



**City of Milwaukee  
Budget and Management  
Intra-Office Memo**

**To:** Finance and Personnel Committee Members  
Mark Nicolini, Budget and Management Director

**From:** John Ledvina

**Date:** November 1, 2005

**File Ref:** 06BF, 3-C

**Subject:** Question on the Salaries of Health Department Leadership

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After the October 19, 2005 Finance and Personnel Committee Budget Hearing, questions were asked regarding the salary changes for senior leadership of the Milwaukee Health Department.

**Health Commissioner Salary.** The 2006 Proposed Budget's salary is \$129,858, a \$10,941 increase from \$118,917 in the 2005 Adopted Budget. The 2005 salary was based on the prior incumbent's Salary Grade 19 step 10 or \$132,129.66 adjusted to 90% of a full time equivalent. The prior incumbent also received salary from the Medical College of Wisconsin, accounting for the reduced City salary. The 2006 salary is full time for a Salary Grade 19 step 5 and includes a \$6,257 increase due to wage settlements.

**Health Operations Director Salary.** The 2006 Proposed Budget's salary is \$111,743, a \$5,850 decrease from \$117,539 in the 2005 Adopted Budget. The current incumbent started in mid-September 2004 as a Salary Grade 16 step 7, three steps lower than the previous occupant of the position, who was appointed Health Commissioner in mid-2004. Taking a \$5,384 increase due to wage settlements into account, the adjusted base salary would have been \$106,359.



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**To:** Finance and Personnel Committee Members  
Mark Nicolini, Budget and Management Director

**From:** Erick Shambarger

**Date:** November 1, 2005

**File Ref:** 06BF, 3-C

**Subject:** Sewer Fund Financials

At the October 13<sup>th</sup> F&P Committee hearing on the Sewer Maintenance Fund, Alderman Davis asked for the retained earnings in the Sewer Fund as a method for funding a one-time animal control program.

At the end of 2004, the Sewer Maintenance Fund reported \$17,611,125 in retained earnings which has accrued since the fund's inception in 1998. However, retained earnings are not a good indicator of the amount of resources available for "re-programming." Rather, unrestricted cash is a better indicator. At the end of 2004, the Sewer Maintenance Fund had \$13,097,000 in unrestricted cash. The cash balance is significantly lower than retained earnings due to delays in issuing sewer debt. Bonds to finance 2004 and 2005 sewer capital have not yet been issued by the Comptroller's Office. Not all of this cash can be used for reprogramming. \$3 - \$5 million should be retained in the fund for cash flow protection.

	<i>Change</i>	<i>Balance</i>
2004 Year End Balance	-	\$13,097,000
2004 Encumbrances & Carry-overs	-\$2,017,715	\$11,079,285
2005 Budget Withdrawal	-\$396,875	\$10,682,410
2005 Revenue Shortfall	-\$1,150,000	\$9,532,410
2005 Expenditure Variance	\$878,783	\$10,411,193
2006 Budget Withdrawal	-\$751,432	\$9,659,761
2006 Revenue Shortfall due to Red Star Yeast Closure	-\$400,000	\$9,259,761
<b>Estimated Available Cash Balance</b>		<b>\$9,259,761</b>

At the end of 2004, the Sewer Maintenance Fund reported \$17,611,125 in retained earnings which has accrued since the fund's inception in 1998. However, retained earnings are not a good indicator of the amount of resources available for "re-programming." Rather, unrestricted cash is a better indicator. At the end of 2004, the Sewer Maintenance Fund had \$13,097,000 in unrestricted cash. The cash balance is significantly lower than retained earnings due to delays in issuing sewer debt. Bonds to finance 2004 and 2005 sewer capital have not yet been issued by the Comptroller's Office. Not all of this cash can be used for reprogramming. \$3 - \$5 million should be retained in the fund for cash flow protection.

The Budget and Management Division has made decisions on the use of reserves based on the cash balance in the fund. In 2005, BMD budgeted a \$396,875 withdrawal from retained earnings, though this withdrawal will be higher due to revenues which are projected to materialize \$1.1 million below budget. BMD has also budgeted a withdrawal of \$751,432 for the 2006 budget. The division declined to make a larger planned withdrawal in 2006, as the stormwater management fee is implemented. This is due to uncertainty about the actual revenues this fee will generate. The closing of Red Star Yeast will also reduce revenues by approximately \$400,000. Finally, BMD intends to draw on reserves for the 2006-2008 fiscal stability plan. For the foreseeable future, sewer capital needs will annually increase as large sections of the sewer system will meet or exceed their useful life. BMD will utilize reserves to cash finance capital, offset anticipated increases to debt service, or finance Expansion of Capacity Sewer construction, which is currently financed with levy-backed debt.

## Sewer Maintenance Fund Balances 2000-2004

	2000	2001	2002	2003	2004	2005 Projection
<b>Operating Expenditures</b>						
Operating Budget	\$ 15,915,620	\$ 18,085,434	\$ 25,813,146	\$ 26,548,059	\$ 24,165,233	\$ 31,823,316
Operating Actuals	\$ 11,604,868	\$ 14,145,343	\$ 20,167,832	\$ 21,673,855	\$ 21,847,326	\$ 30,944,533
Variance	\$ (4,310,752)	\$ (3,940,091)	\$ (5,645,314)	\$ (4,874,204)	\$ (2,317,907)	\$ (878,783)
<b>Revenue Budget (excluding borrowing)</b>						
Revenue Actuals	\$ 15,915,620	\$ 18,850,434	\$ 27,074,646	\$ 28,498,059	\$ 31,965,233	\$ 31,426,441
Variance	\$ 15,581,858	\$ 18,899,547	\$ 28,266,025	\$ 32,792,043	\$ 31,278,988	\$ 30,274,622
	\$ (333,762)	\$ 49,113	\$ 1,191,379	\$ 4,293,984	\$ (686,245)	\$ (1,151,819)
<b>Net Operating Income</b>	<b>\$ 3,976,990</b>	<b>\$ 4,754,204</b>	<b>\$ 8,098,193</b>	<b>\$ 11,118,188</b>	<b>\$ 9,431,662</b>	<b>\$ (669,911)</b>
<b>Capital Budget</b>						
Cash Financed Capital	\$ -	\$ 765,000	\$ 1,261,500	\$ 1,950,000	\$ 7,800,000	\$ -
Borrowing	\$ 14,560,000	\$ 14,535,000	\$ 16,138,500	\$ 17,750,000	\$ 13,700,000	\$ 22,706,000
Annual Capital Budget	\$ 14,560,000	\$ 15,300,000	\$ 17,400,000	\$ 19,700,000	\$ 21,500,000	\$ 22,706,000
Aggregate Capital Authority	\$ 14,560,000	\$ 29,860,000	\$ 47,260,000	\$ 66,960,000	\$ 88,460,000	\$ 111,166,000
Capital Expenditures	\$ 7,627,875	\$ 10,331,571	\$ 16,288,590	\$ 19,692,165	\$ 21,477,981	\$ 21,000,000
Aggregate Expenditures	\$ 7,627,875	\$ 17,959,446	\$ 34,248,036	\$ 53,940,201	\$ 75,418,182	\$ 96,418,182
<b>Remaining Capital Authority</b>	<b>\$ 6,932,125</b>	<b>\$ 11,900,554</b>	<b>\$ 13,011,964</b>	<b>\$ 13,019,799</b>	<b>\$ 13,041,818</b>	<b>\$ 14,747,818</b>
<b>Net Operating Income</b>						
Less Cash Financed Capital	\$ 3,976,990	\$ 4,754,204	\$ 8,098,193	\$ 11,118,188	\$ 9,431,662	\$ (669,911)
Less Reserve Requirement	\$ -	\$ 765,000	\$ 1,261,500	\$ 1,950,000	\$ 7,800,000	\$ -
Additions to Retained Earnings	\$ 1,736,793	\$ 1,733,811	\$ 1,925,084	\$ 2,117,312	\$ 1,634,207	\$ -
<b>Aggregate Retained Earnings*</b>	<b>\$ 2,240,197</b>	<b>\$ 2,255,393</b>	<b>\$ 4,911,609</b>	<b>\$ 7,050,876</b>	<b>\$ (2,545)</b>	<b>\$ (669,911)</b>
	\$ 2,240,197	\$ 4,495,591	\$ 9,407,199	\$ 16,458,075	\$ 16,455,530	\$ 15,785,619

\*\$17,611,125 Retained Earnings figure provided by DPW includes additions from 1998-2004