



# 2020 Operating Budget Forecast & Planning

# Background

- County budget has been faced with structural deficit dating back as far as early 2000's
  - \$245 million cumulative budget gap closed since 2012 (avg \$31m / year)
- Structural deficit caused by State caps which do not allow revenues to cover cost of inflation and other operating cost increases
- January report estimated a 2020 budget gap of \$26.5 million, caused by:
  - ongoing imbalance between revenues and expenses
  - Change in pension rate of return assumption from 7.75% to 7.5% (\$4.5 million)
  - Increase in cost to provide inmate medical services at the jail and HOC (\$5 million)
- March report submitted to the board begins to identify options for closing the gap



# 2020 Initial Draft Forecast



<b>Estimated 2020 Operating Budget Gap</b>	
<b>Description</b>	<b>Amount</b>
Compensation Increase	\$ 5.7
Health Care	\$ 2.8
Pension	\$ 6.6
Debt Service P&I	\$ 1.0
Other Operating Cost to Continue	\$ 10.7
Inmate Medical Cost Increase	\$ 5.0
Court Appointed Attorney Fees	\$ 1.5
<b>Total Expense Change</b>	<b>\$ 33.3</b>
<b>Revenue Change - Lost Revenues</b>	
Debt Service Reserve	\$ 3.3
Unclaimed Revenue	\$ 1.3
<b>Revenue Change - Increased Revenue</b>	
Property Tax	\$ (3.9)
Sales Tax	\$ (2.6)
GTA	\$ (0.5)
VRF	\$ (0.4)
Other/Reimbursement Revenue	\$ (4.1)
<b>Total Revenue Change</b>	<b>\$ (6.8)</b>
<b>Gap Total</b>	<b>\$ 26.5</b>

# Potential Gap Closing Options

- County must now decide whether to raise new revenue and/or reduce expenditures in order to close budget gap
- Preliminary framework:
  - **Divest** option assumes no new revenues available and relies on budget reductions and cost containment to close gap
  - **Temporary fix** would provide some new revenues and/or non-departmental cost savings, in order to avoid further departmental budget reductions
  - **Sustainability** option requires substantial increase in new revenue to cover projected expense growth. Current State statutes are prohibitive.



2020 Gap Closing Options	Divest	Temp Fix	Sustain
Dept's Self Fund Operating Cost-to-Continue	\$ 10.7	\$ 10.7	\$ -
Debt Service Reserve Withdrawal Equal to 2019	\$ 3.3	\$ 3.3	\$ -
Cash Capital or Other Reduction	\$ 2.5	\$ 2.5	\$ -
Department Levy Targets	\$ 10.0	\$ -	\$ -
New Revenues	\$ -	\$ 10.0	\$ 26.5
<b>Total</b>	<b>\$ 26.5</b>	<b>\$ 26.5</b>	<b>\$ 26.5</b>

# Draft Levy Targets



2020 BUDGET PRELIMINARY DRAFT TAX LEVY REDUCTION TARGETS: 1.6% of TOTAL BUDGET								
County Executive Cabinet Departments			Elected Departments			Excluded Departments		
	Agency	Reduction		Agency	Reduction	Agency	Reduction	
102	CEX - Vets	\$ (3,219)	200	Courts	\$ (431,517)	<i>Revenue Departments:</i>		
103	CEX - Gov Affairs	\$ (3,689)	290	Courts Pre-Trial	\$ (82,856)	504	DOT-Airport	\$ -
109	OAAA	\$ (12,046)	340	ROD	\$ (23,614)	580	DOT-Directors	\$ -
112	PRB	\$ (4,414)	370	Comptroller	\$ (70,708)	530	DOT-Fleet	\$ -
113	Corp Counsel	\$ (18,021)	450	DA	\$ (184,806)	510	DOT-Highway	\$ -
114	Human Resources	\$ (84,594)	400	Sheriff	\$ (669,783)	507	DOT-Tran Svcs	\$ -
115	DAS	\$ (595,293)				550	DAS-Utility	\$ -
430	HOC	\$ (482,662)				243	Child Support	\$ -
480	OEM	\$ (70,571)						
490	Medical Examiner	\$ (68,380)				<i>Elected Offices with Limited Staff:</i>		
560	DOT-Transit	\$ (1,647,032)				110	CEX - General	\$ -
630	DHHS-BHD	\$ (2,750,763)				100	County Board	\$ -
800	DHHS	\$ (1,498,095)				309	Treasurer	\$ -
790	Aging	\$ (325,588)				327	Clerk	\$ -
900	Parks	\$ (592,515)						
950	Zoo	\$ (266,457)				<i>High Risk Areas:</i>		
990	UW-Ext	\$ (7,381)				116	DAS-IMSD	\$ -
	Culturals	\$ (105,996)				117	DAS-Risk	\$ -
						301	Election Commission	\$ -
<b>Total Cabinet Depts</b>		<b>\$ (8,536,716)</b>	<b>Total Elected Depts</b>		<b>\$ (1,463,284)</b>	<b>Excluded Depts</b>		<b>\$ -</b>
<b>GRAND TOTAL</b>							<b>\$ (10,000,000)</b>	

# Revenue Options

- County taxing authority is granted by State Statute, and options for generating new revenues are limited
  - Property tax for operating purposes is limited to the percentage of growth in net new construction
  - The County share of sales tax receipts is limited to 0.5%
- The County does have an option to increase the Vehicle Registration Fee (VRF) from the current rate of \$30 up to approximately \$60 to replace tax levy for transportation services.



VRF Increase Scenarios		
Increase Amount	Annualized Increase	Prorated Increase*
\$ 5	\$ 2,843,444	\$ 2,606,490
\$ 10	\$ 5,679,808	\$ 5,206,491
\$ 15	\$ 8,516,172	\$ 7,806,491
\$ 20	\$ 11,352,535	\$ 10,406,490
\$ 25	\$ 14,079,808	\$ 12,906,491
\$ 30	\$ 16,916,172	\$ 15,506,491

*\* VRF change becomes effective 3 months after ordinance change*

# Revenue Detail



- Fair Deal For Milwaukee Work Group provided recommendations which are a focus of County lobbying activity during the State's 2019-2021 budget process
- The Governor's proposed budget does include several items which would improve the County's revenue forecast, if approved, i.e.
  - Increase in Mass Transit Operating Assistance and General Transportation Aids
  - 2% increase in State Shared Revenue
  - Levy Limit Floor adjustment to 2% or net new construction (whichever is greater)
- DAS-PSB is working with departments to monitor State budget for changes or impact and will provide updates on relevant developments
- For 2020 budget process, status quo revenue assumptions will be assumed until State budget is approved or changes are confirmed.

# Questions

- PSB will continue to update the board/FA Committee 2020 budget process
- April report to include any updates to budget estimates and/or gap closing strategies.
- Questions / Feedback

