Five-Year Financial Forecast

2025 - 2029

MILWAUKEE COUNTY

Office of the Comptroller • Scott B. Manske, Comptroller • March 2024

Summary

- Even with the additional 0.4% sales tax, the leading cause of structural deficit continues to be

Expenditure growth (2.4%) > Revenue growth (1.0%)

- 2025 projected operating gap is $11.5 million
  - Original operating gap is $37.9 million – but $26.4 million from one-time capital investments offsets this operating gap
  - SBP has identified over $10.0 million in “one-time” expenditures which could offset the $11.5 million

- Significant fiscal issues still exist in the future
  - Projected property tax increases coming in 2026 ($17.2 million) and 2029 ($12.7 million) to pay for debt service
  - DOT – Transit “fiscal cliff”

- Long-term, the average 5-year cost-to-continue dropped from **$21.9 million** to **$13.8 million**
  - 0.4% sales tax dedicated to pension costs
  - ***Additional*** 2024 property tax investment of $17.8 million in transit

2025 – 2029 Projected Structural Deficits

Structural Deficit and Cost-to-Continue 2025 - 2029				
Year	Expenditure	Revenue	Structural Deficit	Cost-to-Continue*
2024	$ 1,243,604,017	$ 1,270,034,002	$ -	
2025	$ 1,280,888,707	$ 1,269,365,502	$ (11,523,205)	$ (11,523,205)
2026	$ 1,317,217,072	$ 1,291,170,725	$ (26,046,347)	$ (14,523,141)
2027	$ 1,335,920,686	$ 1,292,643,427	$ (43,277,260)	$ (17,230,913)
2028	$ 1,363,721,150	$ 1,306,273,040	$ (57,448,110)	$ (14,170,851)
2029	$ 1,400,690,978	$ 1,331,756,373	$ (68,934,605)	$ (11,486,495)
			Average Cost-to-Continue:	$ (13,786,921)

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

2025 Projected Structural Deficit

Expenditure Type		Amount (millions)
Levy-funded Capital	$	(26.4)
Other Uses (Wauwatosa Fire Charge)	$	(4.0)
Cost to Continue	$	0.2
Transit	$	2.1
Debt Service	$	5.0
Pension	$	10.4
Salaries & Overtime	$	11.5
Health & Other Benefits	$	12.1
Expenditure Change	**$**	**10.9**
Revenue Type		
One-time Revenue	$	11.8
State & Federal Revenues	$	3.4
Investment Earnings	$	1.6
Odd Year Unclaimed Funds	$	(1.2)
Property Taxes	$	(1.5)
Transit Revenue	$	(2.0)
Sales Tax	$	(2.4)
Miscellaneous Revenue	$	(8.9)
Revenue Change	**$**	**0.7**
Projected 2025 Operating Gap	**$**	**11.5**

Deficit Drivers

- **Wages**
  - Average increase from 2019 – 2022 was 3.1%
  - Average increase from 2022 – 2023 was 11.7%
  - Overtime in 2023: $21.8M – highest recorded recently
- **Health and Other Benefits**
  - Increasing participation in County plan
  - Pharmacy costs growing at 10%
- **Transit**
  - Expenditures grow at 1.8%
  - Pandemic revenues exhausted in 2026 and maximum amount of federal Section 5307 put towards operating
  - $12.6M problem in 2027, growing to $17.5M by 2029

0.4% Sales Tax

- **Allowable uses**
  - Must first pay the actuarially required unfunded liability payment (UAAL)
  - Additional sales tax can fund any of the following
    - POB payment
    - Additional UAAL payment
    - Normal cost of ERS

- **$88.8M in 2025**
  - Funds the unfunded pension liability payment of $58.6M
  - Funds $30.1M of the $37.3M POB debt service

MILWAUKEE COUNTY

Conclusion

- **Only two ways to solve the structural deficit**
  - Enact unique ways to reduce expenditure growth rate from 2.4%
  - Increase revenues year-over-year at a higher rate (e.g. levy limits, state-mandated services)