



Milwaukee County Five-Year Financial Forecast

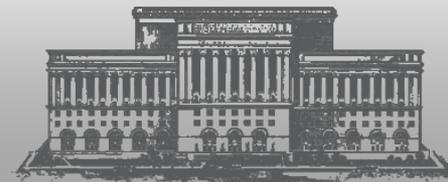


A presentation from the
Office of the Comptroller



Summary

- 2018 projected gap is \$31.0 million.
- Long-term, annual costs-to-continue will average \$13.6 million plus any additional one-time revenues and expenditure abatements used the previous year.





The Structural Deficit

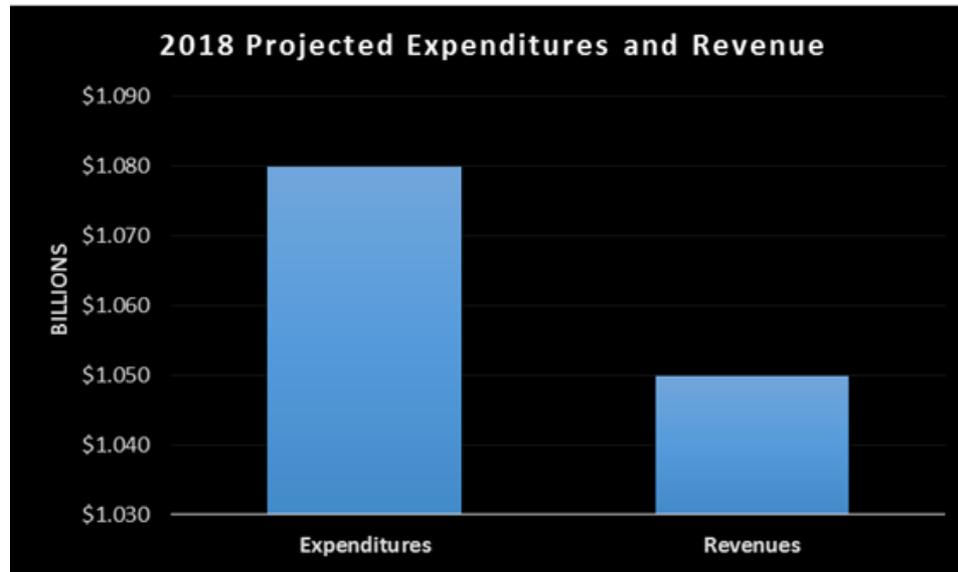
1. Cost-to-continue increase
 - Expenditures increase by 2.5% annually on average
 - Revenues increase by 0.7% annually on average

2. One-time revenues and expenditure abatements utilized in previous year.
 - Debt service reserve contributions
 - “General” expenditure reductions

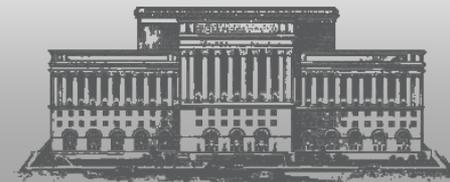




2018 Projected Structural Deficit



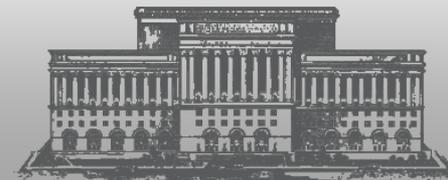
\$31.0 million





2018 Projected Structural Deficit

| Expenditure Type | Amount (millions) |
|---------------------------------|-------------------|
| Healthcare | \$ 9.3 |
| Pension | \$ 6.4 |
| Other Purchase of Services | \$ 4.5 |
| Misc (1) | \$ 3.2 |
| Other Services | \$ 1.8 |
| Professional Services | \$ 1.0 |
| Debt Service Principle/Interest | \$ (0.7) |
| Salaries & Overtime | \$ (1.6) |
| Expenditure Change | \$ 23.9 |
| Revenue Type | |
| One-time Revenues | \$ 7.3 |
| Other Federal Revenue | \$ 3.0 |
| Employee Health Contributions | \$ 1.3 |
| Earnings on Investment | \$ (1.7) |
| Property Taxes | \$ (2.9) |
| Revenue Change | \$ 7.0 |
| Projected 2018 Gap | \$ 30.9 |





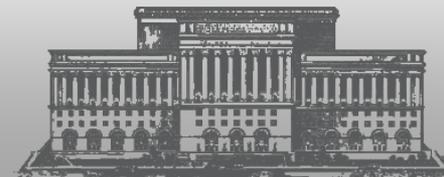
2018 – 2022 Structural Deficits

| Year | Expenditure | Revenue | Structural Deficit | Cost-to-Continue* |
|------|------------------|------------------|--------------------|-------------------|
| 2017 | \$ 1,054,859,044 | \$ 1,054,859,044 | \$ - | |
| 2018 | \$ 1,078,896,529 | \$ 1,047,927,247 | \$ (30,969,282) | |
| 2019 | \$ 1,103,780,697 | \$ 1,062,455,935 | \$ (41,324,762) | \$ (10,355,480) |
| 2020 | \$ 1,134,414,917 | \$ 1,072,880,717 | \$ (61,534,200) | \$ (13,637,329) |
| 2021 | \$ 1,162,769,773 | \$ 1,079,023,345 | \$ (83,746,428) | \$ (13,156,370) |
| 2022 | \$ 1,191,743,177 | \$ 1,090,775,218 | \$ (100,967,959) | \$ (17,221,531) |
| | | | Average Gap: | \$ (13,592,678) |

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

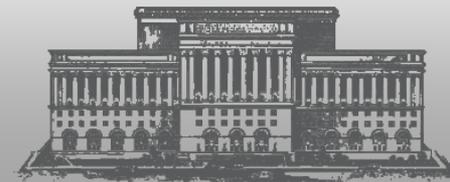
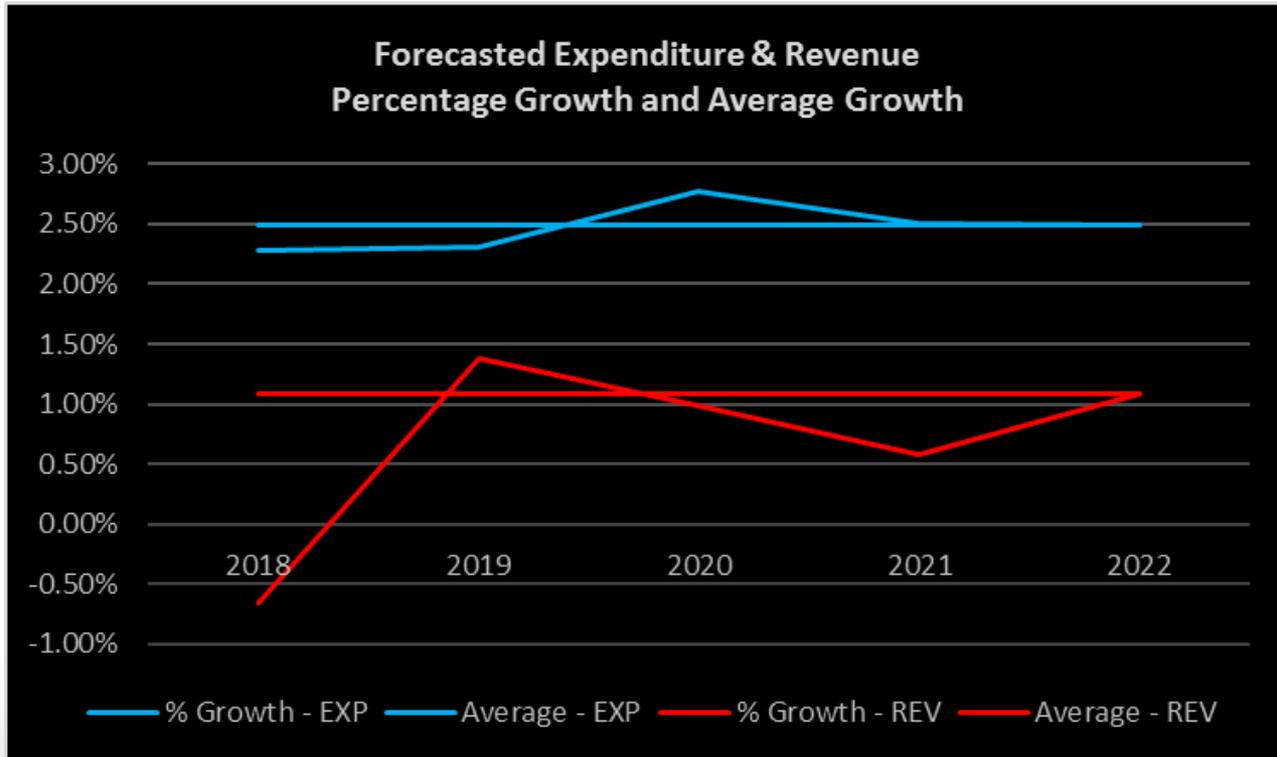
*For 2020, the increase in pension contribution is considered an outlier and removed from cost-to-continue.

*For 2021, the loss of Doyne Hospital revenue is considered an outlier and removed from cost-to-continue.



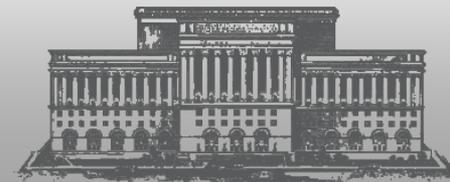
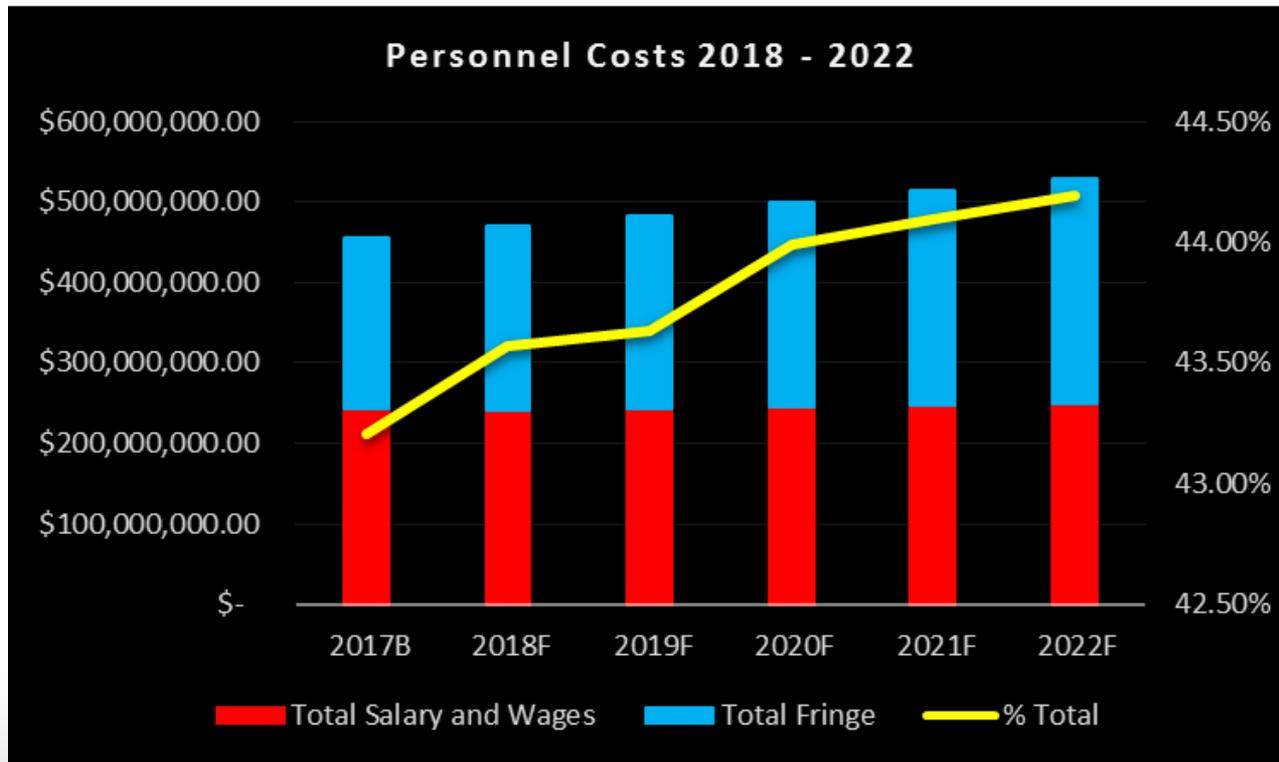


Cost-to-Continue



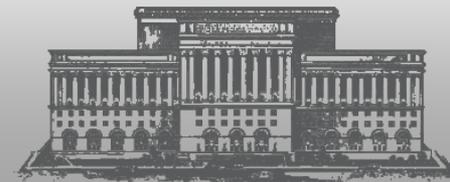
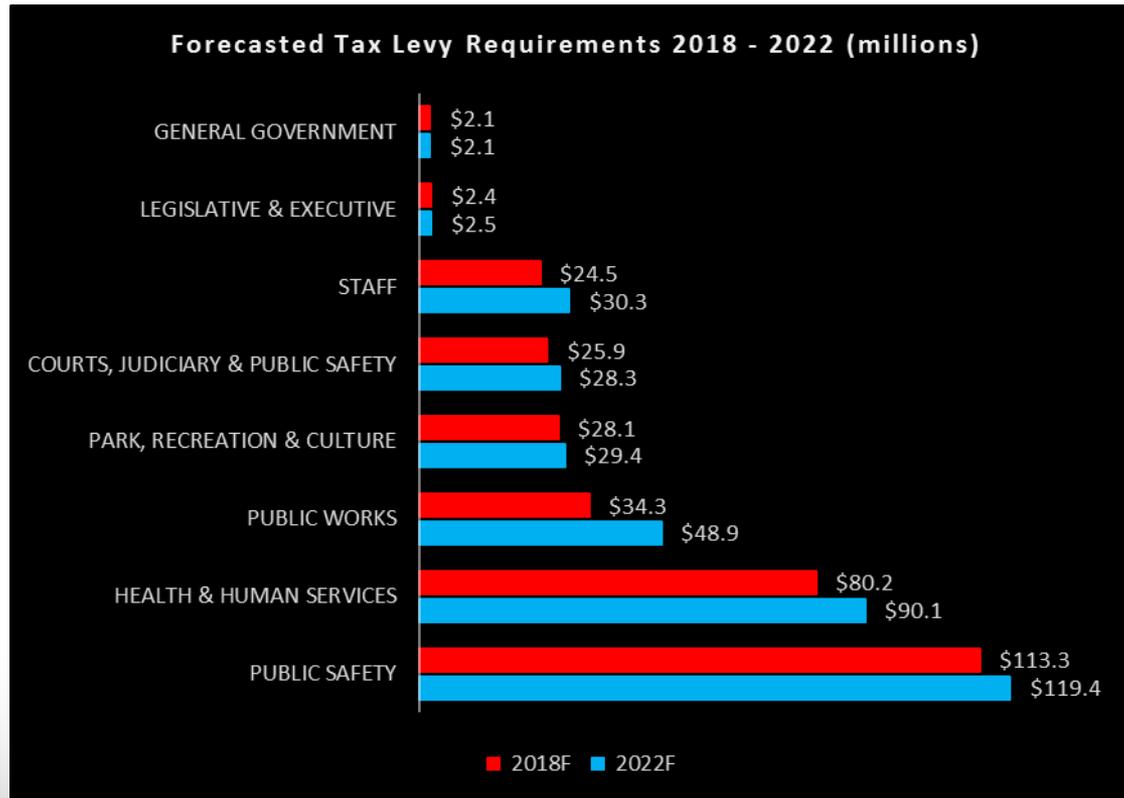


Cost-to-Continue - Expenditures





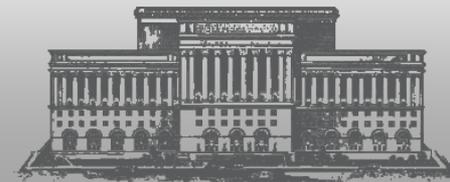
Cost-to-Continue - Expenditures





Cost-to-Continue - Revenues

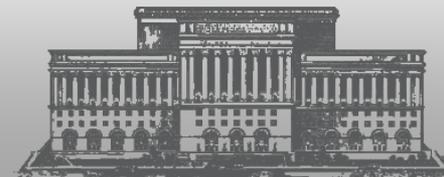
| Year | % Revenue Increase |
|------|--------------------|
| 2018 | -0.66% |
| 2019 | 1.39% |
| 2020 | 0.98% |
| 2021 | 0.57% |
| 2022 | 1.09% |





One-Time Revenues & Abatements

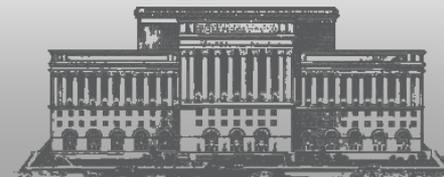
| Budget Tool | Amount (Millions) |
|-----------------------------------|----------------------|
| One-time Revenues | |
| Debt Service Reserve Contribution | \$6.8 |
| POB Reserve Contribution | \$0.5 |
| Expenditure Abatements | |
| N/A | \$0.0 |
| Total | \$7.3 |





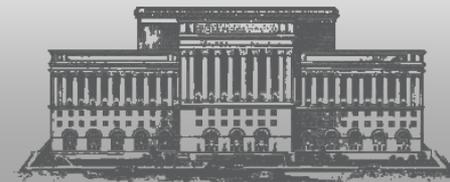
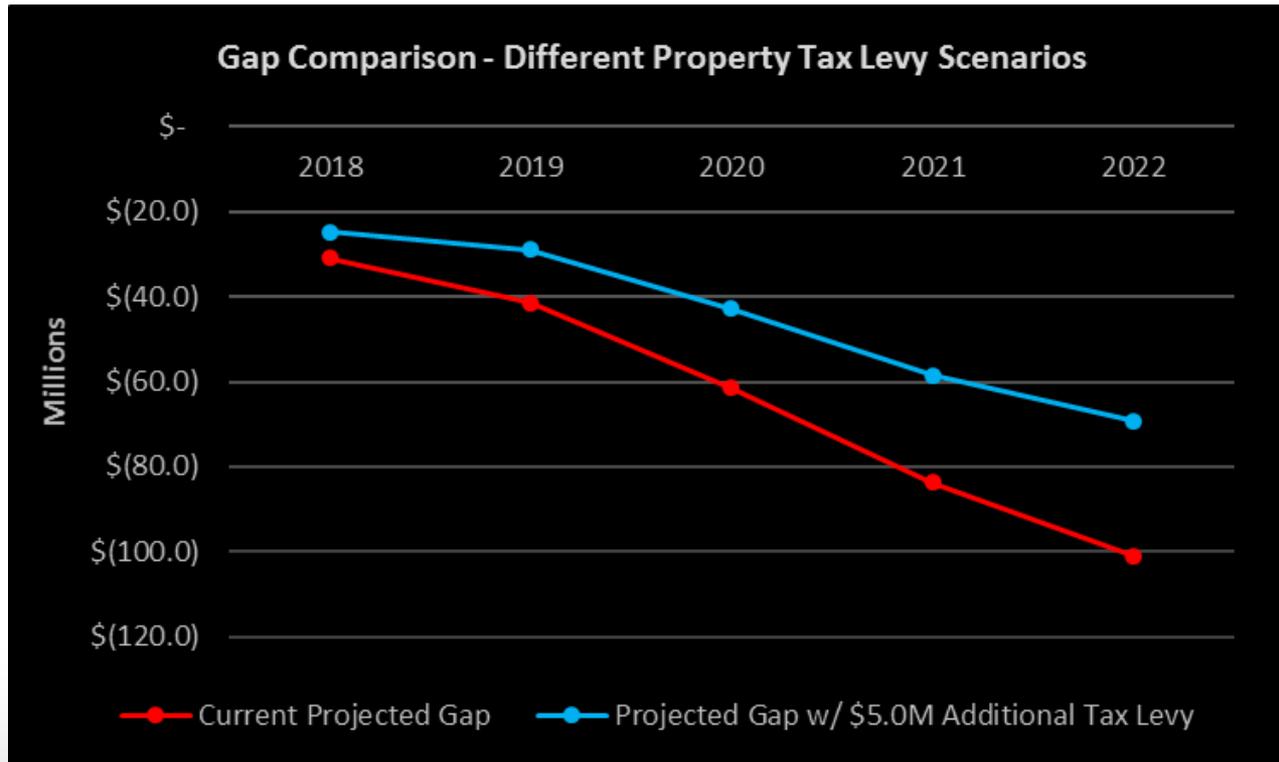
Impact of Additional Revenue

| | Current - No Changes | | | Add \$18 M New Revenue | | | Add \$18M New Revenue & Increase Growth by 0.8% | | |
|------|----------------------|------------------------|------------------|------------------------|------------------------|------------------|---|------------------------|------------------|
| | 0.70% | 2.50% | | 0.70% | 2.50% | | 1.50% | 2.50% | |
| | Revenue (Millions) | Expenditure (Millions) | Cost-to-Continue | Revenue (Millions) | Expenditure (Millions) | Cost-to-Continue | Revenue (Millions) | Expenditure (Millions) | Cost-to-Continue |
| | 0.70% | 2.50% | | 0.70% | 2.20% | | 1.50% | 2.20% | |
| 2018 | 1,048 | 1,079 | \$ 31.0 | 1,066 | 1,079 | 13.0 | 1,066 | 1,079 | 13.0 |
| 2019 | 1,055 | 1,106 | \$ 19.6 | 1,073 | 1,106 | 19.5 | 1,082 | 1,106 | 11.0 |
| 2020 | 1,063 | 1,134 | \$ 20.3 | 1,081 | 1,134 | 20.1 | 1,098 | 1,134 | 11.4 |
| 2021 | 1,070 | 1,162 | \$ 20.9 | 1,089 | 1,162 | 20.8 | 1,115 | 1,162 | 11.9 |
| 2022 | 1,078 | 1,191 | \$ 21.6 | 1,096 | 1,191 | 21.4 | 1,131 | 1,191 | 12.3 |
| 2023 | 1,085 | 1,221 | \$ 22.2 | 1,104 | 1,221 | 22.1 | 1,148 | 1,221 | 12.8 |
| 2024 | 1,093 | 1,251 | \$ 22.9 | 1,112 | 1,251 | 22.8 | 1,166 | 1,251 | 13.3 |
| 2025 | 1,100 | 1,283 | \$ 23.6 | 1,119 | 1,283 | 23.5 | 1,183 | 1,283 | 13.8 |
| 2026 | 1,108 | 1,315 | \$ 24.4 | 1,127 | 1,315 | 24.2 | 1,201 | 1,315 | 14.3 |
| 2027 | 1,116 | 1,348 | \$ 25.1 | 1,135 | 1,348 | 25.0 | 1,219 | 1,348 | 14.9 |





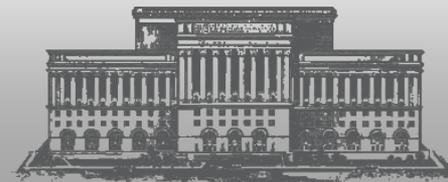
Impact of Additional Levy





Other Issues to Monitor

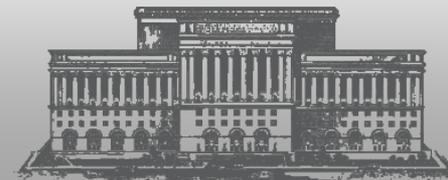
- Freezing the tax levy
- Future biennial State budget
- Fate of the Vehicle Registration Fee
- Debt service and infrastructure needs
- Future changes to the Behavioral Health Division





Conclusion

- Annual inflationary cost increases will not be offset by projected revenue increases.
- Every one-time revenue or expenditure abatement will have a negative impact on the following year's structural deficit.
- More meaningful discourse on a long-term sustainable strategy to match revenue and expenditure growth is needed.





Milwaukee County Five-Year Forecast 2018 - 2022

QUESTIONS?

