

MILWAUKEE COUNTY

FIVE YEAR FINANCIAL FORECAST

2012 Adopted Budget Update



Presented by
the Milwaukee
County
Financial
Forecast
Workgroup

Committee on
Finance,
Personnel and
Audit

June 21, 2012



FORECAST OVERVIEW

- **Purpose:**
 - **Develop Consensus of the County's Fiscal Status & Future**
 - **Emphasize Major Fiscal Drivers**
 - **Improve Data-Driven Decision-making Process**
 - **Provide "What If?" Analysis Capabilities**



FORECAST OVERVIEW

■ Process:

- Input of Adopted Budget
- Input of Prior Year Actual Data
- Review and Adopt Changes to Assumptions
 - Transparent, Cross-Departmental Workgroup
- Forecast Model
 - Assumes Annual One-Time Budget Fixes
 - Existing Policy (Staffing & Service Levels) Baseline



FORECAST OVERVIEW

■ Workgroup:

- Pamela Bryant, DAS
- Cynthia Paul, DAS
- Antioinette Thomas-Bailey, DAS
- Steve Cady, County Board Staff
- Josh Fudge, DAS
- Jerry Heer, Audit
- Rob Henken, Public Policy Forum
- Alex Kotze, BHD
- Scott Manske, Comptroller
- Jon Priebe, Office of the Sheriff
- John Ruggini, City of Wauwatosa



FORECAST OVERVIEW

Largest Account Types: (Millions)

EXPENDITURES

Account Type	2012B
Salaries & Wages	\$217.7
CMO Purchase of Service	\$199.0
Transit Expenditures	\$168.7
Other Purchase of Service	\$135.5
Empl/Ret Healthcare	\$122.5
<u>71%</u> of Total County Expenditures	

REVENUES

Account Type	2012B
Property Taxes	\$276.8
CMO Revenue	\$233.4
Other State Reimb.	\$87.7
Airport Revenues	\$85.5
Sales Tax	\$64.0
<u>63%</u> of Total County Revenues	



FORECAST OVERVIEW

Largest Account Types Continued: (Millions)

EXPENDITURES

Account Type	2012B
Abatements	(\$117.1)
Crosscharges	\$114.3
Debt Service – Principal	\$69.7
Pension	\$63.7
Other Services	\$50.5
All Others	\$163.7








REVENUES

Account Type	2012B
BHD Health Revenue	\$55.5
HHS State Reimbursement	\$43.3
Other Federal Revenue	\$36.3
Basic Community Aids	\$35.3
Other Revenue	\$34.8
All Others	\$242.7



FORECAST OVERVIEW

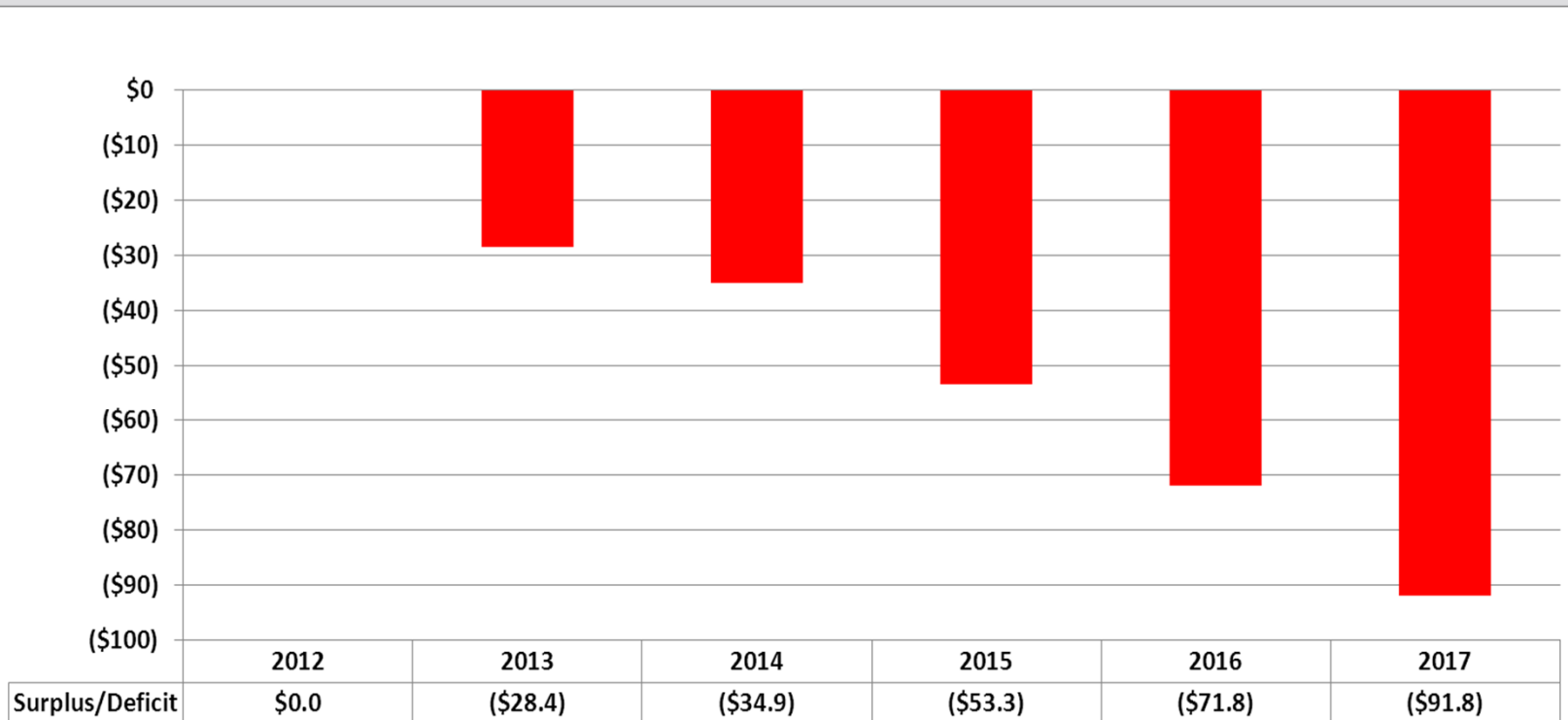
■ Key Assumptions:

ACCOUNT TYPE	ASSUMPTION & Change
Inflation	2.2% 
Property Taxes	2.6% 
Salaries	3.2% 
Employee & Retiree Healthcare	9% 
Pension	Actuarial Projections
Sales Tax Revenues	2.8% 
Most State/Federal Revenues	0% 
Capital Outlays	0% 



FORECAST RESULTS

■ Forecast Surplus/(Deficit): (Millions)





FORECAST RESULTS

■ Forecast Surplus/(Deficit): (Millions)

YEAR	REVENUES	EXPENDITURES
2012	\$1,195	\$1,195
2013	\$1,217	\$1,245
2014	\$1,252	\$1,287
2015	\$1,303	\$1,356
2016	\$1,356	\$1,428
2017	\$1,408	\$1,500
% Change	18%	26%



FORECAST RESULTS

- Structural deficit persists, but it is significantly smaller than in past years.
- Expenditures continue to out-pace revenues
 - Expenditures: 5.1% annual growth
 - Revenues: 3.5% annual growth



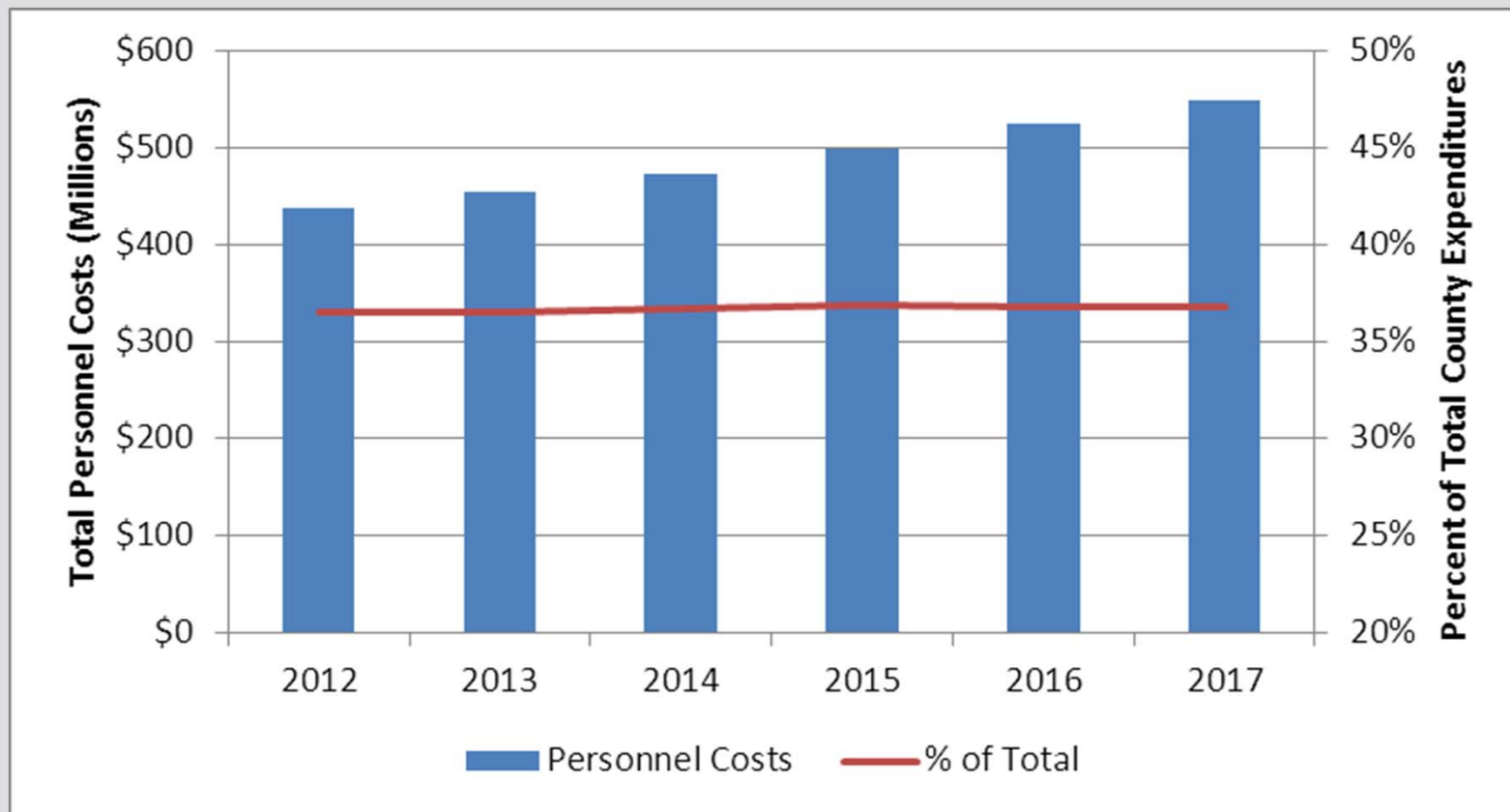
DEFICIT DRIVERS

- **Structural Deficit Drivers**
 - **Ongoing Issues:**
 - Personnel Costs
 - Lack of Revenue Growth
 - Lack of Revenue Diversity
 - Personnel Costs will rise **26% by 2017**
 - Fringe Benefits will rise **36%**
 - Discretionary Revenues



DEFICIT DRIVERS

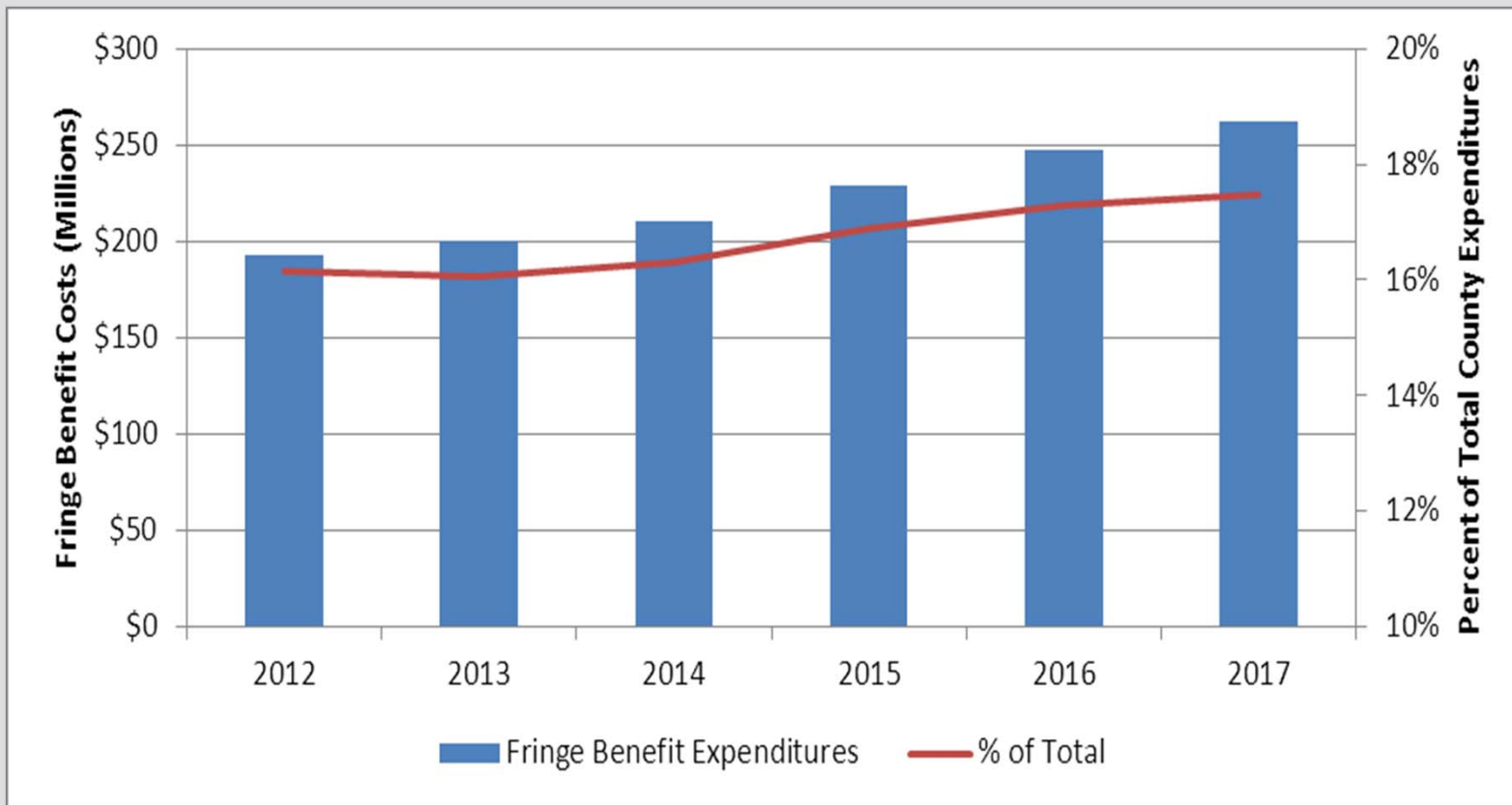
■ Personnel Costs as % of Total Expenditures





DEFICIT DRIVERS

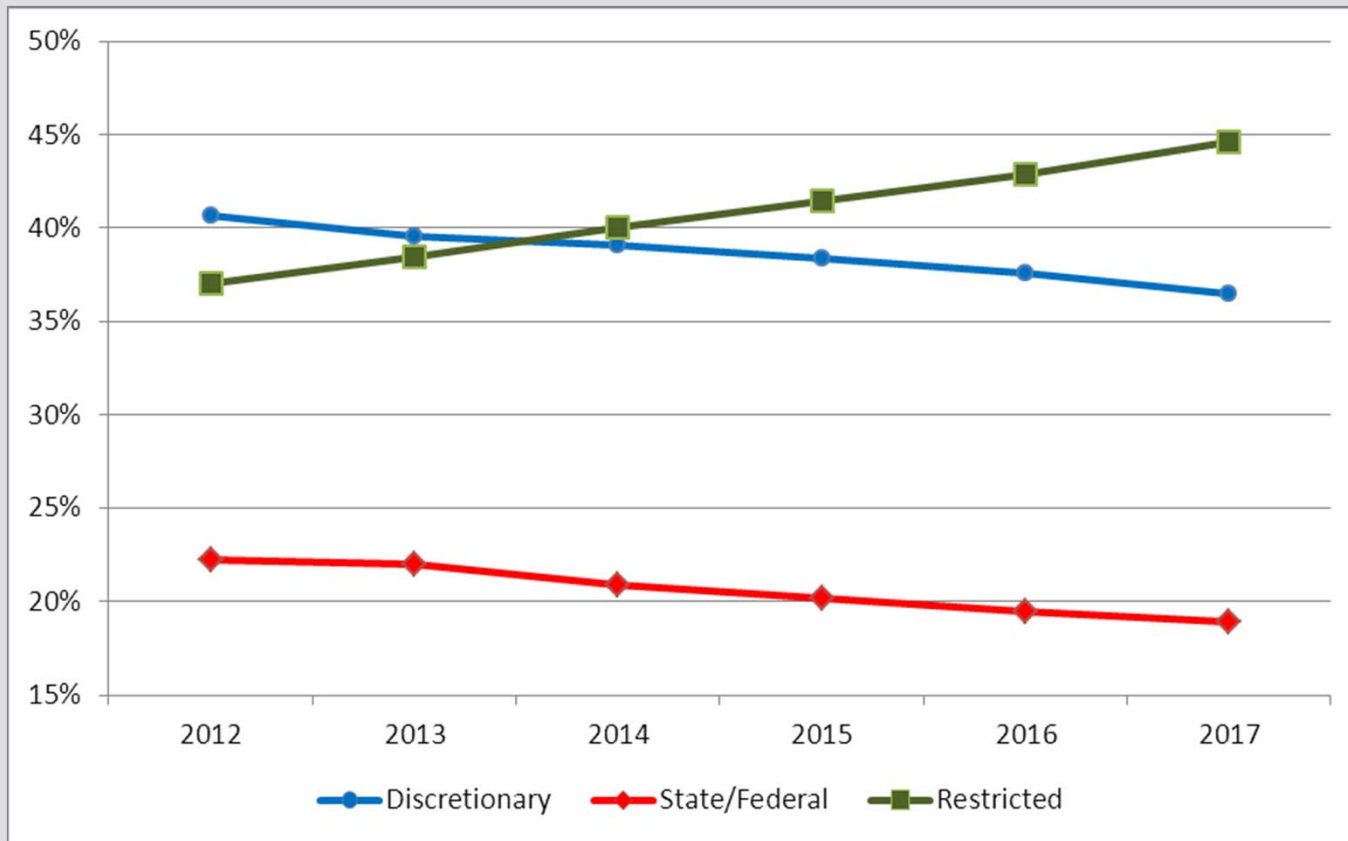
■ Fringe Benefits as % of Total Expenditures





DEFICIT DRIVERS

■ Revenue by Category as % of County Total





DEFICIT DRIVERS

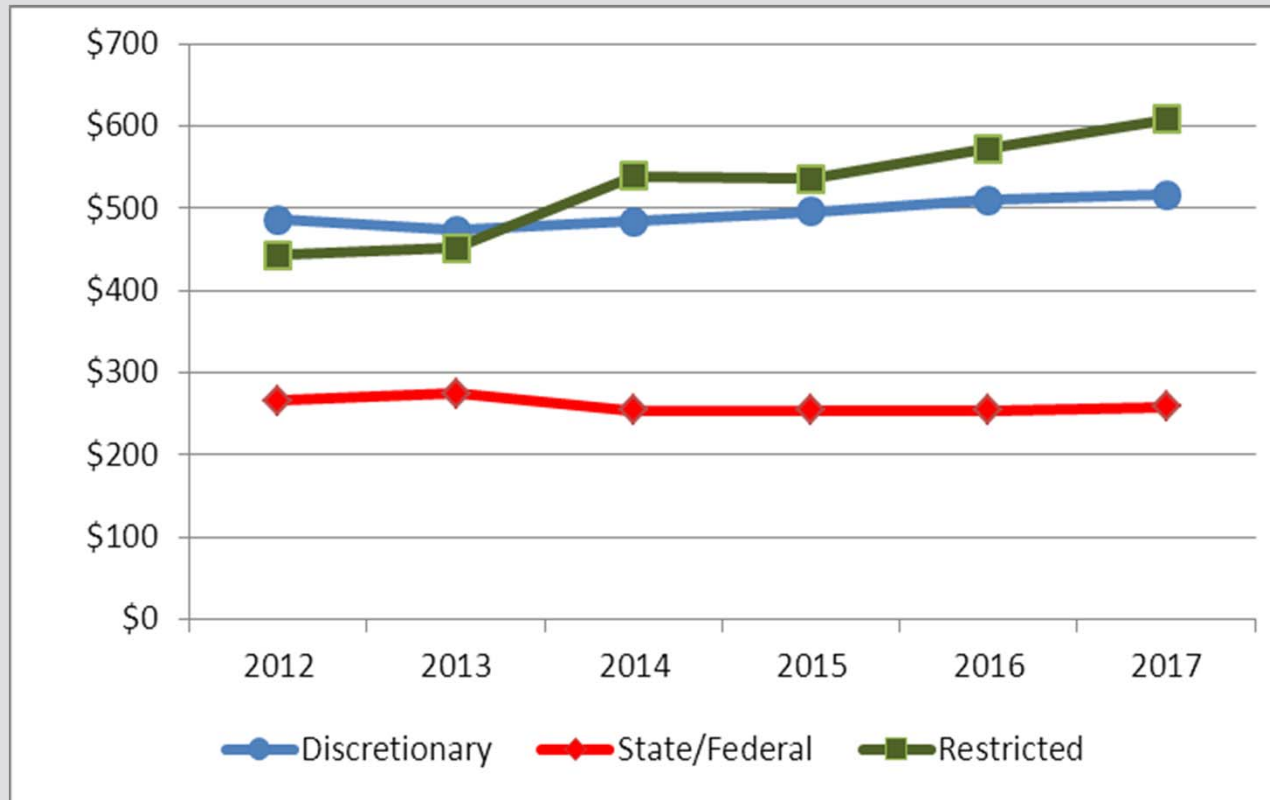
■ Example Revenues by Category

Restricted	Discretionary	State/Federal
Airport Revenue	Property Tax	State Shared Revenue
CMO Revenues	Sales Tax	BCA Allocation
BHD Health Revenue	Fees & Permits	Circuit Court Support
	Concessions	Transit Federal Revenue
	Record & Filing Fees	HUD Program



DEFICIT DRIVERS

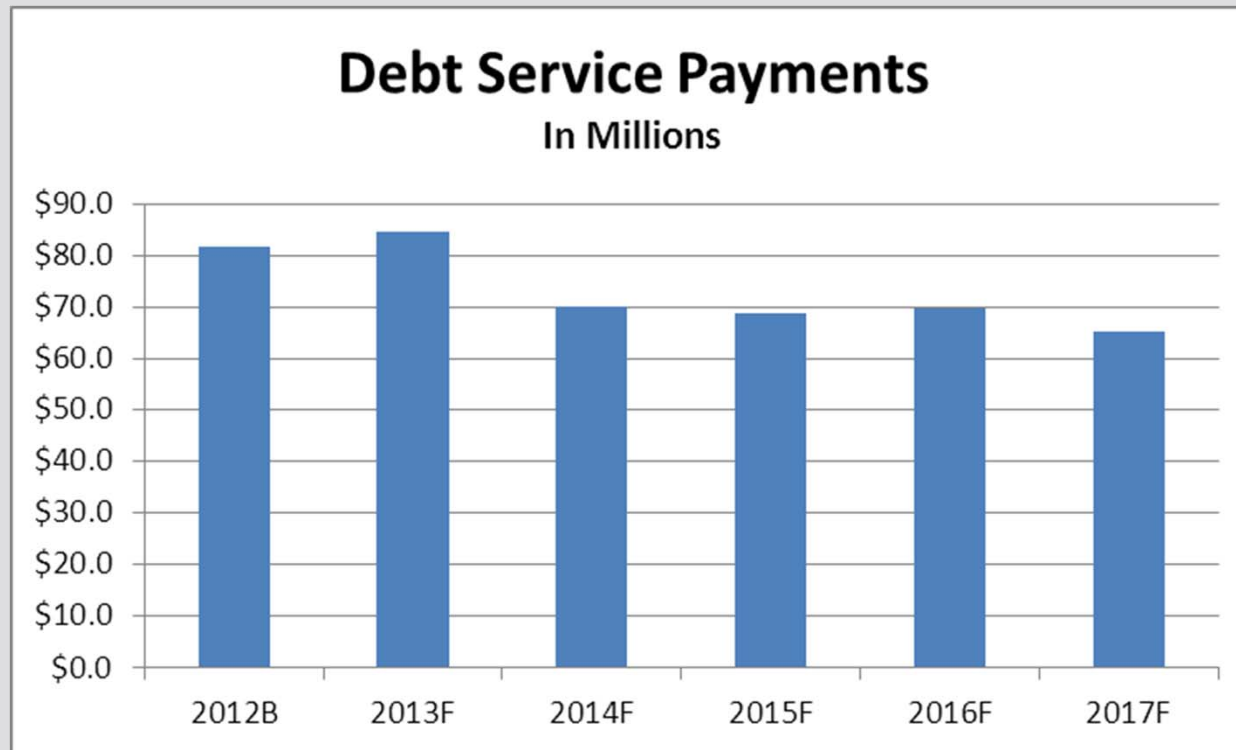
■ Revenue by Category, Adjusted for Inflation (Millions)





DEFICIT DRIVERS

■ Debt Service Payments*:



* = Assumes continued adherence to bonding caps (approximately \$30-\$35 million annually). Does not include Pension Obligation Bond payments.



DEFICIT DRIVERS

■ Other Major Items:

■ Transit Federal Revenue

- Forecast accounts for 2 Year CMAQ Funding
- \$7.8 million impact in 2014

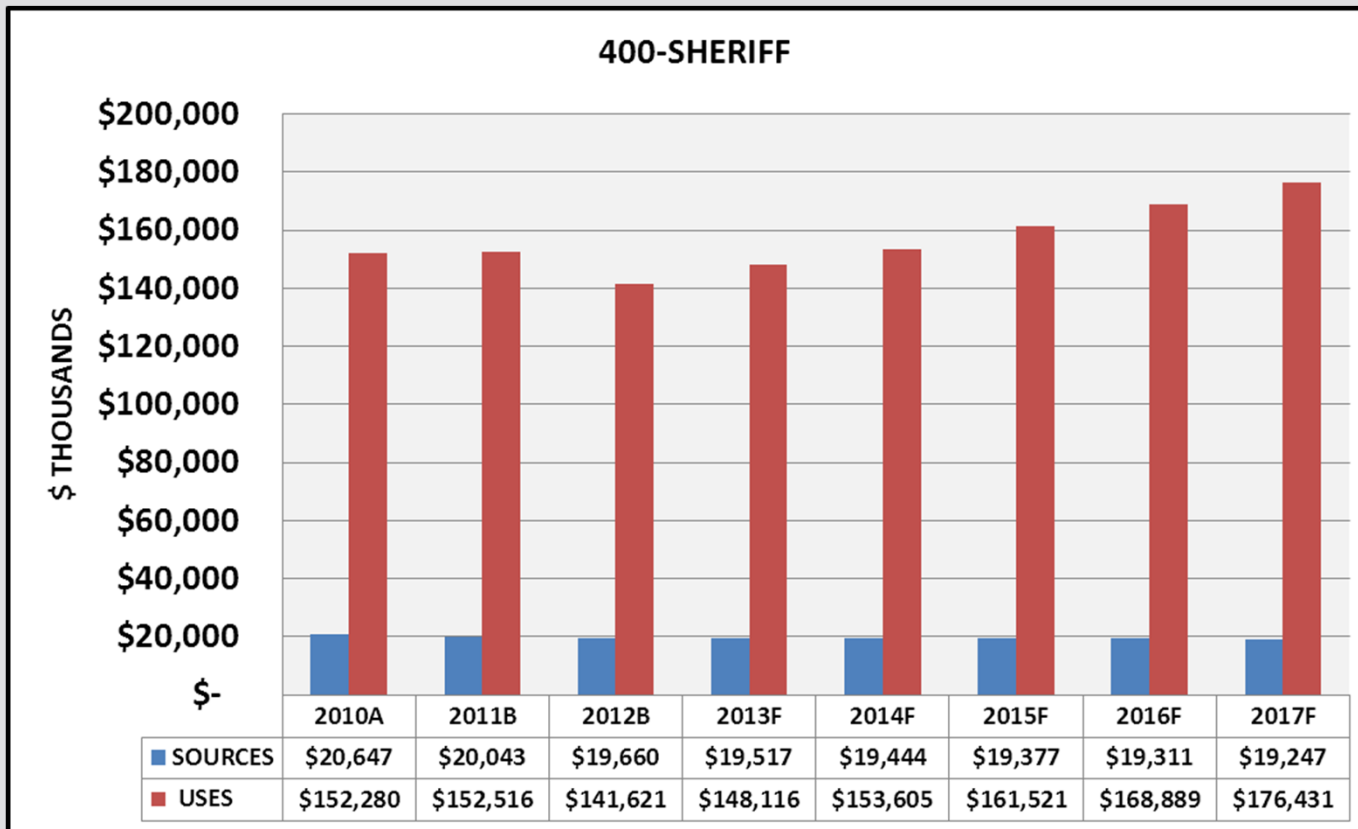
■ Doyne Hospital Revenue

- Forecast accounts for Final Payment in 2016
- \$6.9 million impact in 2017



DEPARTMENTAL FORECASTS

Major Department Resource Requirements





DEPARTMENTAL FORECASTS

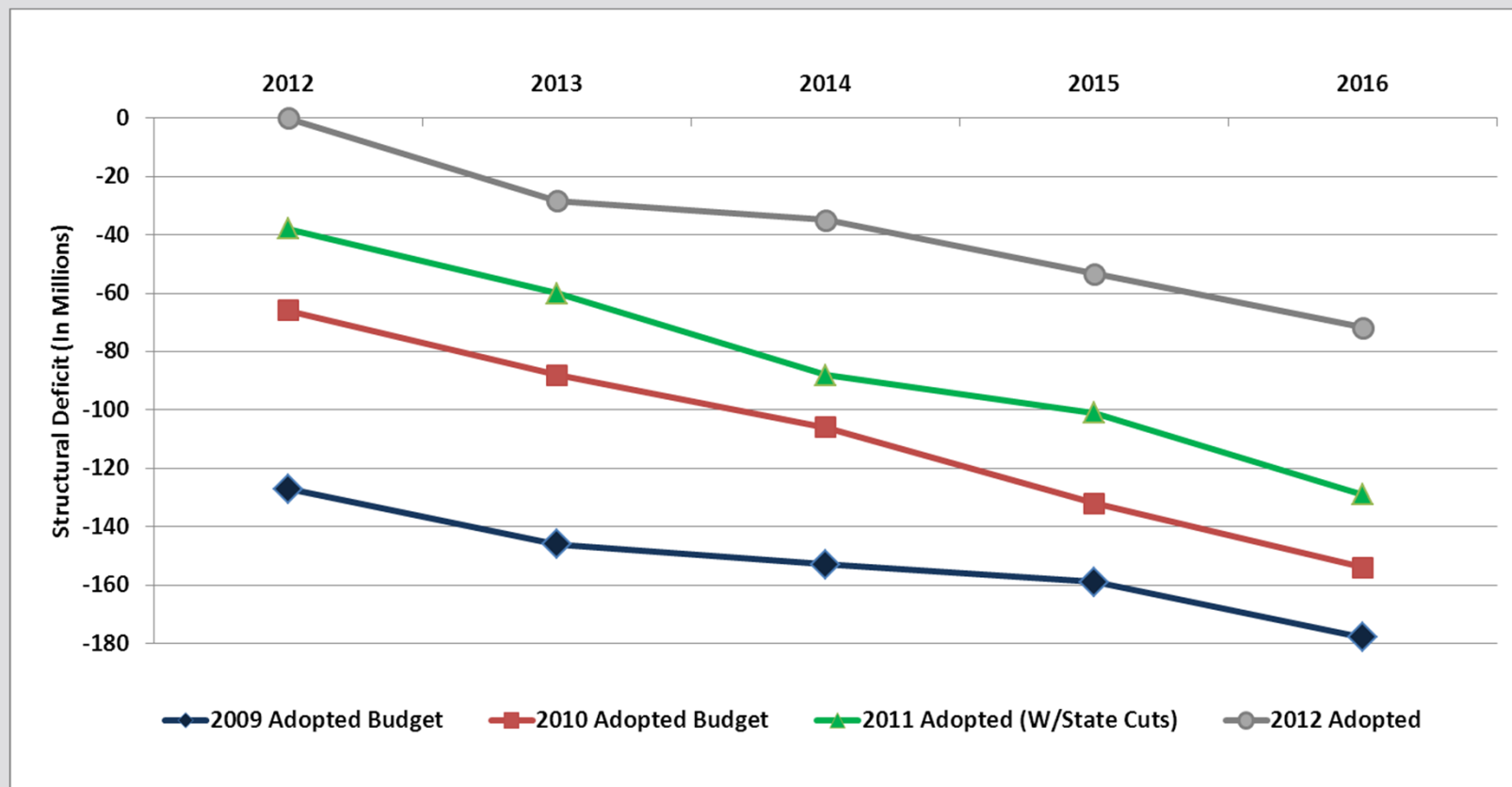
■ Major Department Levy Requirements (Millions)

Department	2012	2017	\$ Chg	% Chg
Sheriff	\$122.0	\$157.2	\$35.2	29%
BHD	\$65.2	\$86.4	\$21.2	33%
DHHS	\$24.7	\$39.8	\$15.1	61%
Transit	\$18.5	\$51.9	\$33.4	180%
Parks	\$23.1	\$32.2	\$9.1	40%
Courts	\$29.5	\$37.2	\$7.7	26%
Total County Levy	\$276.8	\$315.2	\$38.4	14%



FORECAST HISTORY

■ Structural Deficit History





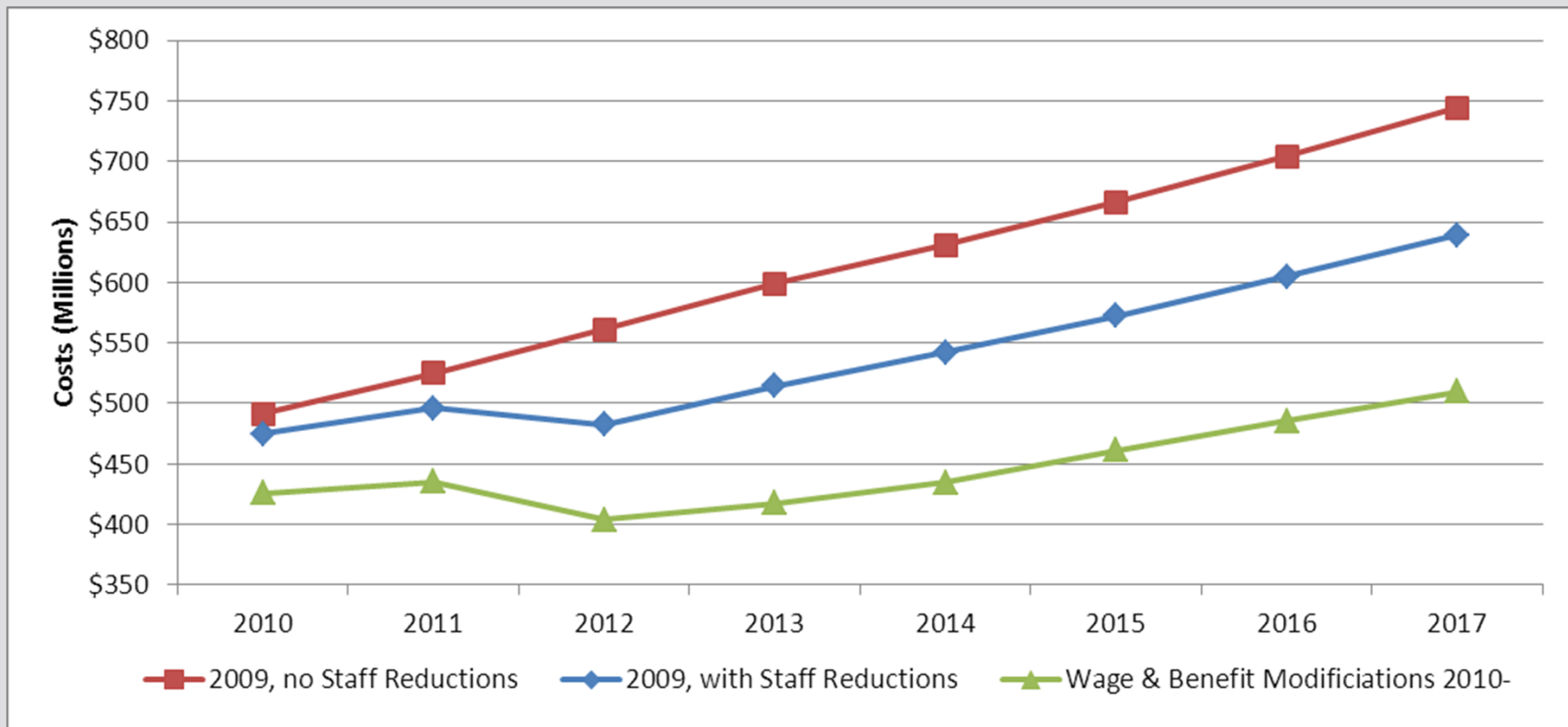
STATE BUDGET

- **Impact of State Biennial Budget:**
 - **The 2012 Adopted Budget eliminated the gap caused by State Revenue Reductions.**
 - **Cannot determine which 2012 reductions would not have occurred without State Funding Reductions.**



IMPACT OF WAGE & BENEFIT MODIFICATIONS

■ Effect of Wage & Benefit Modifications (Estimated)

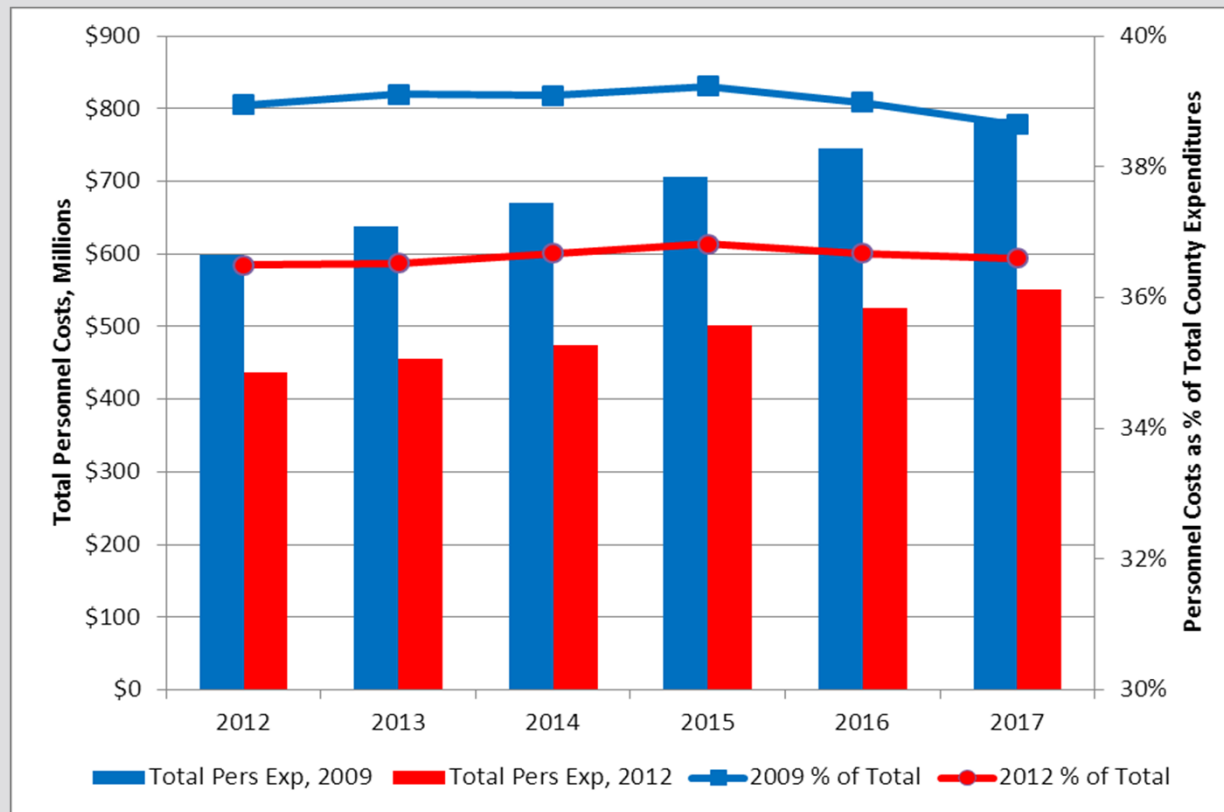


* Includes Health, Pension, and Salaries & Wages



IMPACT OF WAGE & BENEFIT MODIFICATIONS

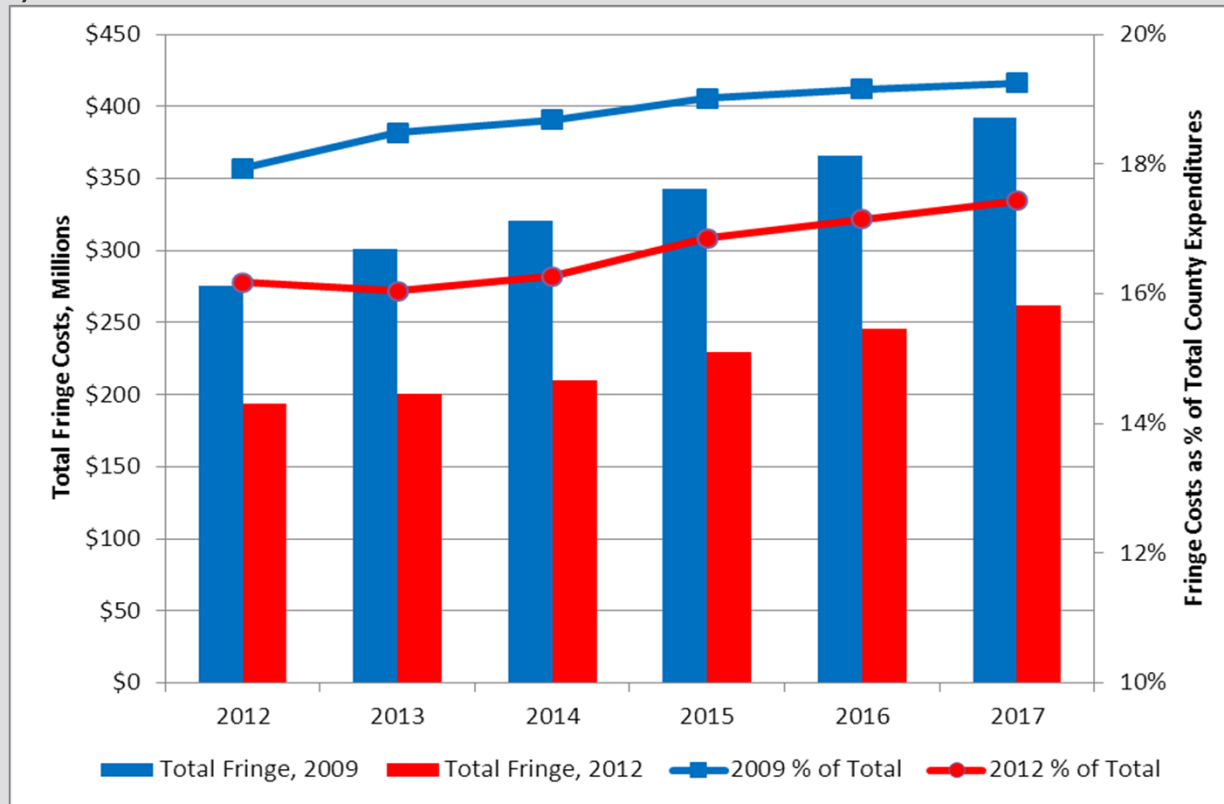
■ Comparison of Forecasted Personnel Costs, 2009 vs. 2012





IMPACT OF WAGE & BENEFIT MODIFICATIONS

■ Comparison of Forecasted Fringe Benefit Costs, 2009 vs. 2012





IMPACT OF WAGE & BENEFIT MODIFICATIONS

- **Comparison of Forecasted Fringe Benefit Costs, 2009 vs. 2012:** (Millions)

	2012	2017	% Change	5-Year Avg
2009 Forecast	\$275.9	\$392.0	42.1%	8.4%
2012 Forecast	\$193.4	\$262.3	35.6%	7.1%



IMPACT OF WAGE & BENEFIT MODIFICATIONS

- **Combination of Wage/Benefit Modifications and Staff Reductions has resulted in:**
 - **Estimated \$250 million reduction in Personnel Costs in 2017.**
 - **Approximately \$195 million reduction in the Structural Deficit in 2017**
 - **Assumes 22% revenue offset**



SUMMARY

- County has made significant progress in Reducing the Structural Deficit
 - Personnel Costs and Fringe benefits have been reduced (bent the curve)
 - Will consume less resources in future
 - Rate of growth has been reduced
 - Improvement mainly result of expenditure reductions
 - Debt Service will decline
 - Revenue diversification & growth more limited than before



QUESTIONS?

Thank You.