

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	2010 Actual	2011 Budget	2012 Budget	Budget Change
1901 Unclaimed Money	\$ 0	\$ 1,100,000	\$ 0	\$ (1,100,000)
1933 Land Sales	3,511,299	0	0	0
1937 Potawatomi Allocation	3,758,001	4,058,477	4,011,477	(47,000)
1969 Medicare Part D Revenues	2,932,000	3,023,647	3,023,647	0
1991 Property Taxes	264,101,810	269,554,701	275,370,836	5,816,135
1992 Earnings on Investments	2,990,814	1,779,839	1,711,411	(68,428)
1993 State Shared Taxes	36,951,906	39,207,108	30,890,224	(8,316,884)
1994 State Exempt Computer Aid	2,817,472	3,572,445	3,561,551	(10,894)
1996 County Sales Tax Revenue	61,114,253	64,426,365	64,000,880	(425,485)
1997 Power Plant Revenue	356,880	356,880	0	(356,880)
1998 Surplus from Prior Years	4,144,018	4,144,018	8,179	(4,135,839)
1999 Other Misc. Revenue	932,738	180,000	140,000	(40,000)
TOTAL NON-DEPT. REVENUES	\$ 383,611,191	\$ 391,403,480	\$ 382,718,205	\$ (8,685,275)

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 Treasurer advertises unclaimed funds and funds are realized in odd years only.
- Land Sales:** Accounts for the sale of County land approved by the County Board. 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.

Beginning in 2012 any land sale revenue received by the County, above the amount budgeted in Real Estate Services to cover operating expenditures, shall be allocated as described below:

Milwaukee County will provide a total of \$2 million in future land sale revenue (2012 and beyond) for the Ready to Work Initiative and the Economic Development Fund. (See Capital Improvement Project WO624 – Workforce and Economic Development Fund) Once this funding commitment has been met, any remaining land sale revenue (less any budgeted in the Real Estate Services Section), shall be deposited in Org. 1945 – Appropriation for Contingencies unless otherwise directed. It should be noted that per a previous agreement related to the demolition of the Courthouse Annex, a portion of the MSOE land sale (federal share) proceeds will be placed into Org. 9960 – Debt Service Reserve.

- Potawatomi Revenues:** Represents payments, based on Class III Net Win during the period July 1, 2011 to June 30, 2012 by the Potawatomi Bingo Casino per contract. The amount is net of allocations to operating departments (see below). The 2011 net win payment (after allocations) was \$3,984,441. The 2012 Budget includes Potawatomi revenue (after allocations) of \$4,011,477. Allocations to departments total \$1,488,523.

COUNTY EXECUTIVE'S 2012 BUDGET

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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.

An allocation of \$100,000 is budgeted for the Safe Alternatives for Youth (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 2010 plan year, 5,404 eligible retirees incurred \$18.1 million in gross prescription drug costs reported to the Centers for Medicare and Medicaid Services.

In the 2011 plan year headcount and utilization appear to be remaining consistent between plan years. The inflationary trend in prescription drug costs will increase the amount of reimbursement under the Medicare program. However, the increased generic co-pays and requirement to utilize mail order for maintenance medications will offset the effect of inflationary trend.

The 2012 Medicare Part D Revenues are estimated to remain flat compared to the 2011 Adopted Budget amount. The 2012 budgeted amount is \$3,023,647.

- **Earnings on Investments:** Represents the County's income earned on the investment of funds not immediately needed as estimated by the County Treasurer. Based on 2010 actual experience, the average daily balance for 2012 is projected at \$427,748,438. Of this amount, the daily cash balances in collateralized bank accounts are projected at \$185,000,000. Last year, earnings were reported at 1.32 percent. With the Federal Reserve rate continuing to hover around zero, earned interest rates for cash holding in 2012 are projected at 0.06 percent, which would yield \$111,000 in interest revenue. The average daily investment balance is projected at \$242,748,438 with an average projected rate of return calculated at 0.96 percent. That would yield \$2,330,385 in earnings on investments. Therefore, the total earnings on all funds in 2012 are projected at \$2,441,385 and total general fund earnings are \$1,711,411.

Statistical Reporting Data	2010 Actual	2011 Budget	2012 Budget
Earnings on all Funds (net of Mark-to-Market)	\$4,714,417	\$2,539,000	\$2,441,385
Earnings on Trust Fund Reserves and other Deferred Interest Liabilities	(\$648,847)	(\$477,332)	(\$458,980)
Earnings on Bonds Allocated to Capital Fund and Debt Service Fund	(\$940,382)	(\$281,829)	(\$270,994)
General Fund Earnings	<u>\$3,125,188</u>	<u>\$1,779,839</u>	<u>\$1,711,411</u>

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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 \$458,980 for 2012. 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 actual experience, earnings on trust funds and other deferred interest liabilities were estimated at 18.8 percent of the Earnings on all Funds.

Earnings on Bonds Allocated to Capital Fund and Debt Service Fund

The 2012 Budget includes \$270,994 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 percent of the earnings on all funds (based on 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 decrease by \$8,316,885 from \$39,207,109 to \$30,890,224. The decrease is the result of a reduction in county aid included in the 2011-2013 Wisconsin State Budget.

<u>STATISTICAL SUPPORTING DATA</u>	2010 <u>Actual</u>	2011 <u>Budget</u>	2012 <u>Budget</u>
Base Payment	\$ 55,343,365	\$ 55,343,365	\$ 47,026,480
Utility Payment	1,709,841	3,965,044	3,965,044
Subtotal State Shared Taxes	\$ 57,053,206	\$ 59,308,409	\$ 50,991,524
State Child Welfare Reallocation	(20,101,300)	(20,101,300)	(20,101,300)
Total State Shared Taxes	\$ 36,951,906	\$ 39,207,109	\$ 30,890,224

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

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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 2012 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 2012 budgeted amount is \$3,561,551.
- **County Sales Tax Revenue:** Represents collections of the County's 0.5 percent sales and use tax, less State Administrative fee of \$1,147,891, and an allocation of \$445,000 to Capital Improvements.

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 Spring 2011 Wisconsin State Department of Revenue report "Wisconsin Economic Outlook" forecasts growth in state personal income to be 3.4 percent in 2012. Using the elasticity factor of 0.53, sales tax collections are anticipated to grow by 1.8 percent in 2011.

Beginning with the Department of Administrative Services 2nd quarter 2011 net sales tax projection of \$63,306,365 as a base and then adding the growth factor described above (1.8 percent), the 2012 Milwaukee County net sales tax collections are anticipated to be \$64,000,880.

Debt Service costs of \$56,552,601 are anticipated for 2012, resulting in a net of \$7,448,279 available for general fund purposes.

<u>STATISTICAL SUPPORTING DATA</u>	2010 <u>Actual</u>	2011 <u>Budget</u>	2012 <u>Budget</u>
Estimated County Sales Tax Collections, Excluding Retailer's Discount	\$ 63,240,970	\$ 65,912,204	\$ 65,593,771
State Administrative Fee	(1,106,717)	(1,105,839)	(1,147,891)
Milwaukee County Sales Tax Collections	\$ 62,134,253	\$ 64,806,365	\$ 64,445,880
Less State Repayment	(600,000)	0	0
Less County Sales Tax Allocated to Capital Improvements	\$ (420,000)	\$ (380,000)	\$ (445,000)
Milwaukee County Net Sales Tax Collections	\$ 61,114,253	\$ 64,426,365	\$ 64,000,880
Less Sales Tax Dedicated to Debt Service	(60,281,181)	(53,259,873)	(56,552,601)
Available for General Fund	\$ 833,072	\$ 11,166,492	\$ 7,448,279

- **Power Plant Revenue:** In 1995, the County negotiated the sale of its co-generation power plant, located at the Milwaukee Regional Medical Center, to the Wisconsin Electric Power Company. Phase I of the sale related to power plant electrical generation and distribution and was finalized on December 29, 1995. Phase II of the sale, related to all remaining portions of the power plant, including steam and chilled water generation, occurred on December 2, 1996. Sales revenues totaling \$58 million were realized over several years. The 2011 payment of \$356,880 represented the final payment by WE Energies for the sale, therefore there is no revenue budgeted for 2012.

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- **Surplus (Deficit) from Prior Year:** Represents the County's 2010 surplus per 59.60 of Wisconsin State Statutes. The 2010 final surplus/deficit number is \$8,179.
- **Other Miscellaneous Revenue:** Includes all other revenue sources, including closure of Tax Increment Financing (TIF) districts. The 2012 budget consists of \$140,000 from the cancellation of uncashed County checks and Jury Fee revenue from County employees on Jury Duty. A survey conducted by the Department of Administrative Services did not reveal any TIF district closure revenue that would be guaranteed to be received in 2012.