shall be increased by one and one quarter percent (1.25%).~~

~~(4) Effective Pay Period Fourteen (14) 2011, (June 26, 2011) wages of bargaining unit employees shall be increased by one percent (1%).~~

(1)~~(5)~~ The adjusted salary schedules are detailed in Appendix B.

(2)~~(6)~~ The County may reopen the Agreement at any time during its term for the sole purpose of discussing economic benefits.

(3)~~(7)~~ The following formula is established for payment of steps in the range to employees:

Years of Recent Experience	Hiring Step
0 - 1	First Step
1 - 2	Second Step

2 - 3	Third Step
3 - 4	Fourth Step
More than 4 years	Fifth Step

This formula is not applicable to the ~~new~~ classifications of Occupational Therapists and Music Therapists

(4)~~(8)~~ Payment of steps in the range other than as above requires the approval of the Director of Human Resources.

(5)~~(9~~) The Federation of Nurses and Health Professionals shall be notified of any petition of the Director of Human Resources to modify or deviate from the above formula.

(6)~~(10)~~ Employees hired at a step in the pay range higher than the first on account of certified experience shall be paid the appropriate rate from date of hire.

(7)~~(11)~~ Employees shall advance from one step in the range to the next higher step based upon meritorious performance at each step of at least 2,080 hours of straight time hours worked and upon completion of a performance appraisal by the appointing authority or designee. Effective January 01, 2012, all step increases provided for in Chapter 17 of the Milwaukee County General Ordinances are eliminated for a twelve (12) month period.

~~(12) Effective Pay Period Thirteen (13) 2010, (June 13, 2010), pay range 26NT is created with the following steps:~~

~~Step~~	~~Hourly Pay~~
~~1~~	~~26.59~~
~~2~~	~~27.79~~
~~3~~	~~29.04~~
~~4~~	~~30.34~~
~~5~~	~~31.71~~

~~(13) Effective Pay Period Thirteen (13) 2010, (June 13, 2010), all positions of Occupational Therapists 1 (pay range 18NT), Occupational Therapists 2 (pay range 22NT), and Occupational Therapists 3 (pay range 24NT) shall be re-titled to Occupational Therapist and reallocated to pay range 26NT. Placement of employees into the new pay range shall be in accordance with (15) below.~~

~~(14) Effective Pay Period Thirteen (13) 2010, (June 13, 2010), all Employees in the classifications of Music Therapists 1 (pay range 18NT), and Music Therapists 2 (pay range 22NT) shall be re-titled to Music Therapist and reallocated to pay range 26NT. Placement of employees into the new pay range shall be in accordance with (15) below.~~

~~(15) The following formula is established for initial payment of steps in pay range 26NT to employees moving into the classifications of Occupational Therapists and Music Therapists in 2010:~~

~~Years of County Service~~	~~Hiring Step~~
~~Under Five (5) Years~~	~~First Step~~
~~Between 5 to 10 Years~~	~~Second Step~~
~~Over Ten (10) Years~~	~~Third Step~~

~~(16) Effective January 1, 2010, all employees that are in classifications in Pay Range 17NZ will be reallocated to Pay Range 18N upon the beginning of the following pay period upon reaching their merit date. Current incumbents of positions in classifications in Pay Range 17NZ will be moved to the step in Pay Range 18N that provides at least a ten cent ($0.10) per hour increase in pay. Effective December 31, 2010, Pay Range 17NZ will be abolished~~.

2.02 OVERTIME

(1) Overtime shall be defined as hours worked in excess of ~~8 per day or~~ forty (40) per week for all bargaining unit employees. Overtime shall be compensated or liquidated at time and one-half unless otherwise specified in this Contract.

2.11 RETIREMENT SYSTEM

(14) For all employees who became members of the employees retirement system after January 1, 1971, all pension service credit earned on and after January 1, 2012 shall be credited in an amount equal to 1.6% of the member's final average salary, who at the time the service credit is earned, is covered by the terms of this agreement.

(15) An employee whose initial membership in the retirement system began on or after January 1, 2012 and began while covered by the terms of this agreement shall be eligible for a normal pension if his or her employment is terminated on or after he or she has attained age fifty-five (55) and has completed thirty (30) years of service, or if his or her employment is terminated on or after he or she has attained age sixty-four (64).

(16) Mandatory employee contributions.

(a) Each employee of the Employees' Retirement System, shall contribute to the retirement system a percentage of the "Member's Compensation" according to (b). "Member Compensation" shall include all salaries and wages of the member, except for the following: overtime earned and paid; any expiring time paid such as overtime, and holiday; and injury time paid; and any supplemental time paid such as vacation or earned retirement.

(b) Contribution percentage: The percentage shall be as follows: When authorized by State Law or effective January 1, 2012, whichever is later, a contribution of one-half (1/2) of the Annual Required Contribution (ARC) to the Employees' Retirement System or, in the absence of State Law, effective January 1, 2012, a four percent (4%) employee contribution to the Employees' Retirement System.

2.20 EMPLOYEES' HEALTH AND DENTAL BENEFITS

(1) Health and Dental Benefits shall be provided for in accordance with the terms and conditions of the current Plan Document and the Group Administrative Agreement for the Milwaukee County Health Insurance Plan or under the terms and conditions of the insurance contracts of those Managed Care Organizations (Health Maintenance Organizations or HMO) approved by the County.

(2) Eligible employees may choose health benefits for themselves and their dependents under a Preferred Provider Organization (County Health Plan or PPO) or HMO approved by the County.

(3) All eligible employees enrolled in the PPO or HMO shall pay a monthly amount toward the monthly cost of health insurance as described below:

(a) ~~Effective January of 2009, employees enrolled in the PPO shall pay seventy-five dollars ($75.00) per month toward the monthly cost of a single plan and one hundred fifty dollars ($150.00) per month toward the monthly cost of a family plan.~~

~~(b) Effective January of 2010, employees enrolled in the PPO shall pay ninety dollars ($90.00) per month toward the monthly cost of a single plan and one hundred eighty dollars ($180.00) per month toward the monthly cost of a family plan.~~

~~(c)~~ Effective January of ~~2011~~2012, employees enrolled in the PPO shall pay ~~one hundred ten dollars ($110.00)~~ seventy-five dollars ($75.00) per month toward the monthly cost of a single plan and ~~two hundred twenty dollars ($220.00)~~ one hundred fifty dollars ($150.00) per month toward the monthly cost of a family plan.

~~(d) Effective January of 2009, employees enrolled in the HMO shall pay thirty-five dollars ($35.00) per month toward the monthly cost of a single plan and seventy dollars ($70.00) per month toward the monthly cost of a family plan.~~

~~(e) Effective January of 2010, employees enrolled in the HMO shall pay fifty dollars ($50.00) per month toward the monthly cost of a single plan and one hundred dollars ($100.00) per month toward the monthly cost of a family plan.~~

~~(f)~~(b) Effective January of ~~2011~~ 2012, employees enrolled in the HMO shall pay ~~seventy dollars ($70.00)~~ seventy-five dollars ($75.00) per month toward the monthly cost of a single plan and ~~one hundred forty dollars ($140.00)~~ one hundred fifty dollars ($150.00) per month toward the monthly cost of a family plan.

~~(g)~~(c) The appropriate payment shall be made through 24 equal payroll deductions. When there are not enough net earnings to cover such a required contribution, and the employee remains eligible to participate in a health care plan, the employee must make the payment due within ten working days of the pay date such a contribution would have been deducted. Failure to make such payment will cause the insurance coverage to be canceled effective the first of the month for which the premium has not been paid.

~~(h)~~(d) The County shall deduct employees' contributions to hea1th insurance on a pre-tax basis pursuant to a Section 125 Plan. Other benefits may be included in the Section 125 Plan as mutually agreed upon by the County and the Union. Such agreement would be by collateral agreement to this contract.

~~(i)~~(e) The County shall establish and administer Flexible Spending Accounts (FSA's) for those employees who desire to pre-fund their health insurance costs as governed by IRS regulations. The County retains the right to select a third party administrator.

(4) In the event an employee who has exhausted accumulated sick leave is placed on leave of absence without pay status on account of illness, the County shall continue to pay the monthly cost or premium for the Health Plan chosen by the employee and in force at the time leave of absence without pay status is requested, if any, less the employee contribution during such leave for a period not to exceed one (1) year. The 1-year period of limitation shall begin to run on the first day of the month following that during which the leave of absence begins. An employee must return to work for a period of sixty (60) calendar days with no absences for illness related to the original illness in order for a new 1-year limitation period to commence.

(5) Where both husband and wife are employed by the County, either the husband or the wife shall be entitled to one family plan. Further, if the husband elects to be the named insured, the wife shall be a dependent under the husband's plan, or if the wife elects to be the named insured, the husband shall be a dependent under the wife's plan. Should neither party make an election the County reserves the right to enroll the less senior employee in the plan of the more senior employee.

(6) Coverage of enrolled employees shall be in accordance with the monthly enrollment cycle administered by the County.

(7) Eligible employees may continue to apply to change their health plan to one of the options available to employees on an annual basis. This open enrollment shall be held at a date to be determined by the County and announced at least forty-five (45) days in advance.

(8) The County shall have the right to require employees to sign an authorization enabling non-County employees to audit medical and dental records. Information obtained as a result of such audits shall not be released to the County with employee names unless necessary for billing, collection, or payment of claims.

(9) The County reserves the right to terminate its contracts with its health plans and enter into a contract with any other administrator. The County may terminate its contract with its current health plan administrator and enter into a replacement contract with any other qualified administrator or establish a self-administered plan provided:

(a) That the cost of any replacement program shall be no greater to individual group members than provided in par. (3) above immediately prior to making any change.

(b) That the coverages and benefits of such replacement program shall remain the same as the written Plan Document currently in effect for employees ~~and retirees~~.

(c) Prior to a substitution of a Third Party Administrator (TPA) or implementing a self-administered plan, the County agrees to provide the Union with a full 60 days to review any new plan and/or TPA.

(10) The County reserves the right to establish a network of Preferred Providers. The network shall consist of hospitals, physicians, and other health care providers selected by the County. The County reserves the right to add, modify or delete any and all providers under the Preferred Provider Network.

(11) Upon the death of any retiree, only those survivors eligible for health insurance benefits prior to such retiree's death shall retain continued eligibility for the Employee Health Insurance Program.

(12) Employees hired after September 27, 1995, may upon retirement opt to continue their membership in the County Group Health Benefit Program upon payment of the full monthly cost.

(13) All eligible employees enrolled in the PPO or HMO shall have a deductible equal to the following:

(a) ~~The in-network deductible shall be one hundred fifty dollars ($150.00) per insured, per calendar year; four hundred fifty dollars ($450.00) per family, per calendar year.~~ The in-network deductible for the PPO shall be five hundred dollars ($500.00) per insured, per calendar year; one thousand dollars ($1,000.00) for a two-member family, per calendar year; or one thousand five hundred dollars ($1,500.00) for a three-member or more family, per calendar year.

(b) ~~The out-of-network deductible shall be four hundred dollars ($400.00) per insured, per calendar year; one thousand two hundred dollars ($1,200.00) per family, per calendar year.~~ The out-of-network deductible for the PPO shall be one thousand dollars ($1,000.00) per insured, per calendar year; two thousand dollars ($2,000.00) for a two-member family, per calendar year; or three thousand dollars ($3,000.00) for a three-member or more family, per calendar year.

(c) The deductible for the HMO shall be five hundred dollars ($500.00) per insured, per calendar year; one thousand dollars ($1,000.00) for a two-member family, per calendar year; one thousand five hundred dollars ($1,500.00) for a three or more member family, per calendar year.

(d) Co-payments do not apply towards meeting deductibles for the HMO or PPO.

(14) All eligible employees and/or their dependents enrolled in the PPO shall be subject to a ~~twenty dollar ($20.00)~~ thirty dollar ($30.00) in-network office visit co-payment or ~~forty dollar ($40.00)~~ sixty dollar ($60.00) out-of-network office visit co-payment for all illness or injury related office visits. The in-network office visit co-payment shall not apply to preventative care, ~~which includes prenatal, baby-wellness, and physicals,~~ as determined by the plan.

(15) All eligible employees and/or their dependents enrolled in the PPO shall be subject to a

co-insurance co-payment after application of the deductible and/or office visit co-payment.

(a) The in-network co-insurance co-payment shall be equal to ten percent (10.00%) of all charges subject to the applicable out-of-pocket maximum,

(b) The ~~out-of-network co-insurance co-payment shall be equal to twenty percent (20.00%) of all charges subject to the applicable out-of-pocket maximum,~~

~~(c) Effective January of 2010, the~~ out-of-network co-insurance co-payment shall be equal to thirty percent (30.00%) of all charges subject to the applicable out-of-pocket maximum.

(c) Co-insurance does not apply to those services that require a fixed amount co-payment.

(d) The in-network co-insurance shall not apply to preventative care, as determined by the plan.

(16) All eligible employees enrolled in the PPO shall be subject to the following out-of-pocket expenses including any applicable deductible and percent co-payments to a calendar year maximum of:

(a) ~~one thousand five hundred dollars ($1,500.00)~~ two thousand five hundred dollars ($2,500.00) in-network under a single plan.

(b) ~~two thousand five hundred dollars ($2,500.00)~~ five thousand dollars ($5,000.00) in-network under a family plan.

(c) ~~three thousand dollars ($3,000.00)~~ five thousand dollars ($5,000.00) out-of-network under a single plan.

(d) ~~five thousand dollars ($5,000.00)~~ seven thousand five hundred dollars ($7,500.00) out-of-network under a family plan.

(e) Office visit co-payments are not limited and do not count toward the calendar year out-of-pocket maximum(s).

(f) Charges that are over usual and customary do not count toward the calendar year out-of-pocket maximum(s).

(g) Prescription drug co-payments do not count toward the calendar year out-of-pocket maximum(s).

(h) Other medical benefits not described in 16 (e), (f), and (g) shall be paid by the County at 100% after the calendar year out-of-pocket maximum(s) has been satisfied.

(17) All eligible employees and/or their dependents enrolled in the PPO shall pay a ~~fifty dollar~~

~~($50.00)~~ one hundred fifty dollar ($150.00) emergency room co-payment in-network or out-of-network. The co-payment shall be waived if the employee and/or their dependents are admitted directly to the hospital from the emergency room. In-network and out-of-network deductibles and co-insurance percentages apply.

(18) All eligible employees and/or their dependents enrolled in the PPO or HMO shall pay the following for a thirty (30) day prescription drug supply at a participating pharmacy:

(a) Five dollar ($5.00) co-payment for all generic drugs.

(b) ~~Twenty dollar ($20.00)~~ Thirty dollar ($30.00) co-payment for all brand name drugs on the formulary list.

(c) ~~Forty dollar ($40.00)~~ Fifty dollar ($50.00) co-payment for all non-formulary brand name drugs.

(d) Non-legend drugs may be covered at the five dollar ($5.00) generic co-payment level at the discretion of the plan.

(e) Twenty dollar ($20.00) co-payment for all diabetic covered supplies.

(f) Mail order is mandatory for all maintenance drugs. There is no coverage for maintenance drugs filled at retail pharmacy after the third fill.

(g) Co-payments for mail order maintenance drugs is the same as retail but for a 90-day supply.

~~(e)~~(h) The plan shall determine all management protocols.

(19) All eligible employees and/or their dependents enrolled in the HMO shall be subject to a ~~ten dollar ($10.00)~~ twenty dollar ($20.00) office visit co-payment for all illness or injury related office visits. The office visit co-payment shall not apply to preventative care, as determined by the plan. ~~The County and/or the plan shall determine preventative care.~~

(20) All eligible employees and/or their dependents enrolled in the HMO shall pay a one hundred dollar ($100.00) co-payment for each in-patient hospitalization. ~~There is a maximum of five (5) co-payments per person, per calendar year.~~

(21) All eligible employees and/or their dependents enrolled in the HMO shall pay fifty percent (50.0%) co-insurance on all durable medical equipment to a maximum of fifty dollars ($50.00) per appliance or piece of equipment.

(22) All eligible employees and/or their dependents enrolled in the HMO shall pay a ~~fifty dollar ($50.00)~~ one hundred fifty dollar ($150.00) emergency room co-payment (facility only). The co-payment shall be waived if the employee and/or their dependents are admitted to the hospital directly from the emergency room.

(23) In accordance with Wisconsin Act 218 that was passed by the State of Wisconsin in

2010, mental health care for all eligible employees and/ortheir dependents shall be provided in the same manner as regular health care as describe in section 17.14(7). As such, all co-payments, co-insurance, deductibles, and out-of-pocket maximums shall apply accordingly. ~~All eligible employees and/or their dependents Benefits for the in-patient and out-patient treatment of mental and nervous disorders, alcohol and other drug abuse (AODA) are as follows:~~

~~(a) If the employee and the dependent use an in-patient PPO facility, benefits are payable at eighty percent (80.0)% of the contracted rate for thirty (30) days as long as the PPO approves both the medical necessity and appropriateness of such hospitalization.~~

~~(b) If the employee and the dependent use a non-PPO facility, benefits are payable at fifty percent (50.0%) of the contracted rate for a maximum of thirty (30) days. The hospitalization is still subject to utilization review for medical necessity and medical appropriateness.~~

~~(c) The first two (2) visits of outpatient treatment by network providers will be reimbursed at one hundred percent (100.0%) with no utilization review required. Up to twenty five (25) further visits for outpatient treatment when authorized by the PPO, will be reimbursed at ninety five percent (95.0%) of the PPO contracted rate. In addition, when authorized by the PPO, up to thirty (30) days per calendar year, per insured, of day treatment or partial hospitalization shall be paid at ninety five percent (95.0%) of the contracted rate for all authorized stays at PPO facilities.~~

~~(d) The first fifteen (15) visits of out-patient treatment authorized by the PPO but not provided by a PPO provider shall be paid at fifty percent (50.0%) of the contracted rate for all medically necessary and appropriate treatment as determined by the PPO. When authorized by the PPO, up to thirty (30) days per calendar year, per insured, of day treatment or partial hospitalization shall be paid at fifty percent (50.0%) of the contracted rate for all authorized stays at non-PPO facilities.~~

(24) Each calendar year, the County shall pay a cash incentive of five hundred dollars ($500.00) per contract (single or family plan) to each eligible employee who elects to dis-enroll or not to enroll in a Milwaukee County Health Plan. Any employee who is hired on and after January 1, and who would be eligible to enroll in health insurance under the present County guidelines who chooses not to enroll in a Milwaukee County health plan shall also receive five hundred dollars ($500.00). Proof of coverage in a non-Milwaukee County group health insurance plan must be provided in order to qualify for the five

hundred dollars ($500.00) payment. Such proof shall consist of a current health enrollment card.

(a) The five hundred dollars ($500.00) shall be paid on an after tax basis. When administratively possible, the County may convert the five hundred dollars ($500.00) payment to a pre-tax credit which the employee may use as a credit towards any employee benefit available within a flexible benefits plan.

(b) The five hundred dollars ($500.00) payment shall be paid on an annual basis by payroll check no later than April 1st of any given year to qualified employees on the County payroll as of January 1st. An employee who loses his/her non-Milwaukee County group health insurance coverage may elect to re-join the Milwaukee County Conventional Health Plan. The employee would not be able to re-join an HMO until the next open enrollment period. The five hundred dollars ($500.00) payment must be repaid in full to the County prior to coverage commencing. Should an employee re-join a health plan he/she would not be eligible to opt out of the plan in a subsequent calendar year.

(25) The County shall implement a disease management program. Such program shall be designed to enhance the medical outcome of a chronic illness through education, treatment, and appropriate care. Participation in the program by the patient shall be strictly voluntary, and the patient can determine their individual level of involvement. Chronic illness shall be managed through a variety of interventions, including but not limited to contacts with patient and physician, health assessments, education materials, and referrals. The County shall determine all aspects of the disease management program.

(26) The County shall provide a Dental Insurance Plan equal to and no less than is currently available to employees. Bargaining unit employees hired on or after September 8, 1989 and each eligible employee enrolled in the Milwaukee County Dental Benefit Plan shall pay two dollars ($2.00) per month toward the cost of a single plan, or six dollars ($6.00) per month toward the cost of a family plan. Employees may opt not to enroll in the Dental Plan.

(27) Effective January 2012, active employees with health care benefits (those who pay monthly health care premiums) will receive an automatic contribution to a Flexible Spending Account (FSA) of $500 for single and $1,500 for family plans. Unused FSA monies at the end of the year will flow back to Milwaukee County.

(28) If any of the preceding provision in Section 2.20 are modified in Chapter 17.14 (7) of the

<u>Milwaukee County Code of General Ordinances, as a result of the 2012 Milwaukee County Adopted Budget, the provisions of Chapter 17.14 (7) shall apply to this section.</u>

File No.
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(ITEM) From Interim Director, Department of Labor Relations, submitting documents relating to the tentative agreement with Federation of Nurses and Health Professionals Local 5001, AFT, AFL-CIO, by recommending adoption of the following:

A RESOLUTION

WHEREAS, the negotiation staff of the Personnel Committee of the Milwaukee County Board of Supervisors and the Federation of Nurses and Health Professionals Local 5001, AFT, AFL-CIO, have reached agreements on all issues relating to wages, hours, and conditions of employment for employees in the bargaining unit represented by Federation of Nurses and Health Professionals Local 5001, AFT, AFL-CIO, and for the period January 1, 2012 through December 31, 2012, modifying the previous agreement in the following respects:

(1) Providing for the termination of the Agreement on December 31, 2012.
(2) Providing for no cost of living increase.
(3) Providing for effective January 01, 2012, all step increases provided for in Chapter 17 of the Milwaukee County General Ordinances are eliminated for a twelve (12) month period
(4) Providing for a change in overtime in that overtime shall be defined as only forty hours worked in a week.
(5) Providing for effective January 1, 2012 pension service credit shall be defined as 1.6% of a member's final average salary.
(6) Providing for new employee hired after January 1, 2012 the normal retirement age will be at age 64.
(7) When authorized by State Law or effective January 1, 2012, whichever is later, providing for a mandatory employee contribution of one-half (1/2) of the Annual Required Contribution (ARC) to the Employee' Retirement system or, in the absence of State Law, effective January 1, 2012, a four percent (4%) employee contribution to the Employees' Retirement System.
(8) Providing for employees enrolled in the HMO and PPO shall pay $75 per month towards the monthly cost of the single plan and $150 per month towards the monthly cost of the family plan.
(9) Providing for "and retirees" being struck from the Health Insurance provision of the labor agreement.
(10) Providing a deductible for employees enrolled in the PPO and HMO. PPO in network deductible of $500 for single/$1,000 for a two person family/$1,500 for a family, PPO out of network deductible $1,000 for single/$2,000 for a two person

family/$3,000 for a family, HMO deductible $500 for single/$1,000 for a two person family/$1,500 for a family.

(11) Providing increases to the PPO out of pocket maximum to $2,500 in network under a single plan, $5,000 in network under a family plan, $5,000 out of network under a single plan, $7,500 out of network under a family plan.

(12) Providing for an increased to the Emergency room co-payment for those in the HMO and PPO to $150.

(13) Providing for an increase in prescription drug supply for brand name drugs to $30, and for non-formulary brand name drugs to $50, mail order is mandatory for all maintenance drugs.

(14) Providing for an increased co-payment for those enrolled in the HMO for office room visits to $20.

(15) Providing for if any provision in Section 2.20 "Employee' Health and Dental Benefits" is modified in Chapter 17.17 (7) of the Milwaukee County Code of General Ordinances, as a result of the 2012 Milwaukee County Adopted Budget, the provisions of Chapter 17.17 (7) shall apply to this section.

(16) Amend the Health Insurance mental health care language to conform to State law.

(17) Providing for active Members with health care benefits (those who pay monthly health care premiums) an automatic contribution to a flexible spending account (FSA) of $500 for single and $1,500 for family plans. Unused FSA monies at the end of the year will flow back to Milwaukee County.

WHEREAS, such agreement was ratified by the membership of the Federation of Nurses and Health Professionals, Local 5001on May XX, 2011; and

WHEREAS, the Committee on Finance and Audit, on May XX, 2011, recommended approval (vote X-X) of the Federation of Nurses and Health Professionals, Local 5001 agreement; and

WHEREAS, the Committee on Personnel, on May ZZ, 2011, recommended approval (vote X-X) of the Federation of Nurses and Health Professionals, Local 5001 agreement; now, therefore,

BE IT RESOLVED, that the Milwaukee County Board of Supervisors hereby approves the agreement on wages, benefits and conditions of employment with the Federation of Nurses and Health Professionals, Local 5001, which is incorporated herein by reference to this File No. 11-XXX, and hereby authorizes and directs the County Executive and the County Clerk to execute the agreement; and

BE IT FURTHER RESOLVED that the Director of the Department of Administration is hereby authorized and directed to prepare and submit appropriation transfer requests reflecting this agreement at a later date, if necessary.

This fiscal note was prepared by the Department of Administrative Services and submitted to the Department of Audit and County Board staff for review on June 8, 2011.

FISCAL NOTE

The following provides a summary of the fiscal impact of the proposed **Federation of Nurses and Health Professionals (FNHP Union), Local 5001 contract agreement for the years 2012.** The impact estimates are inclusive of all wage-related negotiated items for title codes under the FNHP Union. The following estimates are based upon current personnel in the union and negotiated changes impacting the wages and other benefit costs. The actual fiscal impact may be greater than or less than the impact that is estimated below.

The following table presents the key wage and benefit elements of the proposed contract:

Table 1: Wage and Benefit Proposals
FNHP Contract 2012

Wage Rate Increases:			**Non-Rep Impact**
	No wage rate increases proposed for 2012		
Step Freeze for One Year:		**Effective ***	
	Step increases shall be eliminated for a twelve month period.	1/8/2012	2010 & 2011
Other Wage Related Items		**Effective ***	
	Overtime based only on hours worked over 40 hours in a week. Overtime for hours worked over 8 in a day is eliminated.	1/8/2012	2010
Health Care Plan Changes		**Effective**	
	Increase PPO Out of Pocket Maximums for in-network and out-network by $1,000 single, and $2,500 family.	1/1/2012	2010 & 2011
	Increase PPO and HMO Emergency Room Co-pay from $50 to $150	1/1/2012	2010 & 2011
	Increase Prescrip Drug Co-Pay $5/$30/ $50	1/1/2012	2011
	Increase In-Network deductible to $500/ $1000/ $1500 for PPO plans, Increase Out-Network deductible for PPO to $1000/$2000/$3000, Increase Network deductible for HMO to $500/$1000/$1500	1/1/2012	2010 & 2011
	Incr PPO Office Visit Co-Pay to $30/ $60	1/1/2012	2011
	Incr HMO Office Visit Co-Pay to $20	1/1/2012	2011
	FSA Contribution of $500, $1,000, and $1,500 made by County to employee account depending on single, two-member, or family, respectively	1/1/2012	2011
	Contract Health Coverage will only apply to employees (Nurse retirees will now follow health policies identified in County Ordinances)	1/1/2012	2010
Employee Contributions to Health Insurance Premiums		**Effective 1/1/2012**	
		Single	**Family**
	PPO Plan 2012	$ 75	$ 150
	HMO Plan 2012	75	150
	Current Contribution Rates		
	PPO Plan 2011	$ 110	$ 220
	HMO Plan 2011	70	140

The following continues the major changes included in the proposed contract for the Nurses:

Table 1: Wage and Benefit Proposals
FNHP Contract 2012
(continued from previous page)

Pension Plan Changes	Effective
Decrease multiplier from 2.0% to 1.6% prospectively for all employees	1/1/2012
Increase normal retirement age from 60 to 64 for employees hired after 1/1/2012	1/1/2012
Provide for an employee pension contribution estimated at 6% of employee compensation.	1/1/2012

Retiree Health Care Savings

Adoption of the changes in health care benefits described above would result in additional savings related to retirees. The estimated annual savings related to retirees from FNHP is $212,000 in 2012. The retiree health care savings are likely to increase due to increases in overall health care costs. These savings are not reflected in this fiscal note, since this note deals with active employees only.

Adoption of 2012 Budget Changes to health insurance.

If any of the preceding provisions in Section 2.20 are modified in Chapter 17.14 (7) of the Milwaukee County Code of General Ordinances, as a result of the 2012 Milwaukee County Adopted Budget, the provisions of Chapter 17.14 (7) shall apply to this section.

The following tables present the fiscal impact summary by year:

Table 2: Fiscal Impact by Year
FNHP Contract 2012

	2012
Wage Related Items	
Wage Rate Increases	$ -
Step Freeze for One Year	(223,664)
Overtime Eliminated for Hours Worked over 8 in a day	(128,047)
Sub-Total Wages	(351,711)
7.65% FICA	(26,910)
8.90% Pension	(31,300)
Sub-Total Wages, FICA & Pension	(409,921)
Health Care Plan Changes	
Increase PPO Out of Pocket Maximums ($1,000 single, $2,500 family)	(51,240)
Increase PPO and HMO Emergency Room Co-pay from $50 to $150	(31,300)
Increase Prescrip Drug Co-Pay to $5/$30/ $50	(22,200)
Increase In-Network deductible to $500/ $1000/ $1500 for PPO plans, Increase Out-Network deductible for PPO to $1000/$2000/$3000, Increase Network deductible for HMO to $500/$1000/$1500	(293,400)
Incr PPO Office Visit Co-Pay to $30/ $60	(35,000)
Incr HMO Office Visit Co-Pay to $20	(38,800)
FSA Contribution of $500, $1,000, and $1,500 made by County to employee account depending on single, two-member, or family, respectively	231,500
Contract Health Coverage will only apply to employees (Nurse retirees will now follow health policies identified in County Ordinances)	
Contributions to Health Insurance	
PPO	39,900
HMO	(19,980)
Pension Plan Changes	
Decrease multiplier from 2.0% to 1.6%, after 1/1/2012	(234,000)
Increase retirement age from 60 to 64 - new employees after 1/1/2012	(12,300)
Provide for Employee Pension Contribution of approx 6%	(860,388)
Total Wage and Benefit Change	$ (1,737,129)

Amounts Used in Calculations:	
Total Count of Employees	334
Full-time equivalents	248.0
Total calculated wages	17,494,168
Average wage rate/hour	$ 34.60
Total base wages	$ 17,845,879
Annual Lift Pcntg Wages on base wage	-1.97%
Cumulative Lift Pcntg Wages on base wage	-1.97%
Annual Lift Pcntg All Costs on base wage	-9.73%
Cumulative Lift Pcntg All Costs on base wage	-9.73%

CHANGES IN PROPOSED OFFER:
Following are the changes that are in the tentative contract agreement for FNHP:

1. Wage rate increases – The tentative agreement calls for no wage increases:

Item	Date Effective	Percent Increase
	None	

For purposes of this fiscal note, there are no wage increases. The last wage increases given to the Nurses were on December 26, 2010 for 1.25% and on June 26, 2011 for 1.00%. A total of four wage increases were included in the previous contract with the Nurses for 2009-2011. For 2011, the non-represented employees received a wage increase of 1% at mid-year and 1% increase at the end of 2011. These wage increases corresponded with an increase of employee contributions to the pension plan of 1% and 1%, as of the same dates.

The wage costs do not include the cost of step increases.

2. Elimination of Step Increases for a One-Year Period

The proposed agreement calls for the following changes:

Item	Date Effective	Drop Steps	Annual Savings 2012
1	January 1, 2012	Upon effective date of step increases delay next step for one additional year.	($223,664)

There are 141 represented members that could be getting step increases for 2012. These members would be delayed from step increases for a one year period, which would provide savings of $223,000. The average step increase is 3.3% over current wage rates. The step increases range from 1.7% to 7.0%.

3. Overtime is eliminated for hours worked over 8 hours in a day.
The proposed agreement calls for the following changes:

Item	Date Effective	Eliminate Overtime	Annual Savings 2012
1	January 1, 2012	Eliminate requirement of overtime for hours worked over 8 in a day.	($128,047)

Approximately 8,700 hours of overtime were paid out based on the rule of over 8 hours in a day. These hours would now be paid out on a straight time basis, thus eliminating the overtime premium. The savings noted above is the overtime premium.

4. Change in health care contributions for 2012
The proposed agreement calls for the following changes:

Proposed Change to Active Health Plan	**Cost Savings**
Increase PPO Out of Pocket Maximums (increase will be $1,000 single, and $2,500 family). In-network will be $2,500 Single and $5,000 family. Out-network will be $5,000 single and $7,500 family.	($51,240)
Increase PPO and HMO Emergency Room Co-pay from $50 to $150	($31,300)
Increase Prescription Drug Co-Pay $5/$30/ $50 (current plan is $5/ $20/ $40)	($22,200)
Increase In-Network deductible to $500/ $1000/ $1500 for PPO plan, Increase Out-Network deductible for PPO to $1000/$2000/$3000, Increase network deductible for HMO to $500/$1000/$1500 (no deductible previously for HMO)	($293,400)
Increase PPO Office Visit Co-Pay to $30/ $60 (amount was $20/ $40)	($35,000)
Increase HMO Office Visit Co-Pay to $20 (amount was $0)	($38,800)
Provide for an Flexible Spending Account contribution to employees of $500, $1,000, $1,500, depending on single, two-member, and family.	$231,500

There are currently 61 members who are in the County PPO plan and 192 members who are in the HMO plan. A cost estimate for this change was based on a report received from an outside actuary for purposes of the preparation of the 2011 budget. This estimate uses the 2010 costs and the factors provided by the outside actuary for each of the items noted above. The changes mirror the changes made for the non-represented employees during 2010 and 2011. In 2011, the active non-represented employees received a

Flexible Spending Account (FSA) contribution of $500, $1,000, or $1,500 depending on single, couple, or family. This same provision is provided here for the Nurses.

The contract also contains a provision that if any health care changes are proposed for the 2012 budget, these changes will be automatically applied to the Nurses. The provision states the following. "If any of the preceding provisions in Section 2.20 (Health Care Provisions for Nurse Members) are modified in Chapter 17.14 (7) (Non-Represented Health Care Provisions) of the Milwaukee County Code of General Ordinances, as a result of the 2012 Milwaukee County Adopted Budget, the provisions of Chapter 17.14 (7) shall apply to this section.

5. Change in Employee Contribution for Health Care:

Table 1 is self-explanatory with regards to the changes in health care contributions by employees of the union. The new rates are a slight increase for HMO members and a decrease for PPO members.

6. Changes in Pension Benefits

The tentative agreement proposes the following changes to the pension plan:

Item	Effective Date	Pension Plan	Annual Cost Impact 2011
1	1/1/2012	The annual multiplier on future years of pension service credits shall decrease from 2.0% to 1.6%	$ (234,000)
2	1/1/2012	The normal retirement age shall be increased from 60 to 64 for employees hired after 1/1/2012	$ (12,300)
3	1/1/2012	Provide for an employee contribution to the ERS pension plan. (approximately 6% of wages)	$ (860,338)

On December 14, 2009, the Pension Study Commission reviewed an actuarial report from Buck Consultants, Inc. regarding the pension changes proposed for Chapter 201.24 of the Code of General Ordinances (Items 1 and 2). The following was stated in the report of the Pension Study Commission, "The actuarial review showed that the retirement age change and the multiplier change have the effect of decreasing the present value of future normal costs and decreasing the annual required contribution." The pension changes provided for in the actuarial analysis of December 14, 2009, are the same pension changes provided to this union in the proposed contract. The December 14, 2009 actuarial cost savings, prepared by Buck Consultants, was used by DAS to determine a cost savings related to this union, for the same plan provision changes, with one slight change.

The proposal included in the Nurses contract does not eliminate the 25% salary bonus for any employee who began their employment with Milwaukee County Prior to January 1, 1982. This provision remains in effect and as a result, the 1.6% pension rate is equivalent to a 2.0% pension contribution. There are 14 members who this provision would effect.

The employee contribution is based on an actuarial analysis of the current Annual Required Contribution. The current wages of the employees were multiplied by 6% using the current contribution factor.

Budgetary Fiscal Impact

Based on the data provided in the previous tables, the following provides a summary of the budgetary fiscal impact for the year 2012:

Table 3: Budgetary Fiscal Impact
FNHP Contract 2012

		2012
Cost		
	Wage Related Items	$ (409,921)
	Health Care Plan Changes	(240,440)
	Contributions to Health Insurance	19,920
	Pension Plan Changes	(1,106,688)
	Total Cost	(1,737,129)
Funding Source		
	Prior Year Funds	-
	Current Year Appropriations	-
	Pension Budget Appropriations	-
	Total Sources	-
	Additional Resources	
	Required	$ (1,737,129)

The 2012 Budget has not been developed as of this date, so no funds are available or are being anticipated for the settlement of the Nurses's Contract.

Wage and Benefit Lift for 2012

The following table projects the cumulative dollar change and percentage lift in costs for the proposed contract. It includes costs for 2012, as previously shown in the other schedules. The 2012 budget year is included to illustrate the full impact of the proposed contract. No changes are expected between this table and the table previously shown.

Table 4: 2012 Cumulative Lift for 2012
FNHP Contract 2012

	As if all costs were annualized	
	Final Offer	
	Cumulative Total Lift	**Cumulative Lift %**
Continuing Cost Increase (Decrease) Over Prior Year		
Wage Rate Increases	$ -	0.00%
Step Freeze for a one year period	(223,664)	-1.25%
Overtime Basis eliminates overtime for work hours over 8 per day	(128,047)	-0.72%
Sub-total Wage Decrease	(351,711)	-1.97%
FICA	(26,910)	-0.15%
Pension	(31,300)	-0.18%
Total Decrease from Wages	**(409,921)**	-2.30%
Health Care Plan Changes	(240,440)	-1.35%
Contributions to Health Insurance	19,920	0.11%
Pension Plan Changes	(1,106,688)	-6.20%
Total Decrease From Benefits	**(1,327,208)**	-7.44%
Total Decrease	**$ (1,737,129)**	-9.73%
Drop as a Percentage of Base Wages		
Annual Lift Percentage		-9.73%
Cumulative Lift Percentage		-9.73%
Base Wages	$ 17,845,879	

Administrative Costs Associated with Implementing this Contract

To implement this contract, personnel in the Department of Administrative Services and IMSD will have to input the rate changes into the Ceridian HPW System. For wage rates, and health plan changes, the implementation will require internal time and effort. Health Plan Changes will be effectuated during the annual open enrollment process. The number of personnel hours to complete this task has not been determined yet, but other projects may be delayed to implement this contract.

The above information was prepared by the Department of Administrative Services and will be reviewed by the Department of Audit and County Board Fiscal and Budget Analyst. A separate report will be issued by them based upon their review.

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : June 8, 2011

TO : Supervisor Joe Sanfelippo, Chair, Committee on Personnel
Supervisor John Thomas, Chair, Committee on Finance and Audit

FROM : Steve Cady, Fiscal & Budget Analyst, County Board
Jerome J. Heer, Director of Audits

SUBJECT : Fiscal Note Review for the 2012 Contract between Milwaukee County and the Federation of Nurses and Health Professionals (FNHP Union), Local 5001

We have reviewed the fiscal note prepared by the Department of Administrative Services regarding the 2012 tentative agreement between County of Milwaukee and Federation of Nurses and Health Professionals.

We agree with the assumptions, methodologies and conclusions presented in the fiscal note.

If you have any questions, do not hesitate to call us.

Stephen A. Cady
Steve Cady
Fiscal & Budget Analyst

Jerome J. Heer
Jerome J. Heer
Director of Audits

cc: Members, Committees on Personnel and Finance and Audit
Candace Richards, Acting Director, DAS – Human Resources Division
Fred Bau, DAS – Labor Relations
Cynthia Pahl, Acting Asst Fiscal and Budget Admin, DAS
Carol Mueller, Committee Clerk, Committee on Finance and Audit
Scott Manske, Controller, Department of Administrative Services
Richard Ceschin, Research Analyst, County Board Staff
Jodi Mapp, Committee Clerk, Committee on Personnel