

# **BUDGET & COMPENSATION UPDATE**

**ELECTED LEADERS**

**October 11, 2017**

# AGENDA

2018 Proposed Budget

Addressing Departmental Urgent Compensation Needs

Update on County-wide Goal for Employee Communications about  
Compensation

Next steps

# 2018 BUDGET OVERVIEW



# OVERVIEW

- Balancing Act Input
- Pension/Benefit Contributions
- Compensation
- Impact on Employees
- Vehicle Registration Fee/Transit Fares
- Parks/Zoo Revenue Increases
- Social Services Initiatives
- Facilities/Closure of CATC
- Vacancy & Turnover
- Use of Reserves
- Levy Increase
- Capital Budget

# BALANCING ACT & ZEIDLER RESULTS

## Record Results through Engage MKE Initiative

- Milwaukee County had more than 2,400 Balancing Act users and nearly 300 balanced budgets submitted.
- Those users spent an average of more than 27 minutes of time on the budget simulation.
- Engaged Public, the creators of the Balancing Act tool, reports that Milwaukee County experienced one of the highest levels of engagement that they've seen.

# BALANCING ACT & ZEIDLER RESULTS

## **50 Percent More Opportunities for In-Person Feedback**

- Nearly 200 people participated in one of three in-person public input sessions facilitated by the Zeidler Center for Public Discussion.
- These participants even had the opportunity to use the Balancing Act tool during their listening sessions to see how different revenue and spending decisions impacted the County budget as a whole.

# BALANCING ACT & ZEIDLER RESULTS

## Participants Chose Revenues Over Service Cuts

- In person and online, Engage MKE participants preferred revenue increases over cuts to services.
- On Balancing Act, users chose an average increase in the vehicle registration fee of more than \$16 million in revenue, which would result in a VRF of about \$65.
- Other frequent choices include increases in Parks and Zoo revenue and increased employee contributions for benefits.

# PENSION/BENEFIT CONTRIBUTIONS

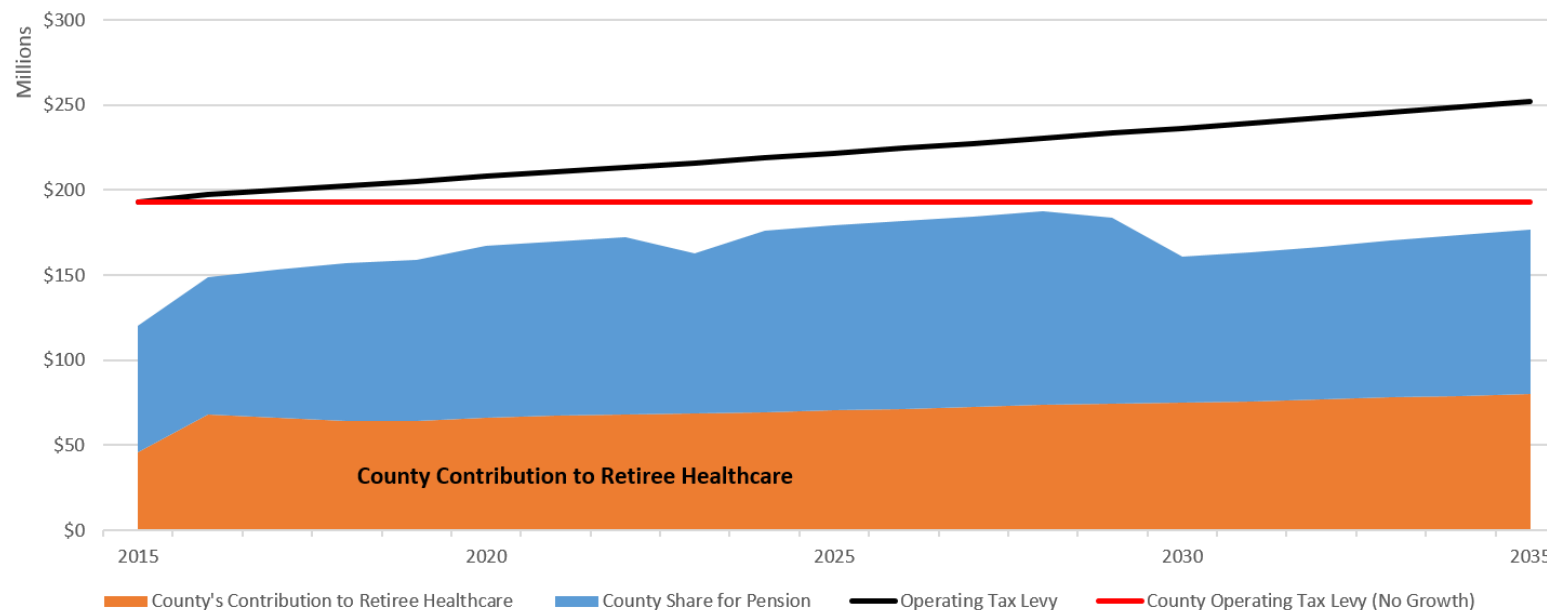
## Keeping Our Promises to Retirees

- We value our retirees and their contributions to Milwaukee County, and we will protect the benefits they've earned. However, the County's obligation towards these benefits is growing at an alarming rate.
- This budget includes a net increase of \$13.8 million in County employee/retiree health care costs and a net increase of \$6 million in the County's pension contribution.



# PENSION/BENEFIT CONTRIBUTIONS

Within the next ten years, our payments towards retiree benefits will be equal to 81 to 97 percent of our operating property tax levy.



# COMPENSATION

## Investing in Employees Now

- One of the most important reasons we are working to reform unsustainable past benefits is so we can invest in our employees now.
- The budget provides a 1 percent across the board salary increase for employees – the third year in a row.
- The budget also allocates \$400,000 to address compensation issues.

# IMPACT ON EMPLOYEES

## Preserving Benefits Amid Rising Costs

- Employees will continue to enjoy competitive benefits while working at Milwaukee County, including our tuition reimbursement program and the vision benefits added last year based on employee engagement feedback.
- No change is planned for employee pension contributions, although employee premiums for health insurance will rise in keeping with anticipated cost increases. Premiums for County employees remain below the metro Milwaukee market averages.
- Some adjustments will also occur in deductible and co-pays, but overall, most County employees will not see an impact on their take-home pay.

# VEHICLE REGISTRATION FEE/TRANSIT FARES

## Dedicated Revenue for Transportation

- We are receiving less money from the state for transit than we did in 2007. We've also experienced a significant decline in overall support from the state in the same time period. This has created significant funding challenges.
- This budget again proposes a \$60 wheel tax, the same amount the County's comptroller and the Public Policy Forum opined was necessary to maintain operations last year.
- Additional VRF revenue will be \$17.2 million this year. \$2.5 million comes from having a full year of the \$30 VRF and \$14.7 million from increasing this year's VRF to \$60.
- There are \$3.8 million in cash funded transportation capital projects from VRF revenue.

# VEHICLE REGISTRATION FEE/TRANSIT FARES

## Making Tough Decisions to Support Transit

- The VRF makes a big difference in our bottom line but it can't get us all the way there, so the budget also makes some tough, yet smart, decisions on fares.
- Although the cash fare will remain flat for the seventh year, the MCARD fare will increase from its introductory price of \$1.75 per ride to \$2.00 per ride and college students using the UPASS will also see a \$5 increase per semester.
- Because of these changes the Department of Transportation Budget is receiving no levy support.

# PARKS/ZOO/AIRPORT

## Dedicated Revenue for Parks

- This budget allows the Parks department to generate \$1.6 million in revenue from paid parking around the County. And because our Parks system draws visitors from all over, non-County residents will contribute to this revenue.
- The parking revenue will not be limited to the lakefront. The county executive is proposing a taskforce comprised of County and community stakeholders to put together a paid parking program, much like the taskforce that was created last year to make the Go Pass more sustainable.
- The budget also increases other Parks user fees by \$380,000, a decision informed by community feedback gathered through the Parks planning process and Engage MKE initiative.

# PARKS/ZOO/AIRPORT

## Continued Improvements at the Zoo

- The Zoo is proposing its first admission increase, \$450,000 in revenue, in six years to help support investments like the new Adventure Africa space, which will be completed this year and includes a new and more-friendly habitat for the Zoo's elephants.
- Other Zoo revenue increases will total \$800,000.
- However, as part of the Zoo's new concessions partnership, the Zoo will see an additional \$3 million for capital investments, including major renovations and upgrades to existing restaurants and gift shops – with no additional cost to taxpayers.

# PARKS/ZOO/AIRPORT

## New Opportunity for Growth

- More than \$25 million in revenue bonds and airport funds is appropriated in this budget to begin design and engineering work for a new international terminal at the airport – with no additional cost to taxpayers.
- The goal of this project is to demolish the current E Concourse in 2018, which is the oldest concourse at Mitchell, and replace it with a modern new International terminal that can accommodate multiple gates and flights, increase passenger satisfaction and comfort, and house all necessary U.S. Customs and Border Patrol services.
- We've been adding new destinations and airlines, expanding our current service, and growing passenger numbers over the past year. This upgrade will only enhance our potential for growth at MKE.



# SOCIAL SERVICES INITIATIVES

## Additional Public Health and Safety Resources

- This budget includes a new \$1.1 million investment in funding for the Medical Examiner's Office and Behavioral Health Division to help address the opioid epidemic.
- Most of the funding -- \$900,000 -- will go towards community-based treatment options while \$200,000 will go towards the purchase of an advanced mass spectrometer instrument that the Medical Examiner's office will use to reduce the testing time for opioids and other drugs from weeks to hours.
- The budget also includes an additional investment of \$1 million in Milwaukee County Housing Division's initiative to end chronic homelessness.

# SOCIAL SERVICES INITIATIVES

## Additional Public Health and Safety Resources

- For the second year in a row, the budget will expand the Crisis Assessment Response Teams (CART) program in Milwaukee County. Last year's budget created three new CARTs consisting of a mental health clinician and a police officer partnered together as a mobile team in the community. This year, BHD will invest an additional \$100,000 to expand the CART program to West Allis.
- The budget also includes a significant investment into the County's Comprehensive Community Services (CCS) programs for children and adults. These programs, facilitate access to collaborative, family-centered services that address physical health and wellness, mental health care, case management, substance abuse, peer support, and employment and skills development.

# SOCIAL SERVICES INITIATIVES

## Protecting Our Most Vulnerable Residents

- This budget includes a significant investment to decrease the County's reliance on Lincoln Hills. Following the evidence, the County will open a 24-bed Residential Treatment Center that will serve as an alternative for high risk youth.
- The budget represents a commitment to increase resources and awareness for dementia care in our communities. The County has opened two new Memory Cafes and four new memory connection centers in the past year.
- However, in light of the loss of nearly \$400,000 in grant funding, we had to make the difficult decision to reduce our contract amount for senior centers by \$200,000 -- from \$1.3 million to \$1.1 million – in order to ensure we could keep all the centers open.

# LEVY INCREASE

- The budget again proposes an increase in the property tax levy to capture new revenue generated from new construction projects. This will generate \$2.9 million in new revenue.
- However, on average, there will be no impact on owners of existing properties.
- In contrast, the City of Milwaukee's proposed 2018 budget increases property taxes on the average home by about \$37.

# ADMINISTRATIVE SERVICES

- Savings from closure/mothballing of CATC
- Continue work on ERP
- Continue work in IT security

# VACANCY & TURNOVER

- \$2.0 million (1%) increase to departmental vacancy and turnover deductions
- Implement DAS review/approval of request to fill vacant positions
- Eliminate positions through attrition where possible

# USE OF RESERVES

- \$6.8 million use of Debt Service Reserve – same as 2017 Budget
- No use of POB Reserve Funds

# CAPITAL BUDGET

- Maintain bonding caps and cash match
- Cash match includes VRF revenue of \$3.8 million
- Funding for bus and vehicle replacement
- Funding for ERP and IT security



# COMPENSATION UPDATE



# 30,000 FOOT VIEW: What We Know

- ✓ Antiquated compensation system that is impossible to administer effectively, drives inequity, and prevents us from attracting and retaining top talent;
- ✓ We studied every job, designed a market-based system that would allow for performance-based pay and presented it to the County Board multiple times over 3 years with no approval;
- ✓ The Board sued the CEX to gain clarification about their authority over compensation; results were confusing and mediation began.
- ✓ Employees are unhappy and we are losing key talent

# **30,000 FOOT VIEW:** What We Don't Know

- Will the mediation/lawsuit lead to successful and clear resolution?
- When will we be able to implement a competitive compensation program?
- Given budget constraints, even if we can implement a more effective compensation system, how long will it take us to correct our pay problems?

# OUR REALITY

- Being in limbo has led to significant frustration
- We need a plan to navigate the in-between
- We have extremely tight resources



# THE PLAN: NEW TOOLS FOR URGENT COMPENSATION REQUESTS

***Until further notice, only Department Heads may propose an urgent salary increase. Merit increases or re-organizations are typically not considered an urgent salary need. Check reason for request:***

- Position that is difficult-to-fill or with high turnover due to market shortage of required skill set where a higher starting salary is merited
- Concern about losing an operationally critical/key/exceptionally high performing staff member
- Serious internal equity issues
- Other

This file includes fillable form fields. You can print the completed form and save it to your device or Acrobat.com. Highlight Existing Fields

### Human Resources – Compensation Change Form

Date Request Submitted to Human Resources: [Redacted]

Requesting Department: [Redacted]

Requesting Manager: [Redacted]

Approving Department Head [Redacted]

#### REASON FOR REQUEST

Until further notice, only Department Heads may propose an urgent salary increase. Note: merit increases or re-organizations are typically not considered an urgent salary need. Check reason for request:

- Position that is difficult-to-fill or with high turnover due to market shortage of required skill set where a higher starting salary is merited
- Concern about losing an operationally critical/key/exceptionally high performing staff member
- Serious internal equity issues
- Other (explain in #9 below)

#### DEPARTMENT REQUEST FOR URGENT COMPENSATION CHANGE

1. Employee name(s) OR position title for multi-incumbent positions (attach spreadsheet, if necessary)  
[Redacted]
2. Employee number(s) [Redacted]
3. Is the employee(s) still in his/her probationary period? Select One

**Fill & Sign Tools**

- T Add Text
- ✓ Add Checkmark
- LM Place Initials
- Place Signature

► Send or Collect Signatures

► Work with Certificates

# GENERAL PAY ACTION GUIDELINES

## A few guidelines for departmental requests:

- New Hires:** if you are hiring anyone above the midpoint of the range, Compensation needs to review/approve.
- Increase Guideline:** increases should generally be 5% of base salary, unless unusual circumstances warrant a higher increase.

# ROLE CLARIFICATION: DEPARTMENT HEADS

- Determine if the proposed change meets the definition of an urgent need
- Collaborate with HR Partner about your urgent salary proposal and finalize your recommendation
- Check your budget and allocation and ensure there are sufficient funds for salary changes in both the current year and upcoming year's budgets
- Document proposed change on **Compensation Change Form**
- Collaborate with HR to develop a workable solution
- Discuss with employee the salary increase, reason behind the change and effective date **only after** receiving confirmation from HR that salary increase has been approved



# ROLE CLARIFICATION: HUMAN RESOURCES

- Conduct a thorough analysis of proposed salary change taking into account past practice, internal equity and other County-wide issues
- Document the HR recommendation including the rationale behind the decision, pertinent facts, etc.
- Collaborate with department management and serve as the final authority on compensation actions to ensure enterprise-wide consistency and mitigate risk
- Help monitor departmental allocations

# ROLE CLARIFICATION: BUDGET OFFICE

Let's all acknowledge this is "not normal" but we need a band-aid.



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# ROLE CLARIFICATION: BUDGET OFFICE

Departments have asked for greater authority to determine what resources within the Department are used for Compensation Increases.

*“With great power comes great responsibility”*

*- Uncle Ben*

*(Spiderman’s Uncle)*



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# ROLE CLARIFICATION: BUDGET OFFICE

With a transfer of this responsibility, it is imperative that countywide compensation decisions are still made in the context of departmental fiscal constraints. Consequently, there needs to be:

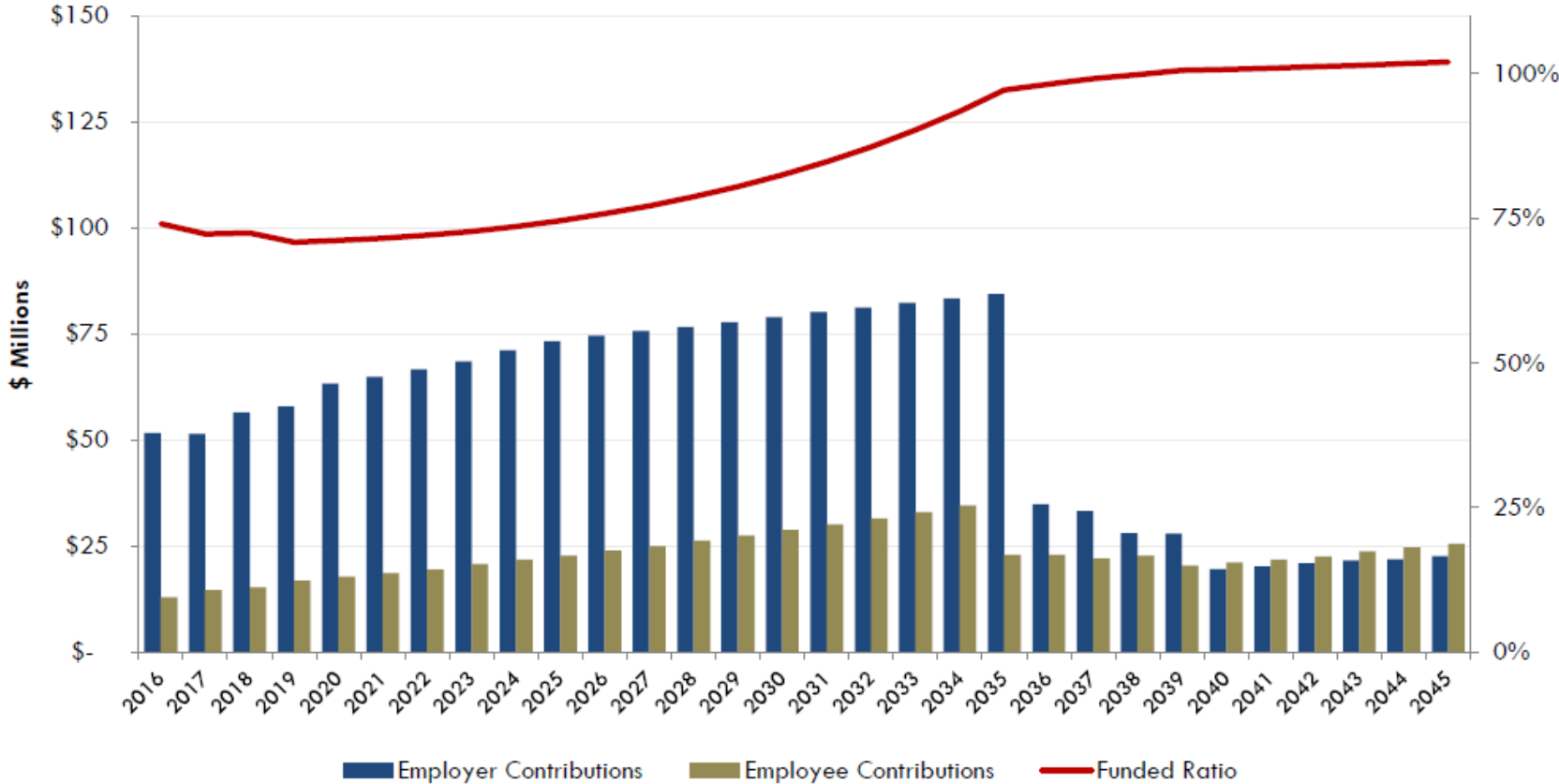
1. An Understanding of Fiscal Constraints
2. A Mechanism to Control the Long Term Pace of Compensation Growth
3. An immediate identification of resources to cover Compensation Growth within each department.
4. An understanding of the consequences of running a deficit

# 1. FISCAL CONSTRAINTS

Departments should continue to expect tax levy reductions consistent with previous years. This reduction is due to the County's expenses growing at a faster rate than revenues. As an example, the employer contribution to the pension system was about \$51 million in 2016, and is expected to be \$75 million in 2026. Meanwhile, revenue streams to continue to be capped (i.e. property taxes), and other revenue streams significantly reduced (i.e. state revenue).

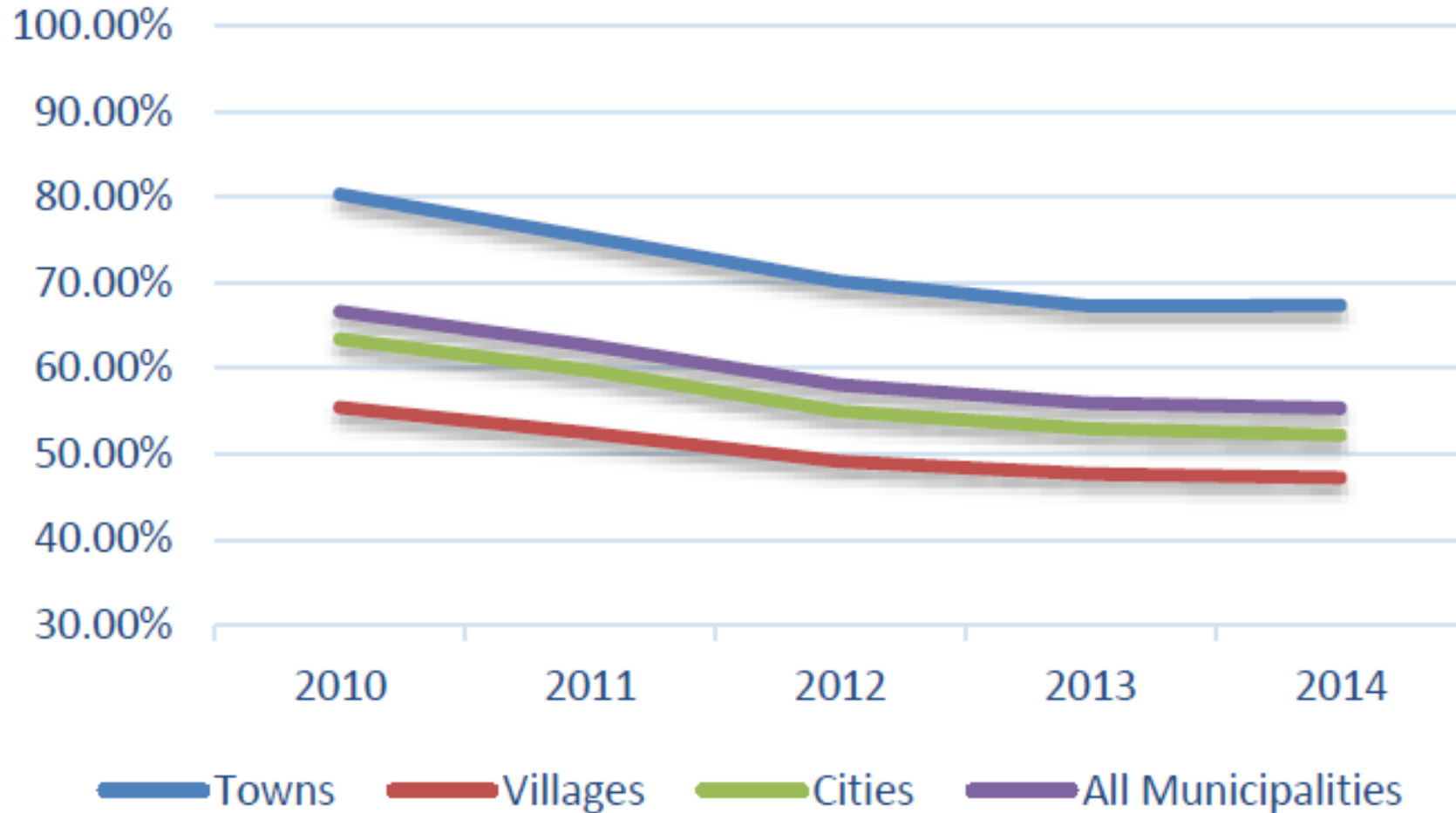
# Long-term Projection of Contributions and Funded Status

(Expected investment returns)



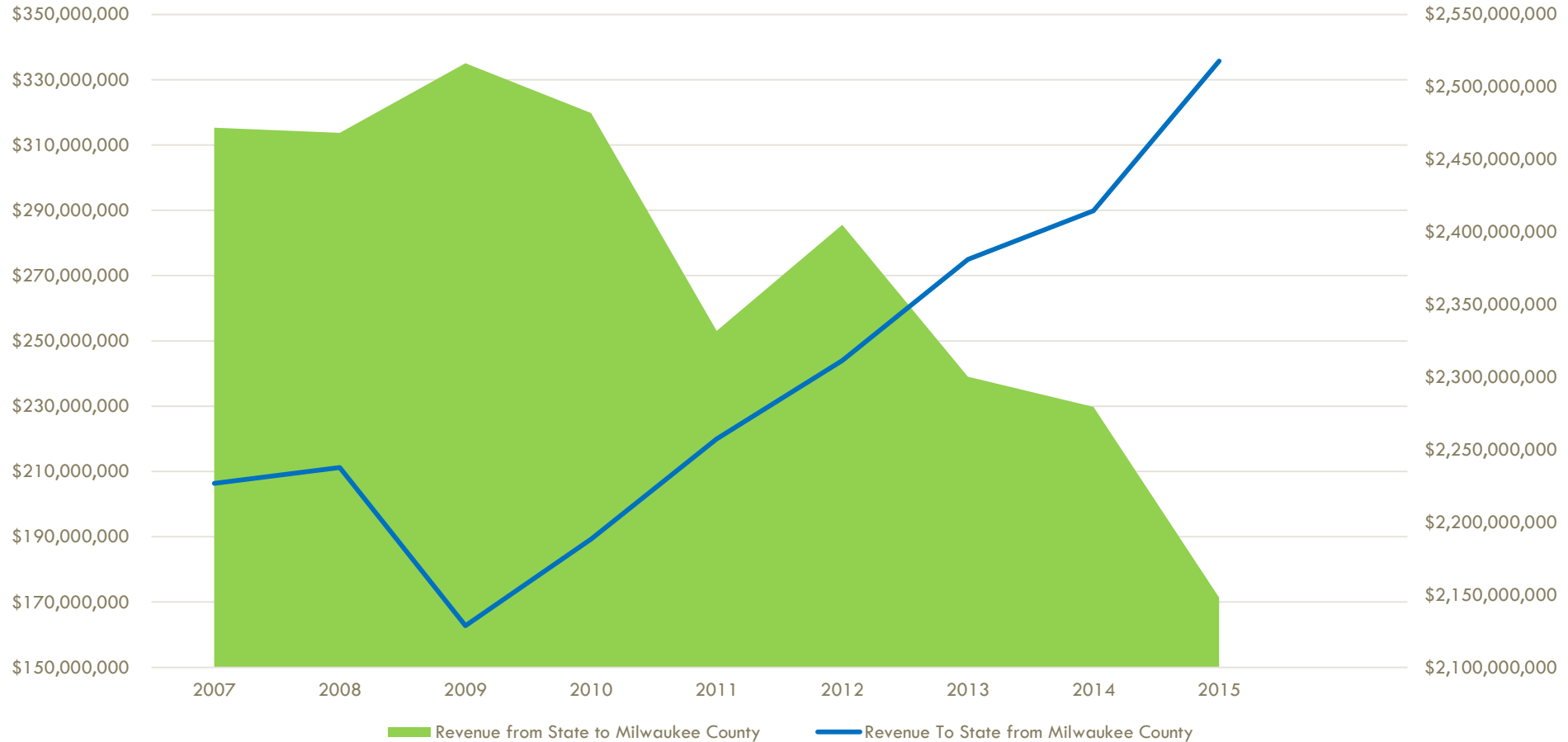
**Note:** Expected returns follow planned ERS schedule to lower discount rate gradually from 8% to 7.75% on 1/1/2018 and again to 7.50% on 1/1/2020.  
**Source:** Projections by Pew and the Terry Group using a financial simulation model created using data from ERS Annual Reports, Actuarial Valuations and other documents provided by county and plan officials.

# State Aid as % of State Revenue



Source: Wisconsin Department of Revenue, "State Taxes and Aids by Municipality and County for Calendar Year 2014 (2014) available at <https://www.revenue.wi.gov/DORReports/14StateTaxesandAidsByMuniCo.pdf>

# Revenue Trends



Source: Chart created by Milwaukee County Department of Administrative Services, from data in Wisconsin Department of Revenue, "State Taxes & Aids By Municipality and County For Calendar Year 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, available at <https://revenue.wi.gov/Pages/Report/s.aspx#shared>. Note: Data excludes approximately \$25 Million paid from State to County for the Economic Support Division which was moved to State in 2009



# 1. FISCAL CONSTRAINTS

Departments need to prepare fiscal strategies that accommodate both the future tax levy reductions and compensation increases.

## 2. SETTING A LONG-TERM PACE

Given the fiscal constraints on the county, we need to set a reasonable pace of compensation growth. In addition to the across the board increase, the County Executive's Budget has include the following amounts to address Other Salary Adjustments:

- 2016: \$2.2 Million (removed by Board)
- 2017: \$2 Million (reduced to \$1.2 million and moved to Allocated Contingency by Board)
- 2018: \$400,000 for Q4 (\$1.6 Million annually)

## 2. SETTING A LONG-TERM PACE

The Compensation Workgroup recommended that each year's "Other Salary Adjustment" be allocated prorata across the County based on total payroll. Under the recommendation, each Department would receive a Departmental Other Salary Adjustment Allocation (DOSAA).

The Board has not adopted the Compensation Workgroup Strategy, but the court case allows administration to move people within the range. We need a temporary band-aid.

**DRAFT Compensation Change Allocations - September 27, 2017**

Org	Department	2017 DOSAA	2018 DOSAA	Gross Allocation	Less 2017 Authorized Increases	Net 2017-2018 Allocation
1000	County Board	\$ 4,512	TBD	\$ 4,512	\$ -	\$ 4,512
1011	County Executive - General Office	\$ 4,325	\$ 5,340	\$ 9,665	\$ (2,028)	\$ 7,637
1090	Office on African American Affairs	\$ 2,079	\$ 2,556	\$ 4,635	\$ -	\$ 4,635
1130	Corporation Counsel	\$ 12,612	\$ 15,060	\$ 27,672	\$ (6,829)	\$ 20,843
1140	Department of Human Resources	\$ 26,924	\$ 32,680	\$ 59,604	\$ (34,494)	\$ 25,110
1151	Department of Administrative Services	\$ 122,883	\$ 151,162	\$ 274,045	\$ (12,731)	\$ 261,314
2000	Combined Court Related Operations	\$ 110,930	\$ 138,734	\$ 249,664	\$ (34,445)	\$ 215,219
2430	Department Of Child Support Services	\$ 51,865	\$ 62,636	\$ 114,501	\$ (30,610)	\$ 83,891
3090	County Treasurer	\$ 2,750	\$ 3,200	\$ 5,950	\$ -	\$ 5,950
3270	County Clerk / Election Commission	\$ 5,752	\$ 7,080	\$ 12,832	\$ (8,624)	\$ 4,208
3400	Register of Deeds	\$ 8,253	\$ 10,268	\$ 18,521	\$ (13,753)	\$ 4,768
3700	Office of the Comptroller	\$ 25,833	\$ 34,224	\$ 60,057	\$ (10,097)	\$ 49,960
4000	Office of the Sheriff	\$ 137,561	\$ 163,538	\$ 301,099	\$ (11,017)	\$ 290,082
4300	House of Correction	\$ 142,439	\$ 145,454	\$ 287,893	\$ (4,355)	\$ 283,538
4500	District Attorney	\$ 57,209	\$ 68,936	\$ 126,145	\$ (58,560)	\$ 67,585
4800	Emergency Management	\$ 24,203	\$ 27,772	\$ 51,975	\$ (72,073)	\$ -
4900	Medical Examiner	\$ 17,871	\$ 22,636	\$ 40,507	\$ -	\$ 40,507
5800	Department of Transportation	\$ 149,209	\$ 197,976	\$ 347,185	\$ (182,416)	\$ 164,769
7900	Aging	\$ 29,624	\$ 37,920	\$ 67,544	\$ -	\$ 67,544
8000	DHHS	\$ 115,060	\$ 307,006	\$ 422,066	\$ (107,393)	\$ 314,673
9000	Parks	\$ 133,219	\$ 108,062	\$ 241,281	\$ -	\$ 241,281
9500	Zoological Department	\$ 65,492	\$ 57,760	\$ 123,252	\$ (12,135)	\$ 111,117
	<b>TOTAL</b>	<b>\$ 1,250,605</b>	<b>\$ 1,600,000</b>	<b>\$ 2,850,605</b>	<b>\$ (601,560)</b>	<b>\$ 2,269,143</b>

### 3. IMMEDIATE IDENTIFICATION OF RESOURCES

The Board has not released the 2017 DOSAA, nor has it approved the 2018 budget yet. Consequently, there are no budgeted funds to pay for compensation increases. Each department must identify immediate resources for compensation increases. Keep in mind that even if you identify resources for this year (i.e. Q4 of 2107), you will need to identify resources for the full year of 2018 and beyond. Your 2019 tax levy target will use as a baseline your 2018 target, less the overall deficit, so it will be even more challenging than 2019.

### **3. IMMEDIATE IDENTIFICATION OF RESOURCES**

Long term changes to consider are:

- Permanently eliminating un-needed vacant positions
- Permanently eliminating un-needed contracted services
- Permanently increasing revenue

### 3. IMMEDIATE IDENTIFICATION OF RESOURCES

Changes that may work for 1 year but will cause long term tax levy issues for your department include:

- Reducing/increasing your Vacancy and Turnover. Note that the assumptions have been changed for 2017 to address county wide fiscal constraints.
- Relying on temporary increase in revenue
- Relying on temporary contract savings.

## 4. CONSEQUENCES OF DEFICITING

**59.60 (12) PAYMENTS AND OBLIGATIONS PROHIBITED; CERTIFICATIONS; PENALTIES. No payment may be authorized or made and no obligation incurred against the county unless the county has sufficient appropriations for payment. No payment may be made or obligation incurred against an appropriation unless the director first certifies that a sufficient unencumbered balance is or will be available in the appropriation to make the payment or to meet the obligation when it becomes due and payable. An obligation incurred and an authorization of payment in violation of this subsection is void. A county officer who knowingly violates this subsection is jointly and severally liable to the county for the full amount paid. A county employee who knowingly violates this subsection may be removed for cause. This subsection does not prohibit contracting for capital improvements being financed wholly or partly by the issuance of bonds or prevent the making of a contract or lease providing for the payment of funds at a time beyond the end of the fiscal year in which the contract or lease is made. The board shall make or approve by resolution each contract, lease or other obligation requiring the payment of funds from the appropriations of a later fiscal year or of more than one fiscal year.**



# ROLE CLARIFICATION: SUMMARY

Recap:

1. Fiscal Constraints will necessitate identification of resources to pay for both tax levy decreases and compensation increases
2. Long Term Pace requires each department limiting requests to DOSAA
3. Because Board has not approved centralized pool, immediate identification of resources must be made by department (or wait until board approves).
4. Don't Deficit

# ROLE CLARIFICATION: SUMMARY

Budget office will:

- A. Continue to request release of centralized DOSAA
- B. Continue to work with you to identify immediate resources

Department will:

- A. Make sure it stays within DOSAA
- B. Make sure Department does not deficit

# ROLE CLARIFICATION: SUMMARY

Budget office will not be certifying that immediate or long term funds are available. It is the department's job to manage budget. The exception is that reallocations must be approved by the County Board. MCO 17.055 requires a certification from DAS that "Sufficient funds are available within the existing appropriation of the department." In this circumstance, department will have to provide detailed information on what existing appropriations will be used, or request a fund transfer. Fund transfers may also be required for other types of compensation increases, unless existing compensation budget is being used.

# ROLE CLARIFICATION: SUMMARY



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Good luck Spidey; the rest of the Avengers are here when you need us.

# COMPENSATION COMMUNICATIONS TEAM

Rosie Forster,  
Project Manager

# WHAT'S THE OBJECTIVE OF THE PROJECT TEAM?

- Team established as part of County-wide goal to address worst scoring employee engagement survey item: *“I am paid fairly for the work I do”*
- To design and implement employee communications plan on compensation and total rewards by October 1, 2017
- Outside of scope: recommending changes to the current compensation program

# WHAT'S THE PLAN?

## Tailor messaging to audience

### ➤ Leaders & Managers

- Provide background information in advance
- Prepare managers to present to employees
- Collaborate with HR partners

### ➤ Employees

# WHAT TO COMMUNICATE?

## Create informational “chunks”

- Information communicated in sections
  - Each “chunk” will be standalone
  - Each “chunk” will link to FAQs
- Proposed “chunks”
  - History of the situation with financial information
  - What’s going on today with financial information
  - What’s the plan to move forward
    - Expect quarterly updates
    - Include positive progress
- FAQs



# HOW TO COMMUNICATE?

## For Leaders and Managers

- Loop in and collaborate with HR partners
- In-person meetings to share previews of communications and answer questions
- Advance copies of all materials, including Q & A's
- Sample meeting agendas and invitations
- LMS training module on handling difficult conversations

# HOW TO COMMUNICATE?, CONTINUED

## For Employees

- Video will be primary delivery channel
  - Both HR and DAS presenters
  - Available for department meetings as well as on LMS
- Additional delivery channels:
  - Email
  - Print format with required posting in consistent locations for employees who don't work at a computer
  - Postings to the Compensation site of the HR webpage

# WHAT'S THE TIMELINE?

## Tentative Timeline:

- September 28: Update all employees as part of budget communication
- November: Launch with managers
- December: Launch with employees

# NEXT STEPS



- Begin submitting compensation requests utilizing the new short-term process/form
- As the Compensation Communications team works on its plan, watch for an invitation to discuss next month



**QUESTIONS?** |

Thank you!

