

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: October 17, 2018
TO: Supervisor Luigi Schmidt, Chair, Finance and Audit Committee
FROM: Joseph Lamers, Director, Office of Performance, Strategy & Budget
SUBJECT: Technical Corrections to the 2019 County Executive's Recommended Budget Narratives

Each year following introduction of the County Executive's Recommended Budget, the Office of Performance, Strategy and Budget continues to review the document. Since the 2019 Recommended Budget was issued we have identified a number of typographical and other minor technical errors. Below is a list of items we have identified to date.

Consistent with prior County practice, we are requesting approval to make these changes. While we make every effort to avoid these minor errors, the timing and complexity of the process is a challenge.

The changes below relate to narrative (typos) or technical corrections and have no impact to expenditures, revenues or the property tax levy. Replacement pages for the 2019 Budget are attached.

The corrections are as follows:

Operating Budget Narrative

1. **Page 8:** 2018 Balancing Act Budget Exercise: 3rd Bullet point down, change "53% representation of all Milwaukee County Zip codes" to 100%.
2. **Page 72:** Remove "Source: Office of the Comptroller" from bottom of chart titled "Projected Structural Deficit" (2020-2039)
3. **Page 249:** In the "Continuing Contracts" chart, the Day Reporting Center contract amount should be changed from \$200,000 to \$784,463.
4. **Page 309:** 5800 DOT-Director's Office. Budget Summary Table:
 - Change 2019 Budget Personnel Costs from \$1,139,394 to \$1,117,321.
 - Change Personnel Costs 2019/2018 Variance from \$13,134 to (\$22,070).
 - Change 2019 Budget Interdept. Charges from (\$977,585) to (\$955,515).
 - Change Interdept. Charges 2019/2018 Budget Variance from (\$39,479) to (\$17,409)
5. **Page 416:** 1800 – Non-Departmental Revenue. Revise dollar value in narrative to match table "The 2018 net win payment was \$5,008,526 \$4,184,628. Improvements in the local economy increase the estimate for 2019 budgeted Class III Net Win to \$5,108,424 \$4,307,378."
6. **Page 438:** Human Resource & Payroll System. Under Strategic Implementation: Remove last sentence "The 2019 Budget includes \$1,700,568 for Ceridian services and \$205,407 for related services". Replace with:

File 17-671 authorized the fourth extension for Ceridian Corporation to provide Payroll, Dayforce Workforce Management, Tax Filing, Self Service, and Wage Attachments Disbursement through 2019.

Morneau Shepell provides benefits administration software services under an Agreement for Products and Services that was extended through 2019 (File 18-55).

Cornerstone On Demand, Inc., provides a learning management system, applicant recruiting system, and administrator training. The cost for 2019 will be approximately \$130,000.

The Segal Company (Midwest), Inc., provides actuarial services related to the County's retirement systems and pension issues. This Professional Service Contract increases by \$100,000 in 2019 to

\$199,999.

7. **Page 440:** 1940-Litigation Reserve. Remove first sentence: "~~Due to the increase in actual expenses, funding for unanticipated legal expenses increases from \$500,000 to \$526,899 in 2019.~~"



Joseph Lamers

Director, Office of Performance, Strategy, and Budget

cc Members of the County Board

County Executive Chris Abele

Ms. Kelly Bablitch

Mr. Steve Cady

Ms. Raisa Koltun

Mr. Teig Whaley-Smith

Overall, respondents favored increasing revenues from property taxes and vehicle registration fees in order to avoid making even deeper cuts to County services. But as Balancing Act users discovered, counties throughout Wisconsin are quite limited when it comes to raising revenue.

The vehicle registration fee is one of the few options that the County has left to expand revenue without legislative change. However, the vehicle registration fee increase proposed last year was shown to be undesirable, and the County had to make cuts in 2018 as a result. No vehicle registration fee increase is included in the 2019 recommended budget, and further cuts have been made to accommodate.

Consequently, departments were asked to absorb their inflationary increases and make additional cuts to reduce their tax levy funding by 1.1 percent. These measures resulted in budget reductions of nearly \$14 million. Some efficiencies were found, such as redirecting funds from underutilized programs, breaking out contracts for more competitive options, and eliminating vacant positions. But this is the eighth year we've asked departments to reduce spending, operate more efficiently and become leaner. Departments have done a remarkable job providing services to the community with less resources and fewer staff. And cuts to services have been largely avoided this year.

Small cuts from year to year may not be noticeable, but they become painful when taken in sum—and they have real impact on the quality of life for Milwaukee County residents. The manifestations of this annual pattern are becoming more noticeable: mowing and other maintenance in parks is less frequent; wait times for seniors to be connected to services grow; time to hire for vacant positions increases



County expenditures will grow on average 2.3 percent each year while revenues will grow on average only 0.9 percent.

and leads to rising overtime costs. The list goes on and on.

The real issue is that Milwaukee County taxpayers send more to the State of Wisconsin each year than is received back. Dollars that Milwaukee County residents and businesses paid to the State in the form of various taxes have risen by over \$400 million, or 19 percent between 2009 and 2015, the most recent data available from Wisconsin Department of Revenue reports. At the same time, revenue that the State has shared back with Milwaukee County—the economic engine of the state—has been essentially flat.

Stated otherwise, flat and capped revenue with increasing costs leads to a bad situation.

C O N T I N U E D

2018 Balancing Act Budget Exercise



653 submissions in 2018, a 250% increase over 2017.

- 93% Milwaukee County residents.
- 38% from City of Milwaukee.
- 100% representation of all Milwaukee County Zip codes.

Top Mandated Priorities*

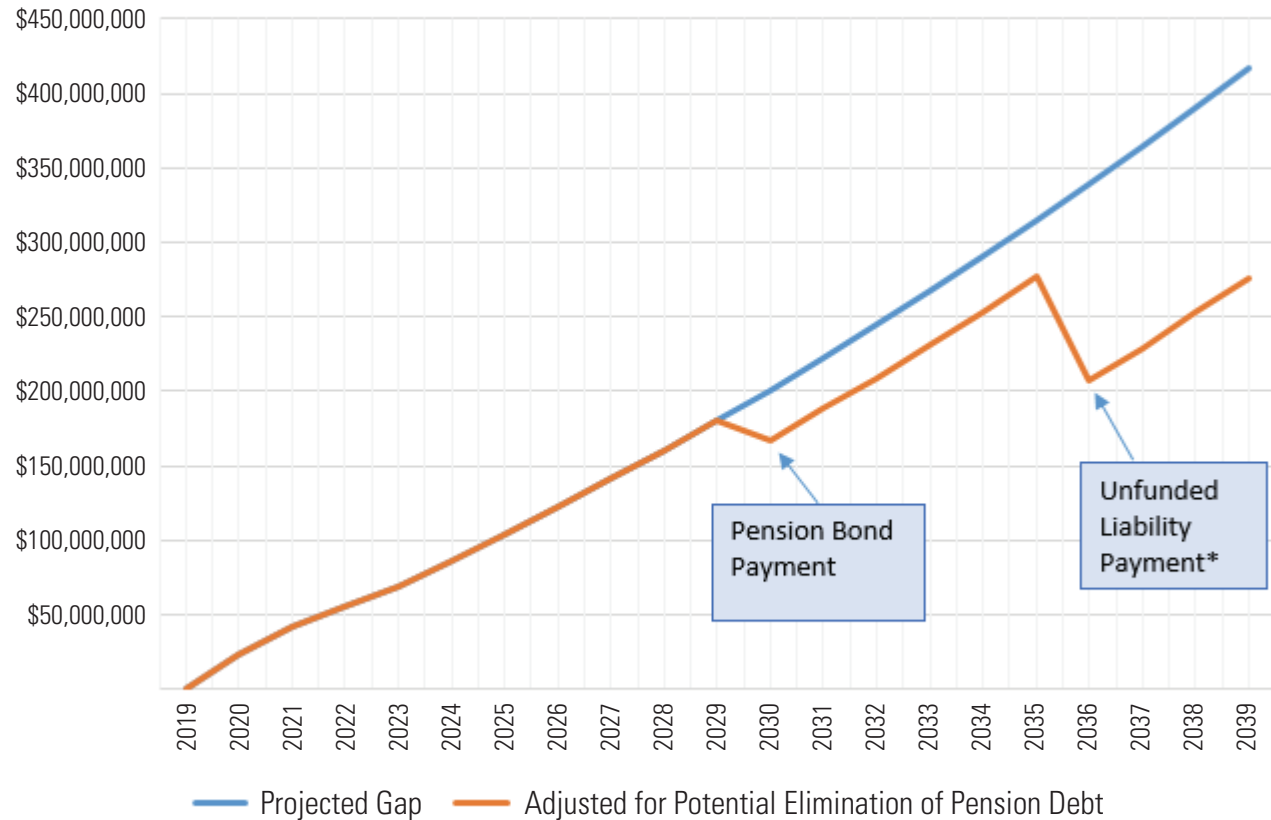
- Public Safety 99.8%
- Transportation (Highways) 99.8%
- Health & Human Services 99.1%

Top Non-mandated Priorities*

- Parks Maintenance 100.6%
- Transportation- Paratransit 97.8%
- Transportation-Fixed Route 97.2%

* Priorities determined based on the level of funding respondents chose to retain for each service area.

Projected Structural Deficit (2020–2039)



* 2036 reflects payment of unfunded pension liability, if assumed investment returns are realized.

of annual debt service in order to amortize a \$400 million Pension Obligation Bond that was issued in 2009. This debt is scheduled to be paid off in 2029. Additionally, the pension fund has an unfunded liability of \$569 million, as per the Actuarial Valuation January 1, 2018. The 2019 budget contribution to the Employees' Retirement System is expected to total \$72.2 million, of which \$52.8 million is paid towards unfunded liability, \$17.7 million covers normal pension costs of current employees, and \$1.6 million pays for administrative expenses in the fund. An analysis prepared by the Department of Administrative Services estimated that payments to the unfunded liability will grow by approximately 2.79% per year, reaching as high as \$94 million in 2035. The unfunded liability is scheduled to be amortized over a 20-year period. The above chart reflects full payment of the unfunded liability in 2036. This is shown to demonstrate the impact that the unfunded liability has on the County's structural deficit. However, it must be noted that full payment of this liability depends on the ability of the pension fund to meet investment return assumptions.

As a result of these assumptions related to pension debt, in 2039 the projected gap is reduced from \$418 million to

approximately \$276 million. Payment of pension debt will positively impact the County's financial forecast. However, there are other factors impacting the forecast which cause the projected structural deficit to continue even after pension debts are paid off. Most notably, revenue growth of 0.9% is not sufficient to sustain operations at the rate of inflation. Limited revenue growth is caused by caps on locally collected taxes (property tax and sales tax) and by flat and reduced revenues received from the state and federal government.

On the expenditure side of the equation, resolving the structural deficit will require continued examination of service delivery models, continued identification of operational efficiencies, paying down and reducing debts. The County has been operating in this environment for several years, dating back as far as the early 2000s. Substantial efficiencies and savings have already been realized. Savings have included both intentional initiatives to become more efficient and unintentional savings determined necessary to balance a budget with limited revenues. Examples of intentional savings initiatives include reducing approximately 1.6 million square feet of space in recent years in order to align the facilities footprint with actual needs in the County.

C O N T I N U E D

HOUSE OF CORRECTION (4300) BUDGET

Department: **House of Correction**

UNIT NO. **4300**

FUND: **General — 0001**

incarceration. This effort also links offenders to a continuum of employment, training, education, and support services offered through community-based AJCs post-release. For those HOC inmates eligible for work release/Huber privilege, the newly created AJC model will also build connections to local employers to enable transitioning offenders to secure employment pre-release. Employ Milwaukee and the HOC will work together to develop a sustainability plan to help ensure services continue beyond the Department of Labor funding for HOC's AJC program. While this started in the fall of 2016, it will continue to be a predominant initiative in 2019.

Performance Measure Highlights:

The HOC continues to assist inmates who have offsite work privileges (called Huber) to find employment. Based on market research, a benchmark employment rate of 45% of those eligible to work has been set. That is our goal by 2023. The HOC is on track to reach this goal since current attainment is 45.5%. Therefore, the goal might be increased above the established benchmark.

Part of our mission is also to help inmates reach their full potential by participating in programming. Our goal is to have 80% of inmates take part in at least one programming course. We ended last year with about a 70% participation rate and hope to achieve 80% in 2019.

Continuing Contracts		
Description	Vendor	Amount
Food Service Contract*	ARAMARK Correctional Services, LLC	\$3,510,000
Day Reporting Center	Wisconsin Community Services (WCS)	\$784,463
Reentry Programming	Benedict Center	\$198,045

**Estimated, as the amount is variable based on Average Daily Population / number of inmate meals served.*

DOT-DIRECTOR'S OFFICE (5800) BUDGET

DEPT: DOT-Director's Office

UNIT NO. 5800
FUND: General - 0001

Budget Summary

Category	2016 Actual	2017 Actual	2018 Budget	2019 Budget	2019/2018 Variance
Expenditures					
Personnel Costs	\$1,167,718	\$1,174,330	\$1,126,260	\$1,117,321	(\$22,070)
Operation Costs	\$667,774	\$1,605,886	\$94,945	\$120,694	\$25,749
Capital Outlay	\$0	\$2,002	\$0	\$7,500	\$7,500
Debt & Depreciation	\$0	\$0	\$0	\$0	\$0
Interdept. Charges	(\$881,584)	(\$857,791)	(\$938,106)	(\$955,515)	(\$17,409)
Total Expenditures	\$953,908	\$1,924,427	\$283,099	\$290,000	\$6,901
<i>Legacy Healthcare/Pension</i>	\$251,835	\$295,732	\$90,823	\$104,203	\$13,380
Revenues					
Direct Revenue	\$632,751	\$792,982	\$290,000	\$290,000	\$0
Intergov Revenue	\$120,590	\$1,287,902	\$0	\$0	\$0
Indirect Revenue	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$753,341	\$2,080,884	\$290,000	\$290,000	\$0
Tax Levy	\$200,567	(\$156,458)	(\$6,901)	\$0	\$6,901
Effective Tax Levy*	\$636,690	\$245,239	\$617,284	\$630,722	\$13,438
Personnel					
Full-Time Pos. (FTE)**	8.0	8.0	8.0	8.0	0.0
Seas/Hourly/Pool Pos.	0.0	0.0	0.0	0.0	0
Overtime \$	\$4,603	\$0	\$0	\$0	\$0

*This Effective Tax Levy excludes interdepartmental charges and fringe benefit costs.

**The 2019 Budget FTEs include Vacancy & Turnover & Overtime.

Department Mission: The mission of the Department of Transportation (DOT) - Director's Office is to provide essential management and support services to DOT Divisions through oversight, coordination and technical assistance.

The DOT consists of the following Divisions: Transit/Paratransit, Fleet Management, Airport, Highway Maintenance and Transportation Services.

Department Description: The DOT-Director's Office is responsible for the management of DOT's administrative functions and transportation planning. Administrative functions include:

- Establishment and implementation of department policies and procedures
- Personnel administration
- Accounting
- Budgeting
- Training
- General public information services

NON-DEPARTMENTAL REVENUES (1800) BUDGET

DEPT: Non-Departmental Revenues

UNIT NO. 1800
FUND: General - 0001

Land Sales: Accounts for the sale of County land in accordance with state statute. Monies received through this revenue stream will be allocated in accordance with established policies on one-time revenues and Chapter 6 of the Milwaukee County Code of Ordinances as amended through File # 17-204.

Potawatomi Revenues: Represents payments, based on Class III Net Win during the period July 1, 2018 to June 30, 2019 by the Potawatomi Bingo Casino per contract. The amount is net of allocations to operating departments (see below). The 2018 net win payment was \$4,184,628. Improvements in the local economy increase the estimate for 2019 budgeted Class III Net Win to \$4,307,378.

DHHS-Behavioral Health Division (Org. 6300)

- \$337,203 to support the Community Services Section programs
- \$500,000 is budgeted to support Alcohol and Other Drug Abuse (AODA) treatment through the Non-Temporary Assistance to Needy Families (TANF) AODA Voucher System.

Department of Health and Human Services (Org. 8000)

- \$350,000 to increase the level of revenue in the Division's Birth-to-Three program to avoid a reduction in Federal revenue due to non-compliance with the Maintenance of Effort expenditure requirement.
- \$201,320 to support the programs of the Delinquency and Court Services Division.
- \$100,000 to provide case management services for homeless and disabled veterans

Fire Charge-Uncollectable: The Fire protection charge will continue to be budgeted in the Water Distribution System (Agency 550) and charged out to all County Grounds users of the water system.¹ However, payment from some non-County users of the water system has been challenging and has resulted in uncollectable payments. Although the County will continue to pursue payment for these charges, uncollectable revenue of \$862,000 is budgeted to account for potential uncollectable revenue.²

State Shared Taxes: Represents payment from the State under the County and Municipal Aid payment program. The base payment is given to each County on a per capita basis. The Utility Payment compensates local governments for costs incurred in providing services to tax exempt public utilities. Wisconsin State Statute 48.561(3) requires the Wisconsin Department of Administration to reallocate \$20,101,300 from Milwaukee County's shared revenue allocation to the Wisconsin Child Welfare Program. State Shared Revenues to the County are projected to hold steady in 2019. As outlined in 2015 Wisconsin Act 60 ("Act 60"), Milwaukee County is required to commit \$4,000,000 annually to the construction of the Milwaukee Bucks Sports Arena. See Org. Unit 1800-1995 for further explanation.

¹ As part of the 2012 Adopted Budget, fire protection charges were transferred from the DAS-Facilities Management Division to the Water Utility in order to more accurately allocate this charge to all user-tenants located on the County Grounds. Fire protection charges for 2019 are estimated at \$1.38 million. Approximately \$1.35 million of this cost is charged to non-county water system users with the balance, an estimated \$28,000 charged to County users.

² Prior to the transfer of the fire protection charge to the water utility in 2012, DAS-Facilities, DAS-Fiscal Affairs and Corporation Counsel staff reviewed the existing fire protection agreement(s) as well as any applicable state statutes, county ordinance, and/or existing agreements between the non-county water system users and the County.

Strategic Program Area 4: Human Resource & Payroll System

How We Do It: Program Budget Summary					
Category	2016 Actual	2017 Actual	2018 Budget	2019 Budget	2019/2018 Var
Expenditures	(\$350,127)	\$56,129	\$1,968,000	\$1,905,975	(\$62,025)
Revenues	\$0	\$0	\$0	\$0	\$0
Tax Levy	(\$350,127)	\$56,129	\$1,968,000	\$1,905,975	(\$62,025)

Strategic Implementation: This program area contains an appropriation for Milwaukee County’s hosted payroll, human resources, and benefits management system. In 2006, the County Board and County Executive established authority for a contract with Ceridian to implement and host this system (File No. 05-14 (a) (a)).

Under the Ceridian Human Resource and Payroll System, Milwaukee County employees use online self-service tools to report their time. Ceridian manages the detail of position history, organizational hierarchy, payroll calculations, applicant recruitment, and distribution of deposit notices and related reports. The system also automates employee benefits and recruitment functions. File 17-671 authorized the fourth extension for Ceridian Corporation to provide Payroll, Dayforce Workforce Management, Tax Filing, Self Service, and Wage Attachments Disbursement through 2019.

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COUNTYWIDE NON-DEPARTMENTAL EXPENDITURES (1940) BUDGETDepartment: **Countywide Non-Departmental Expenditures**UNIT NO. **1940**FUND: **General — 0001****Strategic Program Area 6: Litigation Reserve**

How We Do It: Program Budget Summary					
Category	2016 Actual	2017 Actual	2018 Budget	2019 Budget	2019/2018 Var
Expenditures	\$573,718	\$857,653	\$526,899	\$526,899	\$0
Revenues	\$0	\$0	\$0	\$0	\$0
Tax Levy	\$573,718	\$857,653	\$526,899	\$526,899	\$0

Strategic Implementation: There is no change in tax levy from 2018 to 2019 because money previously budgeted for a settlement payment in 2018 is available to fund other unanticipated legal expenses.