

NON-DEPARTMENTAL DESCRIPTION

The objective of the non-departmental revenue agencies is to properly account for revenue sources that are not under the jurisdiction of any single department. The Department of Administrative Services (DAS) has primary responsibility for budgeting and accounting for these revenues. The Non-Departmental revenue budgets are based on historical trends, current economic data, contract terms, and policy changes at the State and Federal level as appropriate. Prior to 2010 separate narratives were presented for each revenue. For comparison purposes, all non-departmental revenues are included below.

NON-DEPARTMENTAL REVENUE SUMMARY				
Org	2009 Actual	2010 Budget	2011 Budget	Budget Change
1901 Unclaimed Money	\$ 1,100,000	\$ 0	\$ 1,100,000	\$ 1,100,000
1933 Land Sales	256,340	3,611,300	0	(3,611,300)
1937 Potawatomi Allocation	4,059,018	4,058,477	4,058,477	0
1969 Medicare Part D Revenues	5,456,317	2,932,000	3,023,647	91,647
1991 Property Taxes	257,486,284	263,264,740	262,264,740	(1,000,000)
1992 Earnings on Investments	4,187,654	2,709,111	1,779,839	(929,272)
1993 State Shared Taxes	37,770,699	37,872,201	39,207,108	1,334,907
1994 State Exempt Computer Aid	2,828,694	2,808,543	2,808,543	0
1996 County Sales Tax Revenue	58,838,176	65,362,190	62,926,365	(2,435,825)
1997 Power Plant Revenue	356,880	356,880	356,880	0
1998 Surplus from Prior Years	7,946,529	4,144,018	4,144,018	0
1999 Other Misc. Revenue	1,238,673	370,000	180,000	(190,000)
TOTAL NON-DEPT. REVENUES	\$ 380,425,264	\$ 387,489,460	\$ 381,849,617	\$ (5,639,843)

Recommended Amounts are based on the following:

- Unclaimed Money:** Represents payments to vendors and individuals that go unclaimed. The Office of the Treasurer must publish notice of outstanding funds; if no claim is made, all funds plus interest are to be turned over to the General Fund per State Statute 59.66 (2a). The 2011 Budget is based on the actual amount collected in 2009, as the revenue is realized biennially.
- Land Sales:** Accounts for the sale of County land approved by the County Board. For 2011, all land sale revenue is budgeted in the Capital Improvements Budget. Revenue from the 2011 payment by the University of Wisconsin-Milwaukee for the sale of the County Grounds and revenue from the sale of Crystal Ridge will be used to finance capital projects. As in previous years, \$400,000 is budgeted in Real Estate Services to cover their operating expenditures. This represents the first \$400,000 of unallocated land sales and is historically realized through the sale of foreclosed properties and other miscellaneous land. Revenue from unanticipated land sales will be contributed to the debt service reserve.

Land Sale	Net Proceeds	Purpose
County Grounds Sale to UWM	\$5,000,000	Various Capital Projects
Crystal Ridge	\$3,700,000	Various Capital Projects
Unallocated Land Sales	\$400,000	Real Estate Services Operating Expenses
Total	\$9,100,000	

- Potawatomi Revenues:** Represents payments, based on Class III Net Win during the period July 1, 2010 to June 30, 2011 by the Potawatomi Bingo Casino per contract. The amount is net of allocations to operating departments (see below). The 2010 net win payment (after allocations) was \$3,758,001. The 2011 Budget includes Potawatomi revenue of \$4,058,477. The 2011 amount is a reflection of a ten-year average trend of Class III Win Net-Win. Allocations to departments total \$1,488,523 and are unchanged from the 2010 Adopted Budget.

REQUESTED 2011 BUDGET

DEPT: Non-Departmental Revenues

UNIT NO. Multiple
FUND: General - 0001

DHHS-Behavioral Health Division (Org. 6300)

An allocation of \$337,203 is budgeted to support the Community Services Section programs.

An allocation of \$500,000 is budgeted to support Alcohol and Other Drug Abuse (AODA) treatment through the Non-Temporary Assistance to Needy Families (TANF) AODA Voucher System.

Department of Health and Human Services (Org. 8000)

An allocation of \$350,000 is budgeted to increase the level of revenue in the Division's Birth-to-Three program to avoid a reduction in Federal revenue due to non-compliance with the Maintenance of Effort expenditure requirement.

An allocation of \$201,320 is budgeted to support the programs of the Delinquency and Court Services Division.

Safe Alternatives for Youth program (SAY)

An allocation of \$100,000 is budgeted for the SAY program to continue community-based services to low-income, "at risk youth."

- **Medicare Part D Revenues:** Represents the 28 percent reimbursement from the Federal government under the Medicare Prescription Drug Improvement and Modernization Act of 2003 for eligible retiree prescription drug coverage that the County provides. In the 2009 plan year, 5,220 eligible retirees incurred \$16.2 million in gross prescription drug costs reported to the Centers for Medicare and Medicaid Services. Of that amount, \$10,517,000 was eligible for the 28% Medicare subsidy (\$2,944,000).

In the 2010 plan year, 5,126 eligible retirees have been accepted by Medicare for reimbursement. Headcount appears to be remaining consistent between plan years. Inflationary trend in prescription drug costs will increase the amount of reimbursement under the Medicare program. However, Medicare has not made any changes to the individual eligible claims threshold of \$310 or the individual eligible claims limit of \$6,300. The lack of adjustment on the \$6,300 upper limit will counteract some of the effect of inflationary trend on the total reimbursement.

In addition, drug management programs included in the plan design changes in the 2011 Budget will reduce the gross prescription costs, and therefore will reduce Medicare Part D Revenues by \$108,746.

The 2011 Medicare Part D Revenues are budgeted to increase by \$91,647 to \$3,023,647 in 2011.

- **Earnings on Investments:** Represents the County's income earned on the investment of funds not immediately needed as estimated by the County Treasurer. The average daily balance for 2011 is projected at \$278 million. Of this amount, the daily cash balances in our collateralized bank accounts are projected at \$116 million. With the Federal Reserve rate at near zero, current earned interest rates are now running at 0.20%, which would yield approximately \$232,000 in interest revenue. The average daily investment balance is projected at \$162 million with an average projected rate of return calculated at 1.43%. That would yield approximately \$2,307,000 in earnings on investments. Therefore, the total earnings on all funds in 2011 will be approximately \$2,539,000.

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Statistical Reporting Data	2009 Actual	2010 Budget	2011 Budget
Earnings on all Funds (net of Mark-to-Market)	\$5,975,337	\$4,243,600	\$2,539,000
Earnings on Trust Fund Reserves and other			
Deferred Interest Liabilities	(\$1,123,884)	(\$594,104)	(\$477,332)
Earnings on Bonds Allocated to Capital Fund and Debt Service Fund	(\$663,798)	(\$940,382)	(\$281,829)
General Fund Earnings	\$4,187,655	\$2,709,114	\$1,779,839

Mark-to-Market

The General Accounting Standards Board in Statement 31 (GASB 31) requires governmental entities to report investments that have maturities greater than one year at fair market value. Therefore, the County will report a loss when the book value is greater than the fair market value. This amount is recorded in the investment earnings budget. When the book value is less than the fair market value, the County books the gain to a reserve to offset future losses. The losses have been captured in the Earnings on all Funds (net of Mark-to-Market) line in the table above.

Earnings on Trust Funds, Reserves and Other Deferred Interest Liabilities

Budgeted restricted earnings total \$477,332 for 2011. The budgeted amount includes earnings on the following funds: Airport (non-bonds), Zoo, Office for Persons with Disabilities, Federated Library System, Art Museum, Charles Allis Art Museum, Friends of Boerner, Law Enforcement Block Grant, Wolcott Memorial, HUD-Rent Assistance and Milwaukee County Historical Society. Previous amounts included bond proceeds for Airport Revenue Bonds. The earnings for the Airport Revenue Bonds have been included in the amount for the Earnings on Bonds allocated to Capital Fund and Debt Service Fund. Based on 2009 actual experience, earnings on trust funds and other deferred interest liabilities were estimated at 18.8% of the Earnings on all Funds.

Earnings on Bonds Allocated to Capital Fund and Debt Service Fund

The 2011 Budget includes \$281,829 in earnings on unspent bond proceeds for all departments. The earnings are recorded in the capital projects fund. These investment earnings are used to offset capitalized interest expense for projects that are under construction or in progress. Investment earnings on bonds that have lapsed to the sinking fund are recorded in the debt service fund. Earnings on bonds were estimated at 11.1% of the earnings on all funds (based on 2009 actual experience). That number may be revised by DAS to reflect a larger bonding amount for the new three year bonding cycle. However, since these proceeds are subtracted from the general fund earnings, the larger bond earnings will not affect the final general fund amount.

- **State Shared Taxes:** Represents payment from the State under the County and Municipal Aid payment program. The State Shared Taxes are budgeted to increase by \$1,334,907 from \$37,872,202 to \$39,207,109. The increase is the result of an additional power plant coming online. The 2011 Budget is based on the Wisconsin Department of Revenue estimate.

<u>STATISTICAL SUPPORTING DATA</u>	<u>2009 Actual</u>	<u>2010 Budget</u>	<u>2011 Budget</u>
Base Payment	\$ 56,341,506	\$ 55,343,365	\$ 55,343,365
Utility Payment	1,530,494	2,630,137	3,965,044
Subtotal State Shared Taxes	\$ 57,872,000	\$ 57,973,502	\$ 59,308,409
State Child Welfare Reallocation	(20,101,300)	(20,101,300)	(20,101,300)
Total State Shared Taxes	\$ 37,770,700	\$ 37,872,202	\$ 39,207,109

REQUESTED 2011 BUDGET

DEPT: Non-Departmental Revenues

UNIT NO. Multiple
FUND: General - 0001

Utility Payment Component

The utility payment component compensates local governments for costs they incur in providing services to public utilities. These costs cannot be directly recouped through property taxation since utilities are exempt from local taxation and instead are taxed by the State.

The State of Wisconsin changed the methodology for calculating the utility payment. Previously, the utility payments to cities and villages were computed at a rate of six mills (\$6 per \$1,000 of net book value), while payments to towns are computed at a rate of three mills. Payments to counties were computed at three mills if the property is located in a city or village or at six mills if the property is located in a town. Starting in 2009, municipalities and counties with power plants that became operational before January 1, 2004 will receive a utility payment based on the higher of the net book value formula amount or the megawatt capacity formula amount. The estimated utility payment component for 2011 is \$3,965,044.

State Child Welfare Reallocation

In accordance with Wisconsin State Statute 48.561(3), the Wisconsin Department of Administration has reallocated \$20,101,300 from Milwaukee County's State Shared Revenue allocation to the State's Child Welfare Program. These funds are for the purpose of defraying the State costs for program administration.

- **State Exempt Computer Aid:** Represents State payments to compensate for the exemption of computers from property tax rolls, per 1997 Wisconsin Act 237. Revenue amount is provided by the Wisconsin Department of Revenue. The budget of \$2,808,543 is unchanged from the 2010 Adopted Budget.
- **County Sales Tax Revenue:** Represents collections of the County's 0.5 percent sales and use tax, less State Administrative fee of \$1,105,839, and an allocation of \$380,000 to Capital Improvements. 2010 was the final year of a 3-year, \$1.8 million repayment to State for a previous over-payment. Debt Service costs of \$53,259,873 are anticipated for 2011, resulting in a net of \$9,666,492 available for general fund purposes.

Research has shown that there is a statistical link between changes in personal income and sales tax collections. DAS analyzed the quarterly year over year percentage changes in both Wisconsin personal income and Milwaukee County sales tax collections from 2002 to 2010. The analysis concluded that there is a significant correlation with elasticity of approximately 0.53.

The August 2010 Wisconsin State Department of Revenue report "Wisconsin Economic Outlook" forecasts growth in state personal income to be 4.4% in 2011. Using the elasticity factor of 0.53, sales tax collections are anticipated to grow by 2.34% in 2011.

Beginning with the Department of Administrative Services 2nd quarter 2010 net sales tax projection of \$60,862,190 as a base and then adding the growth factor described above (2.34%), removing the \$600,000 repayment to the State, and decreasing the allocation to capital improvements by \$40,000, the 2011 Milwaukee County net sales tax collections are anticipated to be \$62,926,365.

REQUESTED 2011 BUDGET

DEPT: Non-Departmental Revenues

**UNIT NO. Multiple
FUND: General - 0001**

<u>STATISTICAL SUPPORTING DATA</u>	<u>2009 Actual</u>	<u>2010 Budget</u>	<u>2011 Budget</u>
Estimated County Sales Tax Collections, Excluding Retailer's Discount	\$ 60,924,352	\$ 67,573,435	\$ 64,412,204
State Administrative Fee	<u>(1,066,176)</u>	<u>(1,191,245)</u>	<u>(1,105,839)</u>
Milwaukee County Sales Tax Collections	\$ 59,858,176	\$ 66,382,190	\$ 63,306,365
Less State Repayment	(600,000)	(600,000)	0
Less County Sales Tax Allocated to Capital Improvements	<u>\$ (420,000)</u>	<u>\$ (420,000)</u>	<u>\$ (380,000)</u>
Milwaukee County Net Sales Tax Collections	\$ 58,838,176	\$ 65,362,190	\$ 62,926,365
Less Sales Tax Dedicated to Debt Service	<u>(58,991,010)</u>	<u>(60,281,181)</u>	<u>(53,259,873)</u>
Available for General Fund	<u>\$ (152,834)</u>	<u>\$ 5,081,009</u>	<u>\$ 9,666,492</u>

- Power Plant Revenue:** Represents payments by WE Energies for the sale of the power plant at the Milwaukee Regional Medical Center. The budget of \$356,880 represents the payment scheduled for 2011. The 2011 payment will be final payment by WE Energies for the sale.
- Surplus (Deficit) from Prior Year:** Represents the County's 2009 surplus per S.59.60(m) of Wisconsin Statutes. The budget represents the County's 2009 surplus as required by Statute. In 2009, the County adopted Resolution File No. 10-16 (a) (b) making \$4,144,018 of the 2009 surplus available for 2011 while placing the remainder in the Debt Service Fund.
- Other Miscellaneous Revenue:** Includes all other revenue sources, including closure of Tax Increment Financing (TIF) districts. The budget of \$180,000 is a reflection of excess Milwaukee County taxes collected by three TIFs that are anticipated to close in the City of Milwaukee in 2011.