



Milwaukee County Financial Resources: Challenges and Opportunities

Agenda



1. Overview of County Revenues and Expenses
2. County Fiscal Challenges
3. County Capital Infrastructure Needs
4. Financial Impact Comparisons
5. Research and Case Study
6. Potential Financing Scenarios

Key Points

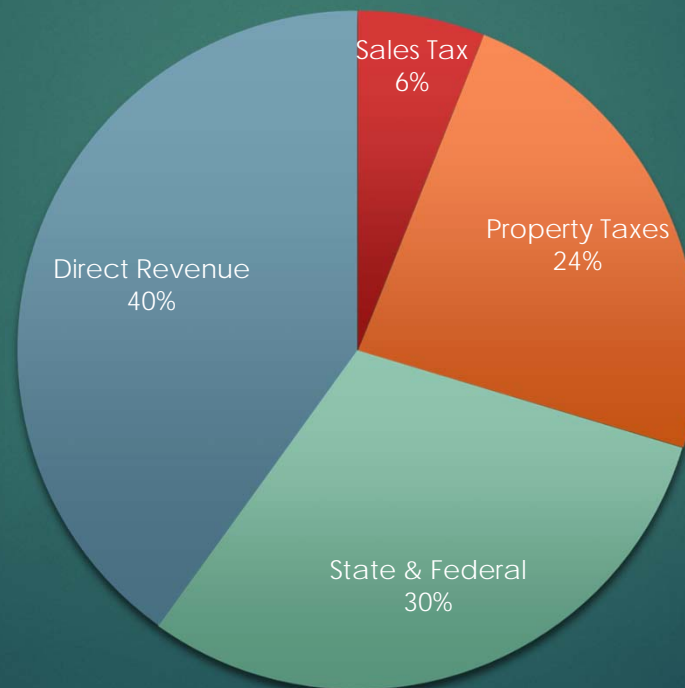
- ▶ Milwaukee County has a structural budget deficit that continues that requires difficult decisions including the prioritization of programs in order to balance annual budgets. State statutes restrict the County's ability to increase revenues.
- ▶ Milwaukee County has hundreds of millions of dollars in deferred asset maintenance and capital projects without adequate revenue sources to address these needs.
- ▶ Milwaukee County has successfully completed modest, but important capital improvements with area cultural institutions by leveraging private donations and maximizing revenue generation.



Overview of County Revenue and Expenses

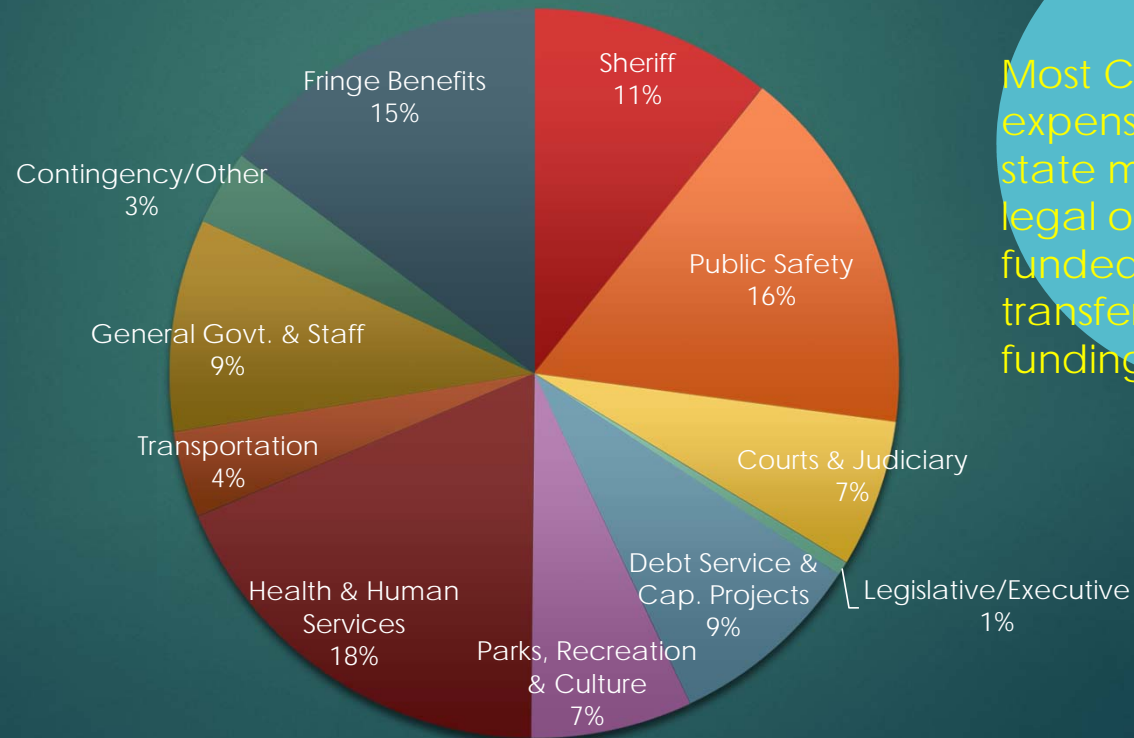
MANDATED SERVICES AND LIMITED REVENUE FLEXIBILITY

Overview of County Revenues and Expenses: \$1.1 Billion 2017 Revenues by Source



Milwaukee County has few opportunities to increase revenues. The \$30 VRF increased revenue by \$13.5 million for 2017..

Overview of County Revenues and Expenses: \$291 million 2017 Levy By Function



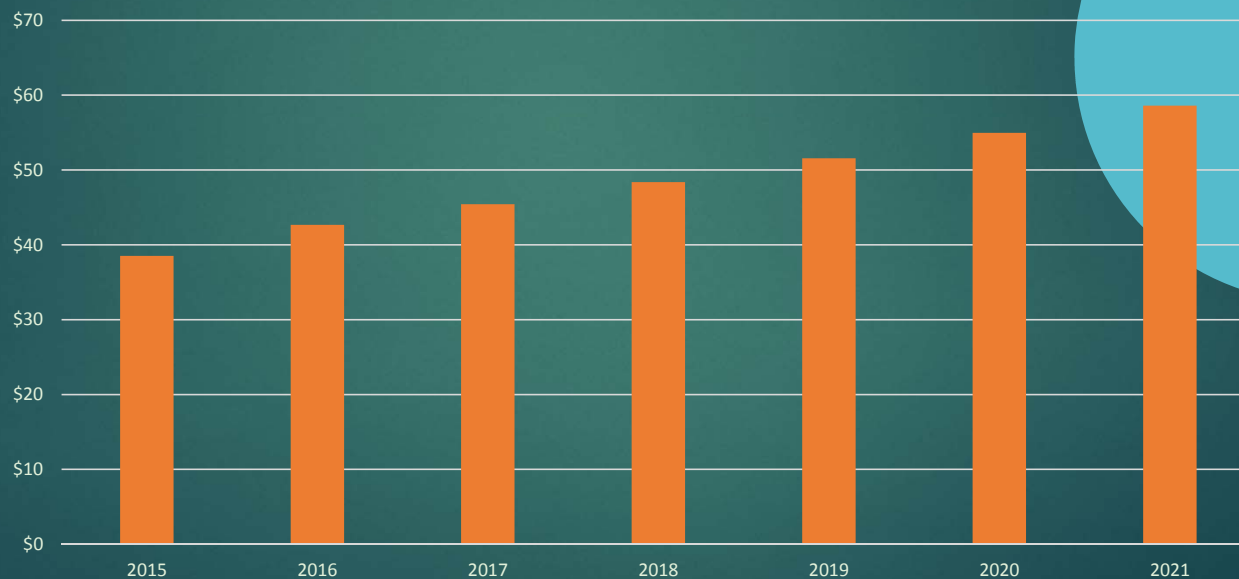
Most County expenses are either state mandates, legal obligations or funded by non-transferrable grant funding.



County Fiscal Challenges

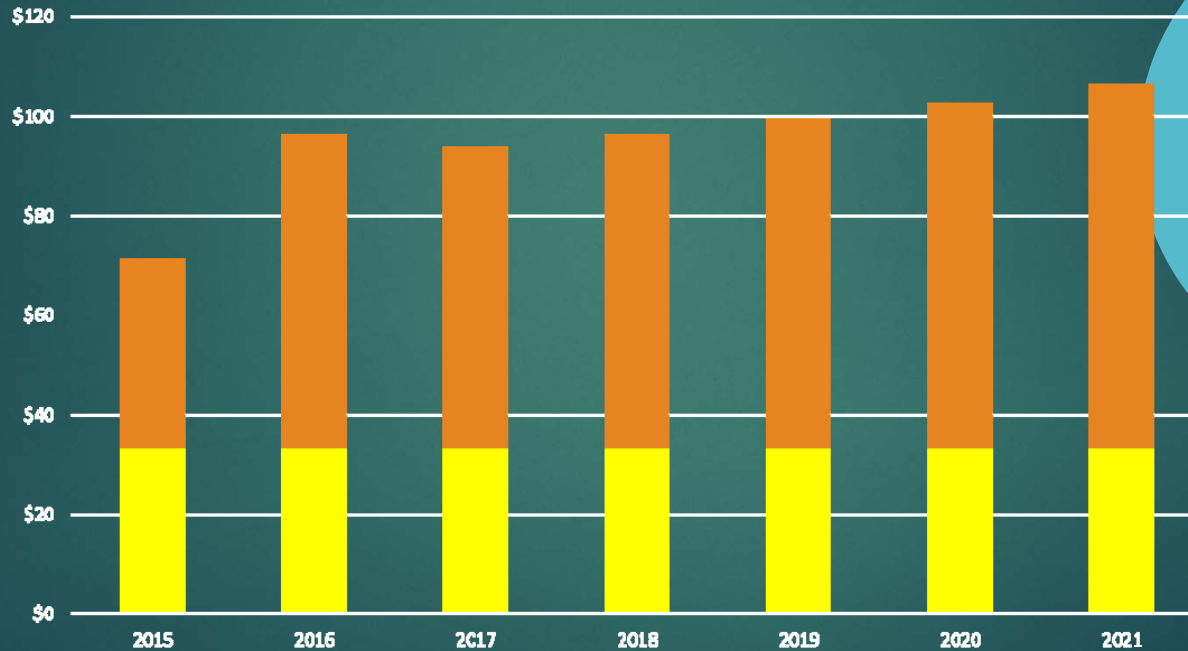
GROWING PENSION AND RETIREE HEALTH CARE COST CREATE
GROWING BUDGETARY PRESSURES

County Fiscal Challenges: "OPEB" Liability



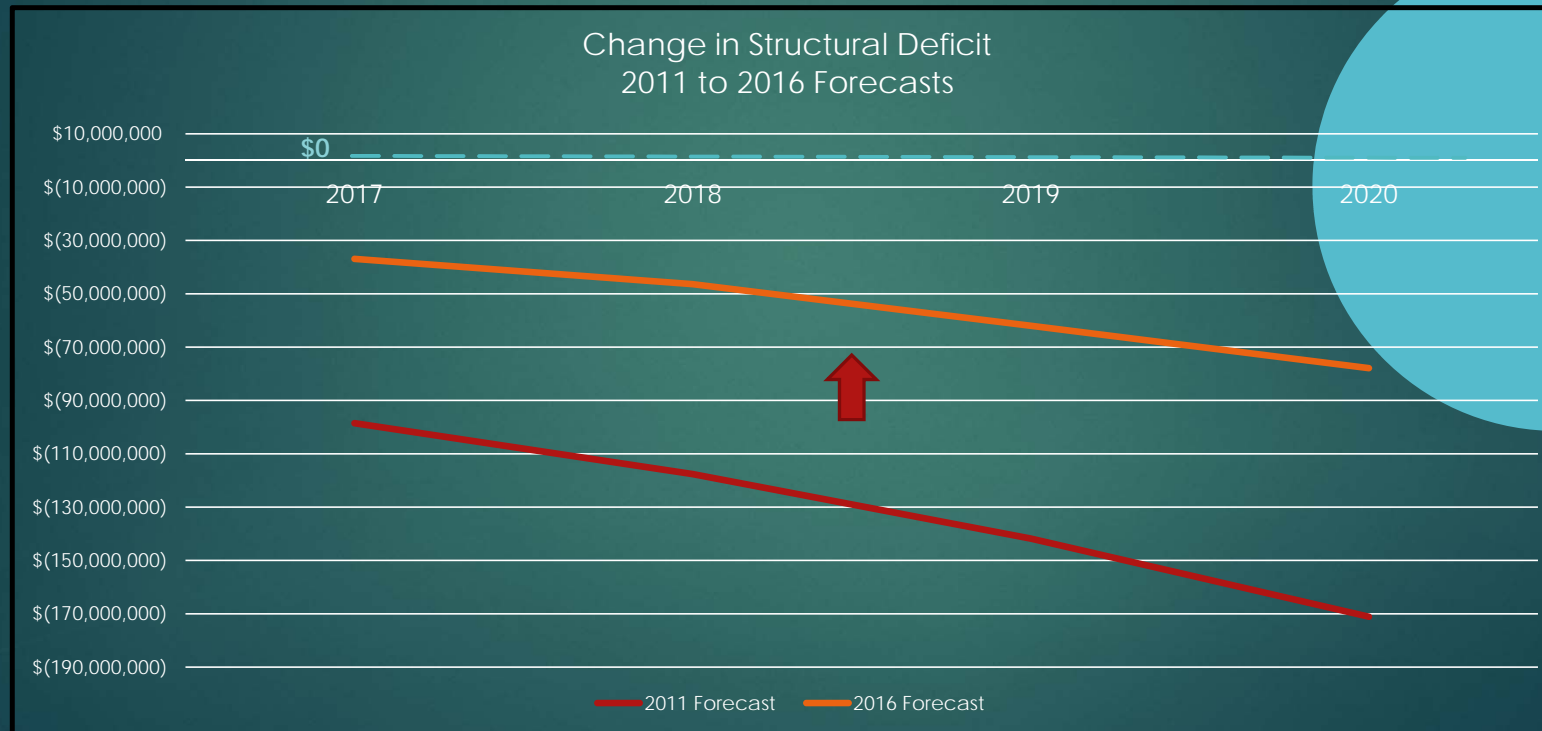
The County is legally obligated to provide health care for thousands of retirees who worked during the 60's, 70's, 80's and 90's. No money was set aside for these costs.

County Fiscal Challenges: Pension Contributions



Milwaukee County has an unfunded pension liability of more than \$400 million. The County cannot legally reduce this liability by changing benefits.

County Fiscal Challenges: Five Year Forecast



City's like Detroit and Chicago have spiraled towards bankruptcy due to these challenges. Milwaukee County has improved, but the structural deficit persists.

2017 Budget Decisions

Initial Budget Gap	\$36.9 million
Vehicle Registration Fee	-\$13.5 million
Property Tax Levy Growth for New Construction	-\$4.2 million
Use of Reserves	-\$12.0 million
GoPass Modifications	-\$3.0 million
Department Revenue Increases/Expense Reductions	-\$4.2 million
Balance	\$0



County Capital Infrastructure Needs

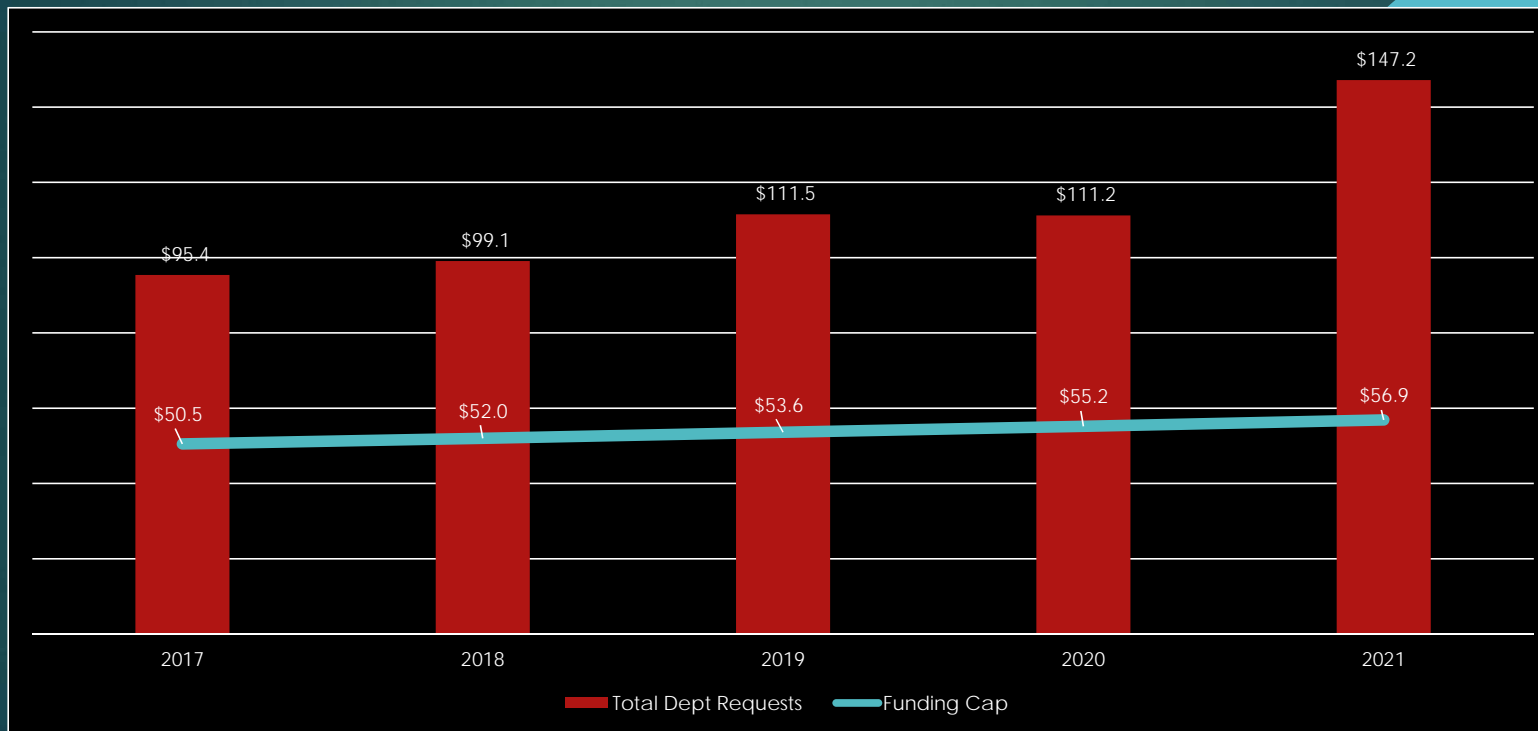
THE COUNTY'S REVENUE STREAMS ARE NOT ADEQUATE TO MEET THE MASSIVE INFRASTRUCTURE FUNDING NEEDS.

County Physical Infrastructure and Needs



- ▶ County took responsibility for billions of assets without funding streams for maintenance
- ▶ County is responsible for: \$1.9 billion in buildings, 156 parks, major cultural institutions, 600 miles of roads, 96 bridges, hundreds of buses, highway maintenance fleet, sheriff's vehicles, etc.
- ▶ 2016 Total Capital Budget of \$48.4 million growing at 3% per year (based on debt affordability model)
- ▶ Approximately \$246 million in unmet capital needs for cultural facilities and parks alone.
- ▶ New criminal court facility necessary at an estimated cost of \$185 million.

County Financing for Capital Requests by County Depts. (2017-2021) in millions



Not including the conservatory, capital needs exceed available funds by \$300 million over the next five years.



Financial Impact Comparisons

WHILE POPULAR AND CONTRIBUTING INTANGIBLE BENEFITS, THE DOMES
HAVE A NET NEGATIVE FINANCIAL IMPACT TO THE COUNTY.

Domes Financials

Year	Expense	Revenue	Gain/Loss
2010	\$1,451,121	\$755,007	\$696,114
2011	\$2,924,546	\$1,621,928	\$1,302,619
2012	\$1,437,219	\$819,800	\$617,419
2013	\$1,611,806	\$810,482	\$801,324
2014*	\$2,048,939	\$744,550	\$1,304,389
2015	\$1,504,986	\$1,018,676	\$486,310
2016 YTD*	\$1,013,425	\$153,174	\$860,251
Grand Total	\$11,992,043	\$5,923,617	\$6,068,427

The Domes generally require \$500,000 to \$800,000 in tax levy support for operations each year.

* One or more Domes closed during year

Recent Capital Investments: Mitchell Park Domes (2003-2016)

Project Number	Description	Amount
WP016	Mitchell Domes Redevelopment	\$3,235,635
WP132	Mitchell Park Domes & Reflection Pool	\$1,966,752
WP172	Mitchell Park Domes Roof	\$741,556
WP174	Domes HVAC Repairs & Upgrades	\$119,974
WP383	Mitchell Domes Electrical	\$390,049
WP411	Domes – Air Handling System	\$20,167
WP490	Mitchell Domes Plan/Net	\$972,000
	Total	\$7,446,133

The County has invested nearly \$7.5 million in capital projects since 2003.

Comparison of Financial Support: Milwaukee County Cultural

Cultural Entities Receiving Support from Milwaukee County		
<u>Entity</u>	<u>2017 Operating Support</u>	<u>Capital Support (2012-2016)</u>
Milwaukee Art Museum	\$1,290,000	\$1,975,351
War Memorial	\$486,000	\$20,489,039
Milwaukee Public Museum	\$3,500,000	\$10,980,417
Marcus Center for the Performing Arts	\$900,000	\$4,619,683
Milwaukee County Historical Society	\$258,105	\$4,349,495
Charles Allis Villa Terrace	\$225,108	\$2,123,748
Milwaukee County Fund for the Arts	\$407,825	\$0
Milwaukee County Federated Library System	\$66,650	\$0
Total	\$7,133,688	\$44,537,733
Milwaukee County Parks	\$19,638,836	\$69,353,836

Milwaukee County has significant financial obligations to other cultural institutions as well.

Financial Impact Comparisons: Per Person Taxpayer Support

	Attendance (2015)	Annual Per person Operating Subsidy	Annualized Per Person Capital Subsidy	Total Annualized Per Person Subsidy
Mitchell Park Conservatory	240,179	\$2.71	\$13.53 ⁺	\$16.24
Milwaukee Public Museum	452,544	\$7.73	\$0.40 [~]	\$8.13
Milwaukee County Zoo	1,379,004	\$3.13	\$6.95 [^]	\$10.08
Miller Park Stadium	2,542,558	\$0.00	\$5.70 [*]	\$5.70
Bucks Arena	1,200,000	\$0.00	\$10.42 [*]	\$10.42

A capital investment of \$65 million would make the per person subsidy for the Domes higher than other institutions.

⁺Assume a \$65 capital investment.

[^]African Plains Capital Project (\$9.587m)

[~] 2012-2016 Capital Expenditures

^{*}Publicly Financed Amount over 20 years

Comparison of Financial Impact: State Tax Collections

Direct sales and income tax collections are much higher at Miller Park than the Bucks Arena.

	Attendance (2015)	Direct Income Tax Collected	Direct Sales Tax Collected	Total Annual Direct State Tax Revenue
Mitchell Park Conservatory	240,179	\$38,927	\$1,600	\$40,527
Milwaukee Public Museum	452,544	\$257,178	\$138,591	\$395,769
Milwaukee County Zoo	1,379,004	\$322,979	\$495,405	\$818,384
Miller Park Stadium	2,542,558	\$8.6 million	\$5.8 million*	\$14.4 million
BMO Bradley Center	Approximately 1.2 million annually	\$6.5 million	\$2.8 million	\$9.3 million

*estimate based on available data



Research and Case Study

CURRENT INITIATIVES AT THE MILWAUKEE COUNTY ZOO MAY PROVIDE
AND EXAMPLE OF A MODEL FOR MOVING FORWARD.

Case Study: Milwaukee County Zoo African Plains Exhibit

- ▶ Milwaukee County Zoo is the only zoo in the Upper Great Lakes Region with an African elephant exhibit.
- ▶ New African elephant exhibit required to meet AZA accreditation standards.
- ▶ Total project cost is \$16,000,000 with Milwaukee Zoological Society contribution 50% and Milwaukee County contributing 50%.
- ▶ Additional improvements to the Africa exhibits are also planned for the future.
- ▶ Improvements are expected to increase attendance, retail and special event revenues.

Private Investments

Private entities typically consider visibility and ROI when sizing contributions for high profile facilities.

Facility	Sponsor	Amount/Year	Term (Years)
<u>Annual Contributions</u>			
Pro Football Hall of Fame Entertainment Village	Johnson Controls	\$3,000,000*	TBD
Bradley Center Basketball Arena	BMO Bank & Others	\$3,000,000	6
Milwaukee Brewers Baseball Stadium	Miller Brewing	\$2,000,000	20
Milwaukee Arena	UWM	\$340,000	10
Milwaukee Theater	MillerCoors	\$350,000	5
<u>One-Time Contributions</u>			
Milwaukee County Zoo Entrance	US Bank	\$2,500,000	
Milwaukee Mile Media Center	Peck Family	\$250,000	

* Figure based on available reports

Potential Financing Scenarios



Alternative Funding Scenarios



1. Convert operating subsidy to debt service payment.
2. Dedicate 50% of Parks Annual Capital budget for 5 years
3. Issue \$50 million in General Obligation Bonds

Alternative Funding Scenario 1



- ▶ Current operating subsidy for the Conservatory of approximately \$600,000 annually.
- ▶ If a new, more efficient facility could break even, those funds could be diverted to pay debt service.
- ▶ \$600,000 would fund debt service for approximately \$7.5 million in general obligations bonds.
- ▶ Assuming a \$7.5 million private match is available, a total project budget of \$15 million would be available.

Alternative Funding Scenario 2



- ▶ Annual Parks capital budget is approximately \$10 million
- ▶ Dedicating one-half of those funds for a five-year period would provide \$25 million for project funding.
- ▶ Backlog of capital projects for other Parks facilities would grow by \$25 million.
- ▶ Assuming a \$25 million private match, a total of \$50 million would be available.

Alternative Funding Scenario 3



- ▶ County bonding caps are not statutory, but were self-imposed in early 2000's when the County refinanced a portion of outstanding debt due to budgetary constraints.
- ▶ County can legally issue additional debt and raise property taxes to cover debt service.
- ▶ County property taxes remain significantly higher than surrounding counties.
- ▶ \$50 million in general obligation bonds would require a property tax levy increase of approximately \$4 million annually.
- ▶ Assuming a \$25 million match, a total of \$75 million would be available.
- ▶ A regional approach to financing would be desirable if this approach is scenario is pursued.

Conclusions and Other Issues



- ▶ Milwaukee County has growing capital infrastructure and other long-term obligations limiting our ability to absorb additional debt.
- ▶ A project similar in size to the Zoo's African Exhibit may be possible with current County financial structures.
- ▶ A large scale project could not be absorbed within current County financial structure and would require collaboration with the State and/or neighboring communities and private entities.
- ▶ Consideration should be given for a long-term revenue stream for maintenance of a new facility.

Questions/Discussion

