COUNTY OF MILWAUKEE
Inter-Office Communication

Date: 11-4-2026

To: Marcelia Nicholson-Bovell, Chairwoman, Milwaukee County Board of Supervisors; Steve Taylor, Chair, Milwaukee County Finance Committee; and Members of the Milwaukee County Finance Committee

From: Nicholas Sinram, Director, Office of Strategy, Budget and Performance

Subject: 2027 Budget Correction

ISSUE BEING ADDRESSED

During continued review of the 2027 recommended budget, it was discovered that an error was made during budget preparations in the Non-Departmental Org 1985 Capital Contra budget. As a result, the Recommended Budget includes $4,558,160 of savings that will not be realized. This memo is intended to notify the board of the causes of the error and the steps that will be taken in 2027 to address its impacts.

BACKGROUND

As part of the annual budget development and publication process, the Office of Strategy, Budget and Performance (SBP) continuously improves its processes each year to increase efficiency and effectiveness. To this end, SBP automated several calculations and processes that were previously performed manually, including the allocation of operating capital outlay and depreciation within the Non-Departmental Org 1985 Capital Contra budget. This automation caused the error.

Non-Departmental Expenditures (194) – Capital Outlay / Depreciation Contra (Org 1985)
Under Generally Accepted Accounting Principles (GAAP), Proprietary Fund departments (Airport, Transit, and IMSD) do not budget the full cost of equipment and other fixed assets in the year they buy them. Instead, they spread that cost over the life of each asset as depreciation. The County, however, pays for these purchases with the property tax levy in the year they are made. Org 1985 bridges the two approaches:

Capital outlay (Account 75800). Org 1985 includes the departments' equipment purchases, so their cost is on the tax levy. The departments still budget and control their own purchases, but each department's budget shows the purchases and an equal offsetting credit, for a net cost of $0.

Depreciation contra (Account 72011). Org 1985 removes the departments' County-funded depreciation from the levy, because those assets were already paid for when they were bought, through the levy or County bonds. The share of depreciation on assets paid for by Federal and State grants is excluded.

The Airport is treated in a slightly different manner from Transit and IMSD. Its costs, including depreciation and equipment purchases, are paid by Airport revenues, not by the property tax levy. As a result, the Airport amounts in Org 1985 are designed to cancel each other out:

Account 72010 (+$4,492,430) offsets the Airport's $4,492,430 share of Account 72011, Depreciation Contra.

Account 49001 ($2,213,350 in Airport Revenue) pays for the Airport's $2,213,350 share of equipment purchases in Account 75800.

During the 2027 budget allocation process, the positive and negative signs on two line items related to the Airport were inadvertently reversed:

Account 72010, Depreciation Contribution to Airport (an expenditure), was entered as ($4,492,430). It should be $4,492,430.

Account 49001, Contribution from Reserves (Airport revenue), was entered as ($2,213,350). It should be $2,213,350.

As a result, the Recommended Budget includes $4,558,160 of tax levy savings that will not be realized.

Corrected Figures

Account	Description	CEX REC	Corrected	Variance
Expenditures				
72010	Depreciation Contribution to Airport	(4,492,430)	4,492,430	8,984,860
72011	Depreciation Contra	(12,082,927)	(12,082,927)	–
75800	Budget Abatement – Capital	5,760,774	5,760,774	–
	Total Expenditures	**(10,814,583)**	**(1,829,723)**	**8,984,860**
Revenues				
49001	Contribution from Reserves*	(2,213,350)	2,213,350	4,426,700
	Total Revenues	**(2,213,350)**	**2,213,350**	**4,426,700**
	Tax Levy	**(8,601,233)**	**(4,043,073)**	**4,558,160**

**Contribution from Airport revenue. Yellow shaded rows indicate related accounts.*

To address this issue, SBP and the Office of the Comptroller have reviewed potential opportunities to offset the impact of the error. Possible offsets include:

- Potential for additional prescription drug rebates;
- Utilizing cash balances remaining in capital projects scheduled to close in 2027;
- Savings or surplus identified through ongoing monitoring of departmental operating budgets; and

Through these various levers, the administration will offset the gap created by Org 1985. SBP and the Office of the Comptroller will monitor actual performance. SBP will recommend further corrective action if data shows additional changes are needed to offset the shortfall in org. 1985.

To prevent a recurrence, SBP will implement the following measures:

- Review, update, and correction of the current Org 1985 automated allocation model;
- Conduct two independent reviews to identify potential errors in countywide depreciation and capital outlay accounts;
- Manual verification of accuracy any time an account is positive in the current budget year and negative in the next (or vice-versa);
- An additional tiered internal SBP review of Org 1985; and
- Coordinated review with the Office of the Comptroller.

Although this error occurred within a newly automated process, automation has substantially improved the efficiency and accuracy of budget development overall. SBP remains committed to its continuous improvement efforts, including automation, which have improved the overall efficiency and accuracy of the annual budget development process.

ACTION

SBP will bring a fund transfer for board approval to correct the 2027 budget by the end of Q1, 2027.

ATTACHMENTS

cc:

Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors
Mary Jo Meyers, Chief of Staff, Milwaukee County Executive
Liz Sumner, Milwaukee County Comptroller
Jim Moon, Deputy Comptroller
Cynthia Pahl, Financial Services Director
Steve Cady, Research and Policy Director
Scott Brown, Corporation Counsel
Jeremy Lucas, Interim Deputy Chief of Staff
Dan Laurila, Operating Budget Director