



# **County Budget Overview**

## **Milwaukee County Fair Deal Workgroup**

### **December 20, 2018**

# Presentation Summary



- Fair Deal Workgroup
- 2019 Adopted Budget
- Local Revenue Structure
- Long Range Forecast
- 2019 Budget Gap
- 2020 Budget
- Recap

# Fair Deal for Milwaukee County Workgroup



- File 18-751: “BE IT RESOLVED, the Milwaukee County Board and Milwaukee County Executive jointly form the “Fair Deal for Milwaukee County Workgroup” to identify viable solutions that work for both the State of Wisconsin and Milwaukee County in furtherance of their shared prosperity;”
- “BE IT FURTHER RESOLVED, any of the Workgroup recommendations which are adopted by the County Board and signed by the County Executive would represent their joint legislative and administrative requests to the State of Wisconsin and become the focus of Milwaukee County’s unified advocacy and lobbying activity during review and adoption of the state’s 2019-2021 biennial budget bill and beyond.”

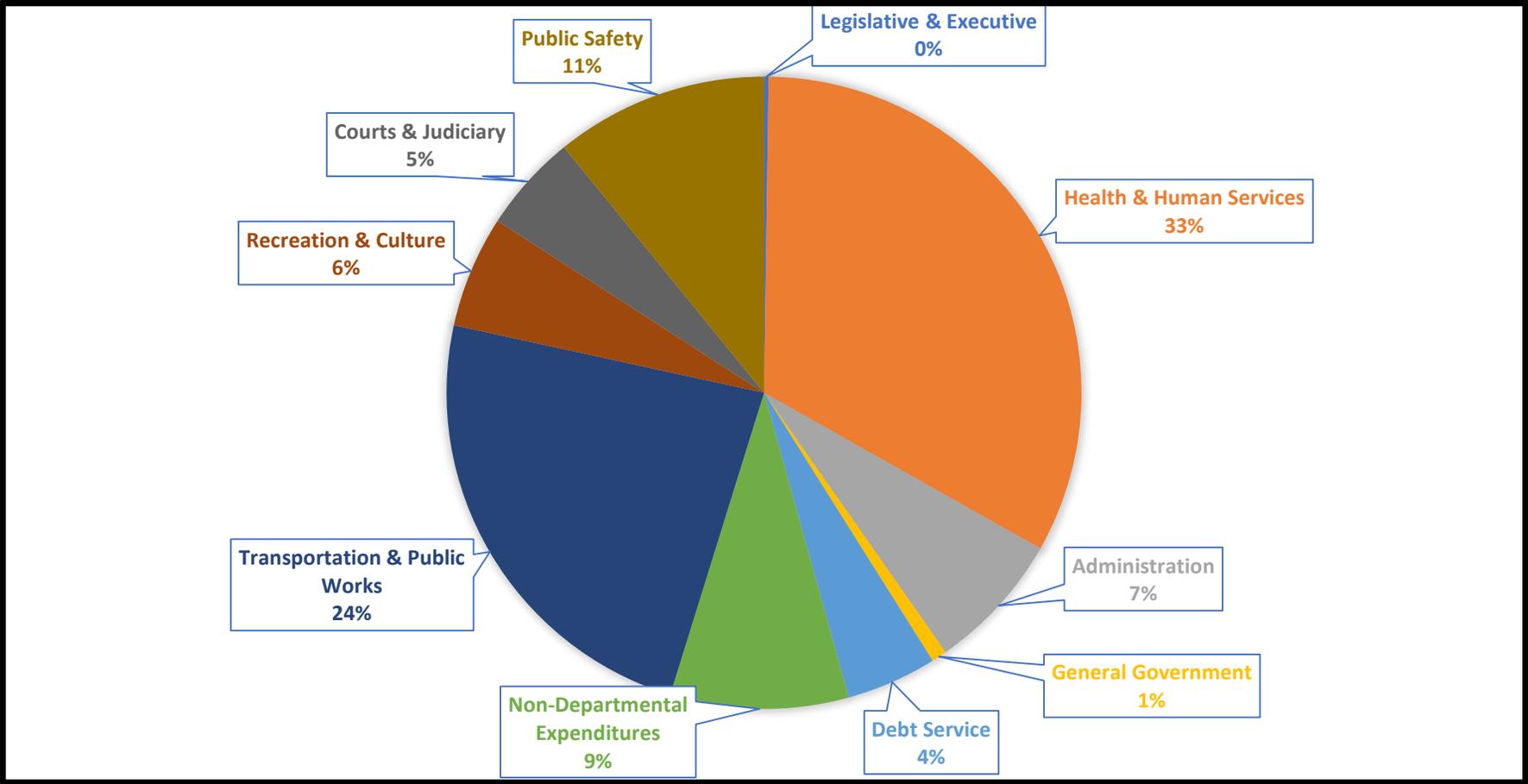
# Fair Deal for Milwaukee County Workgroup

## Why?

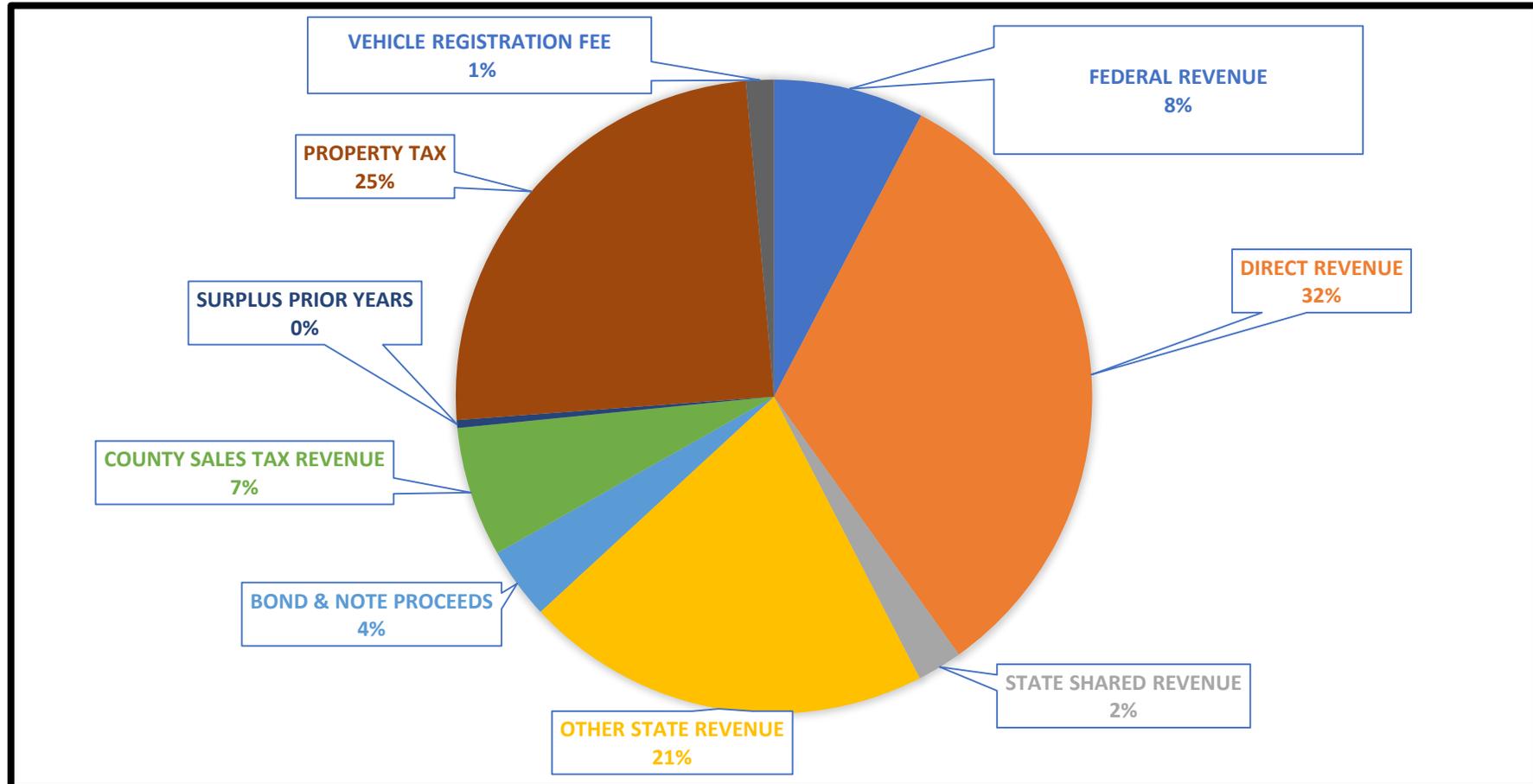
- Projected structural deficits that total nearly \$80 million cumulative through 2023 due to revenue sources that do not keep up with inflation and other adjustments
- Average annual cost to continue alone increases nearly \$13 million
- Increasing pension costs that are projected to rise for at least the next 20 years
- Deferred maintenance of more than \$200 million dollars just in the Park System
- Massive capital needs including a new criminal courthouse, Milwaukee Public Museum, Mitchell Park Domes, Medical Examiner's Office, modernized replacement buses, cultural assets, bridges and roads



# 2019 Adopted Expenditures



# 2019 Adopted Revenues



# Local Revenue Structure



## Property Tax

- Operating – Growth is limited to percentage increase in net new construction per State Statute (3 year average has been 1.3% or \$2.9M)
- Debt Service – Property tax collections for the purpose of debt service are not limited by State Statute. County has a self-imposed bonding cap of 3% growth over prior year for capital projects

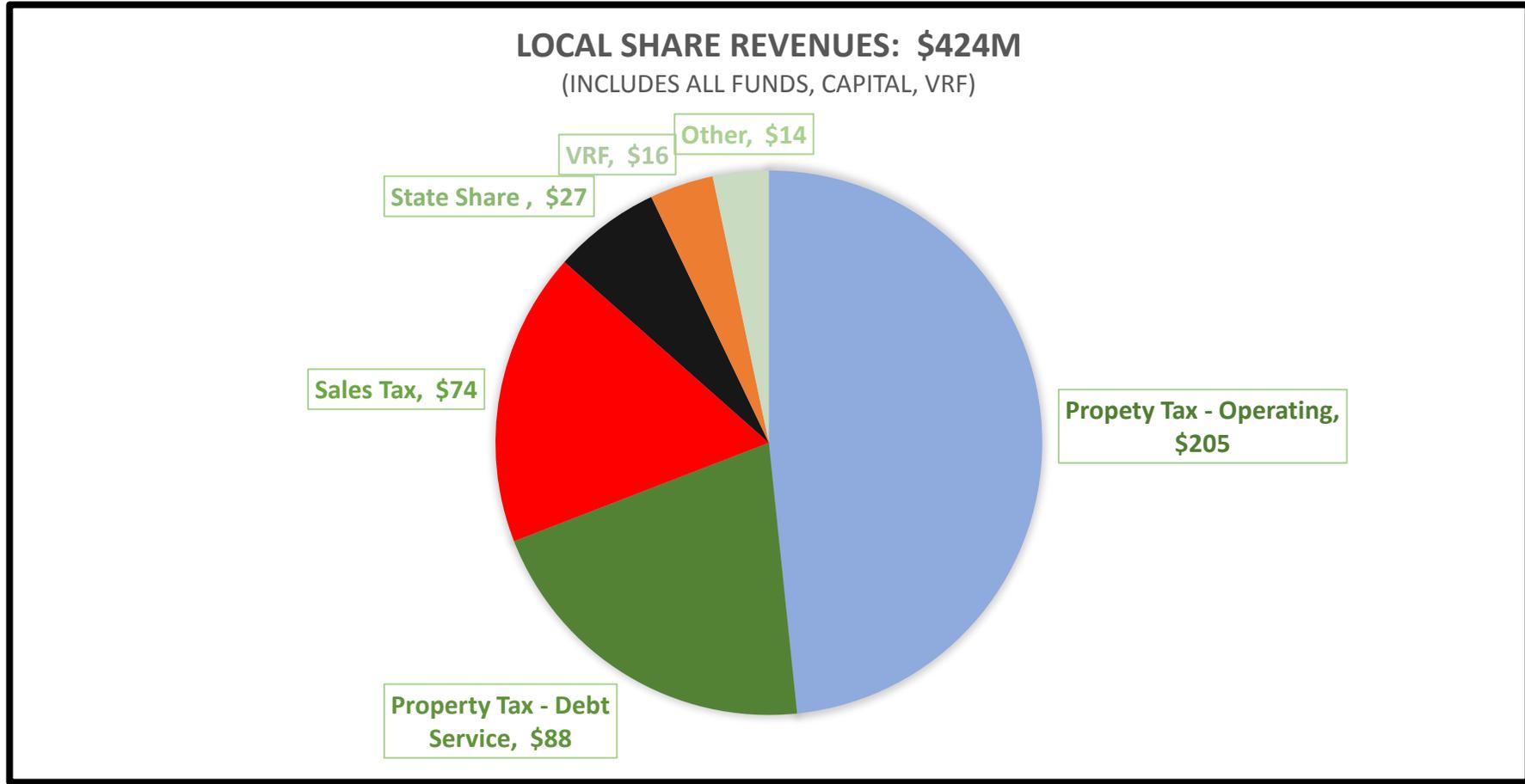
## Sales Tax

- County collects 0.5% sales tax. Has grown around 2.6% in past two years. 6% of total county revenue

## Vehicle Registration Fee (VRF)

- Vehicle Registration Fee revenues must be used for transportation related purposes. Milwaukee County imposes a \$30 VRF to fund operational transportation costs. A \$60 VRF would replace tax levy for all transportation services.
- There is no limit to level of VRF in state statute for transportation related purposes.

# 2018 Local Revenues



NOTE: Chart does not include Federal, Other State or Direct Revenue

# Long Range Forecast

- Comptroller’s Five Year Forecast projected operating gap of \$16.8 million in 2019
- Structural deficit increases to \$79.8 million by 2023
- On average, expenses grow by 2.3% while revenues grow by just 0.9%



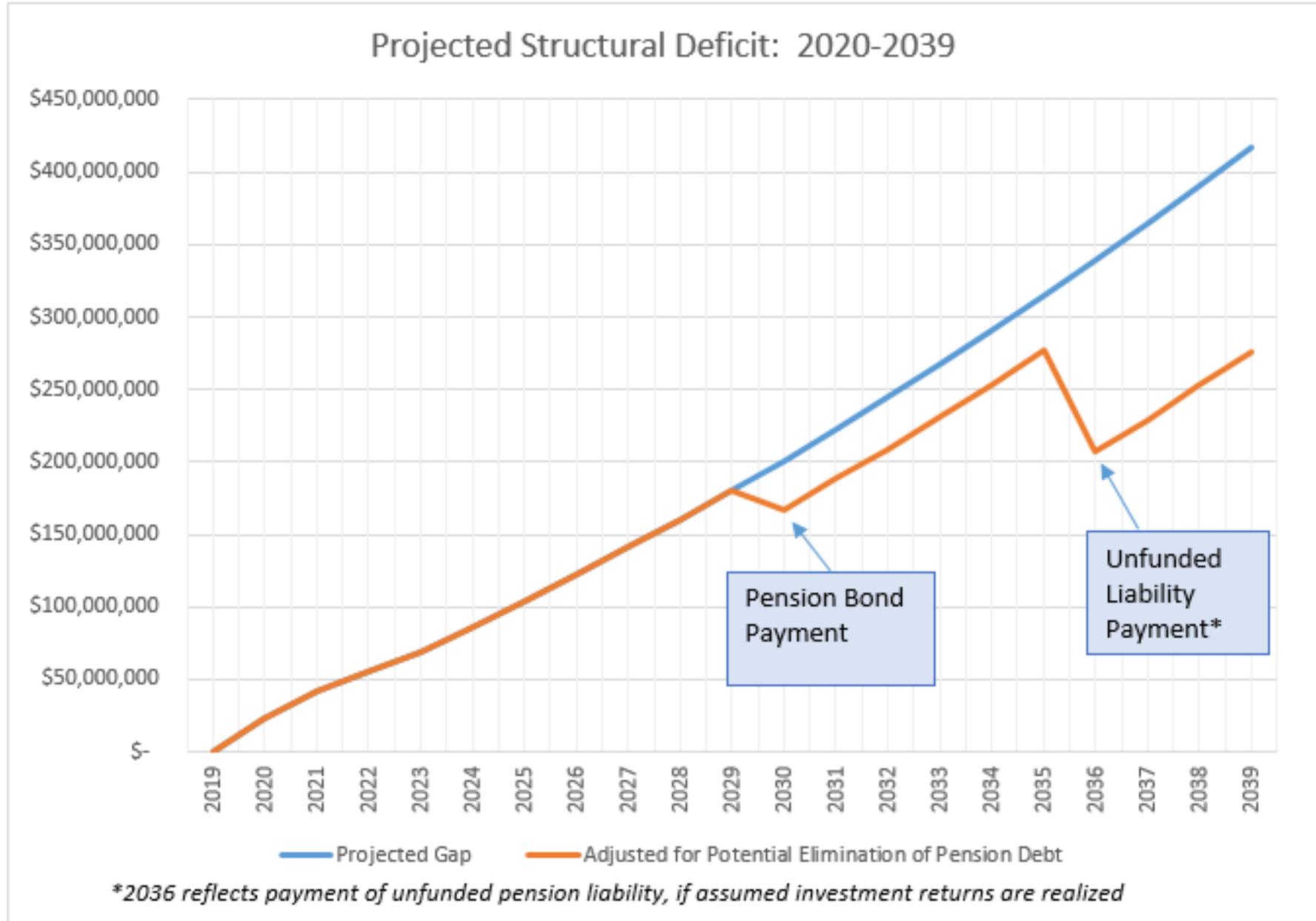
Year	Expenditure	Revenue	Structural Deficit	Cost-to-Continue*
2018	\$ 1,056,556,396	\$ 1,056,556,396	\$ -	
2019	\$ 1,076,871,733	\$ 1,060,056,855	\$ (16,814,878)	\$ (16,814,878)
2020	\$ 1,105,079,570	\$ 1,071,217,035	\$ (33,862,535)	\$ (10,475,548)
2021	\$ 1,130,542,394	\$ 1,077,257,807	\$ (53,284,587)	\$ (10,366,194)
2022	\$ 1,157,052,901	\$ 1,089,885,022	\$ (67,167,879)	\$ (13,883,292)
2023	\$ 1,183,483,449	\$ 1,103,716,485	\$ (79,766,964)	\$ (12,599,085)
Average Gap:				\$ (12,827,799)

\*Cost-to-continue assumes that the prior year gap was eliminated with long-term solutions.

\*For 2020, the increase in pension contribution of \$6.6 million is considered an outlier and removed from cost-to-continue.

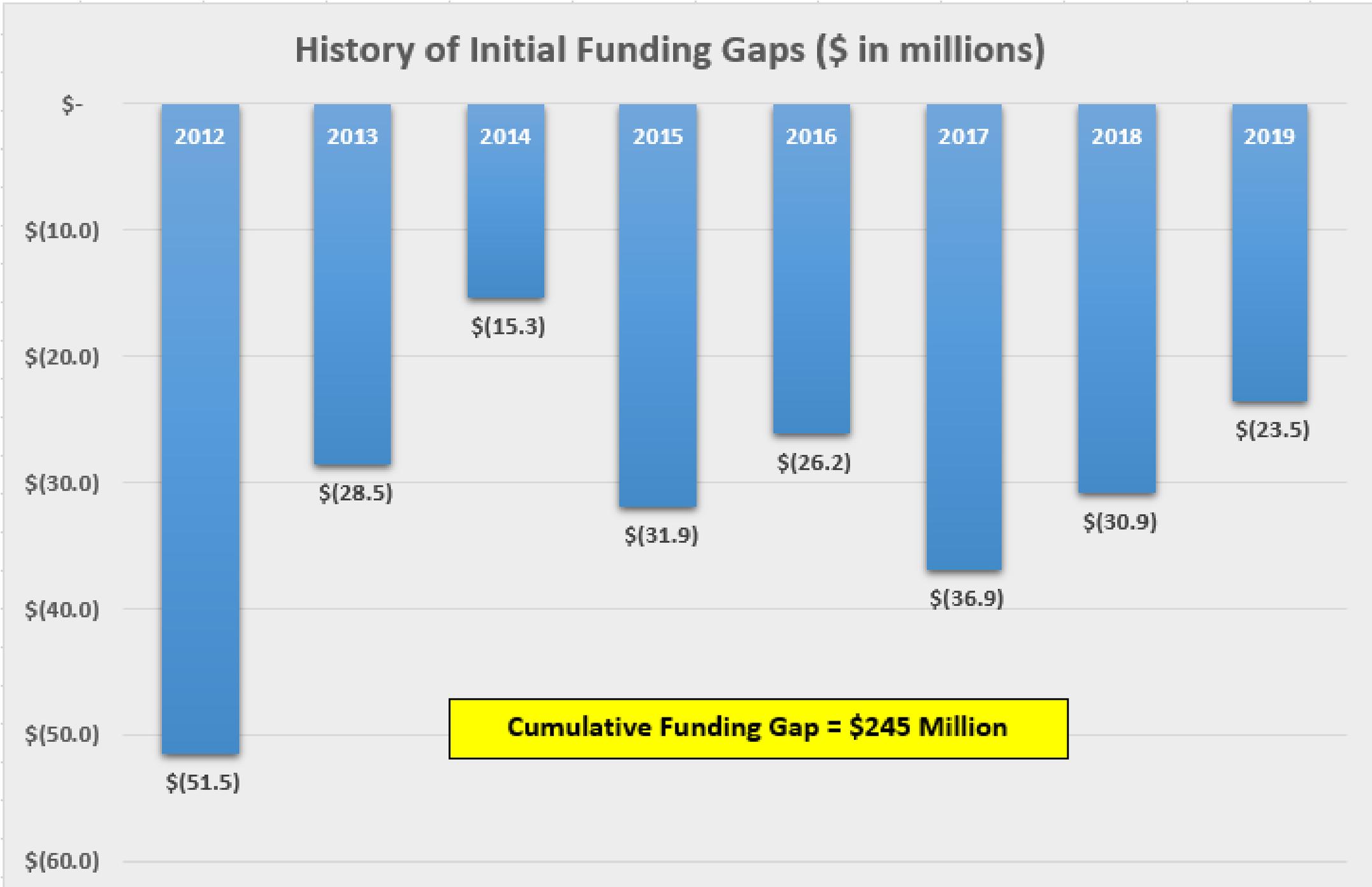
\*For 2021, the loss of \$9.0 million in Doyme Hospital revenue is considered an outlier and removed from cost-to-continue.

# 20 Year Forecast





# History of Initial Funding Gaps (\$ in millions)



# Tactics for Closing the Gap

Gap would be much higher if we hadn't taken action



Reduce Footprint by 1.6 Million sq. Feet	\$9.1 Million
Restructure Other Post Employee Benefits (OPEB)	\$40.4 Million
Restructure Worker's Comp	\$ 3 Million
<b>Sub Total</b>	<b>\$52.5 Million</b>
Deferring Maintenance since 2000	\$34.7 Million
Salary Step Freezes from 2010 - 2018	\$55.4 Million
Staff reduction of 1,457 since 2000 ( <i>excluding DHHS</i> )	\$116.5 Million
<b>Sub Total</b>	<b>\$206.6 Million</b>
Employee Health & Pension Contribution	\$20.9 Million
Vehicle Registration Fee (VRF) Revenue	\$16.7 Million
<b>Sub Total</b>	<b>\$37.6 Million</b>

**Total 2018 Annual Savings from previous changes: \$298 Million ...**

<b>Summary of Major Gap Closing Initiatives</b>	
<b>Description</b>	<b>Amount</b>
Operating Gap	\$ 17.0
Capital Cash Finance Gap	\$ 5.4
<b>Total Estimated Gap / Savings Needed</b>	<b>\$ 22.4</b>
<b><u>Tax Levy Savings</u></b>	
Online Sales Tax Collections	\$ (1.7)
Investment Revenue Increase	\$ (1.5)
BHD Abatement / Reserve	\$ (2.0)
Debt Service Reserve Withdrawal	\$ (3.9)
Law Enforcement Grant Savings	\$ (0.5)
Unallocated Contingency Reduction	\$ (1.0)
Departmental Levy Savings Estimate	\$ (13.9)
<b>Subtotal Tax Levy Savings</b>	<b>\$ (24.5)</b>
<b><u>Tax Levy Increases</u></b>	
MRMC & Water Utility Land Sale Levy Impact	\$ 0.8
Fire Charge Uncollectible	\$ 0.9
Business Intelligence Initiative	\$ 0.3
New Positions (Content Officer, Energy Manager)	\$ 0.2
<b>Subtotal Tax Levy Costs</b>	<b>\$ 2.1</b>
<b>Remaining Gap</b>	<b>\$ 0.0</b>



# How We Closed the 2019 Gap

## Major Items:

- Fringe benefit costs trending significantly lower than expected. Savings of approximately \$7 million compared to initial projections, based on updated info from actuaries as well as actual spending trends
- 1.1% Department Levy Reduction target accounts for majority of savings, estimated at approximately \$14 million including levy reductions and holding flat on inflationary cost growth
- Other tax levy savings realized from online sales tax, increase investment revenue, use of reserves



# Fringe Benefit Details

Fringe benefit costs (Pension & Healthcare) are projected to be approximately flat compared to the 2018 budget. Initial estimates projected \$7m growth based on prior year experience and actuarial data.

## Pension:

- Pension fund experienced high rate of investment return in 2017 (15.68%). This resulted in flattening of costs for 2019.
- However, rate of return assumption is planned to be reduced from 7.75% to 7.5% in 2020. Estimated pension cost increase of \$6.6M in 2020

## Health Care:

- Health Care costs have trended below budget in 2017 and 2018. Actual growth rate of approximately 3% vs over 7% projected by actuary. Actuary attributes savings to combination of factors:
  - Wellness Program Savings
  - Reduction in catastrophic cases
  - United Health Care contract changes
  - Affordable Care Act impact on overall market
- Actuary continues to project 7% to 10% cost increases in future years



# Departmental Levy Savings

**Tax levy reduction targets are issued to departments as part of the budget request phase**



- **2019 Departments tasked to reduce levy by 1.1% or \$7.5 million from 2018 adopted budget**
- **Departments also asked to absorb any inflationary increases resulting in \$6.4 million of savings**
- **Total Departmental Levy savings of \$13.9 million**

# Departmental Levy Savings Targets

2019 BUDGET TAX LEVY REDUCTION TARGETS: 1.1% of TOTAL BUDGET						
County Executive Cabinet Departments			Elected Departments		Excluded Departments	
Agency	Reduction	Agency	Reduction	Agency	Reduction	
102	CEX - Vets	\$ (2,173)	200	Courts	\$ (293,394)	<i>Revenue Departments:</i>
103	CEX - Gov Affairs	\$ (2,447)	290	Courts Pre-Trial	\$ (54,384)	504 DOT-Airport
109	OAAA	\$ (6,934)	340	ROD	\$ (17,894)	580 DOT-Directors
112	PRB	\$ (3,072)	370	Comptroller	\$ (46,464)	530 DOT-Fleet
113	Corp Counsel	\$ (11,475)	450	DA	\$ (124,680)	510 DOT-Highway
114	Human Resources	\$ (58,962)	400	Sheriff	\$ (501,198)	550 DAS-Utility
115	DAS	\$ (407,242)				243 Child Support
430	HOC	\$ (495,421)				
480	OEM	\$ (79,483)				<i>Elected Offices with Limited Staff:</i>
490	Medical Examiner	\$ (43,726)				110 CEX - General
560	DOT-Transit	\$ (1,341,389)				100 County Board
630	DHHS-BHD	\$ (2,121,974)				309 Treasurer
800	DHHS	\$ (1,017,111)				327 Clerk
790	Aging	\$ (184,405)				
900	Parks	\$ (384,945)				<i>High Risk Areas:</i>
950	Zoo	\$ (176,576)				116 DAS-IMSD
	Culturals	\$ (105,901)				117 DAS-Risk
						301 Election Commission
<b>Total Cabinet Depts</b>		<b>\$ (6,443,235)</b>	<b>Total Elected Depts</b>		<b>\$ (1,038,012)</b>	<b>Excluded Depts</b>
						<b>\$ -</b>
<b>GRAND TOTAL</b>						<b>\$ (7,500,000)</b>



# 2020 Preliminary Gap Est. - Operating

- Updated 2020 estimate to reflect balanced budget for 2019
- Pension investment change to 7.5% is reflected in 2020 forecast
- Use of one-time funding in 2019 will impact 2020 budget
- January 2019 – DAS-PSB will provide a more in-depth report to Finance Committee

<b>2020 Projected Operating Budget Gap</b> (Preliminary Estimate - \$ in Millions)	
<b>Description</b>	<b>Amount</b>
<b>Comptroller Forecast</b> <i>Increase In Structural Deficit 2019 to 2020</i>	\$ 17.1
<b>Debt Service Reserve Use in 2019</b> <i>One Time Revenue</i>	\$ 3.9
<b>Attorney Fee Increase</b> <i>Anticipated Rate Increase \$70 to \$100</i>	\$ 1.5
<b>Total</b>	<b>\$ 22.5</b>



# 2020 Preliminary Gap Est. – Capital

2020 County Financing Estimates			
Estimated 2020 Bond Projects		Estimated 2020 Cash Projects	
2019 Not Adopted	\$16,592,498	2019 Not Adopted	\$16,432,733
Continuing-Mandated-Contractual	\$9,660,277	Continuing-Mandated-Contractual	\$25,586,000
<u>2020 Planned</u>	<u>\$63,732,692</u>	<u>2020 Planned</u>	<u>\$23,143,402</u>
Total Bond Projects	\$89,985,467	Total Cash Projects	\$65,162,135
<b>2020 Estimated Total Requests \$155,147,602</b>			
<u>2020 Est. County Bond Financing</u>		<u>2020 Est. Cash Financing</u>	
\$44,927,646		\$11,231,912	
<u>2020 Est. County Bond Financing Surplus/(Gap)</u>		<u>2020 Est. County Cash Financing Surplus/(Gap)</u>	
(\$45,057,821)		(\$53,930,223)	
<b>2020 Estimated Total County funding Surplus/(Gap) (\$98,988,044)</b>			



# Recap

- Annual operating budget gaps caused by stagnant revenues and increasing cost to continue.
- Continued rise in obligations to pension & healthcare
- Closing the gaps requires actions to reduce expenditures or increase revenues
- Deferred maintenance grows as needs outpace resources
- Growth in cash financing needs accelerating due to more technology based capital which is not bond eligible
- The few local revenue sources are capped (property tax/sales tax) or limited in scope (VRF)





# Questions?