

## MILWAUKEE COUNTY FISCAL NOTE FORM

**DATE:** October 9, 2015

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** A resolution to utilize a portion of the anticipated 2015 surplus in the health care program for employees and retirees to increase the 2015 pension contribution by an additional \$10,000,000, beyond the amount contained in the 2015 adopted budget, in order to reduce the unfunded pension liability and save approximately \$10.6 million in interest costs over twenty years and to change the Pension Fund's amortization period for the Unfunded Actuarial Accrued Liability from thirty years to twenty years.

**FISCAL EFFECT:**

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|---|--|
| <input type="checkbox"/> No Direct County Fiscal Impact<br><input type="checkbox"/> Existing Staff Time Required<br><input checked="" type="checkbox"/> Increase Operating Expenditures<br>(If checked, check one of two boxes below)<br><input checked="" type="checkbox"/> Absorbed Within Agency's Budget<br><input type="checkbox"/> Not Absorbed Within Agency's Budget<br><input type="checkbox"/> Decrease Operating Expenditures<br><input checked="" type="checkbox"/> Increase Operating Revenues<br><input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures<br><input type="checkbox"/> Decrease Capital Expenditures<br><input type="checkbox"/> Increase Capital Revenues<br><input type="checkbox"/> Decrease Capital Revenues<br><input type="checkbox"/> Use of contingent funds |
|---|--|

*Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.*

	Expenditure or Revenue Category	Current Year	Subsequent Year
<b>Operating Budget</b>	Expenditure	\$10,000,000	\$0
	Revenue	\$1,700,000	\$0
	Net Cost	\$8,300,000	\$0
<b>Capital Improvement Budget</b>	Expenditure		
	Revenue		
	Net Cost		

## DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.<sup>1</sup> If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

- A. Approval of this resolution would result in an additional \$10.0 million payment to the Pension Fund for 2015 above the current budget contribution of \$38.3 million and would also approve the utilization of a twenty (20) year amortization period for unfunded actuarial accrued liabilities in the Pension Fund.
- B. The additional \$10.0 million payment is a direct cost to the County. Because the additional payment will be a part of the fringe allocation, the County will be able to draw down revenue offsets from most departments, including Family Care, the Airport, the Behavioral Health Division, Child Support Services and Highways. It is expected that this revenue will be approximately \$1.7 million.

This payment is a one-time payment; however, the additional \$10.0 million is annualized through the change in the County's Pension Fund contribution. The 2016 annual funding request by the Pension Board increased to \$58.6 million, which is \$20.3 million more than the 2015 budget contribution.

The \$10.0 million payment will be paid through surplus appropriations available in the same budget due to lower than budgeted healthcare expenditures. It is estimated that the County will save approximately \$15.0 million in healthcare expenses in 2015, which can be used to fund this payment. This savings is also available to offset the anticipated increase in 2016.

This payment will reduce the County's overall surplus by approximately \$8.3 million.

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<sup>1</sup> If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

<sup>2</sup> Community Business Development Partners' review is required on all professional service and public work construction contracts.

- C. There is minimal budget impact, as the budget includes sufficient appropriations due to expenditure savings in healthcare. Future budgets will be impacted as the higher funding contributions will need to be funded, but are not directly related to this request.
  
- D. It was assumed that the 2015 underfunding of \$19.9 million would be amortized over a twenty year period. These estimates would change if the twenty year amortization period was not approved. In addition, it was assumed that there was little to no fiscal impact of the change in amortization period by itself. That is because the liabilities currently being amortized or on average over a twenty year period. Therefore, there is little fiscal impact to change the amortization period at this time.

Department/Prepared By CJ Pahl

Authorized Signature Scott B. Manske

Did DAS-Fiscal Staff Review?  Yes  No

Did CDBP Review?<sup>2</sup>  Yes  No  Not Required