

Milwaukee County 2010 Budget Listening Session



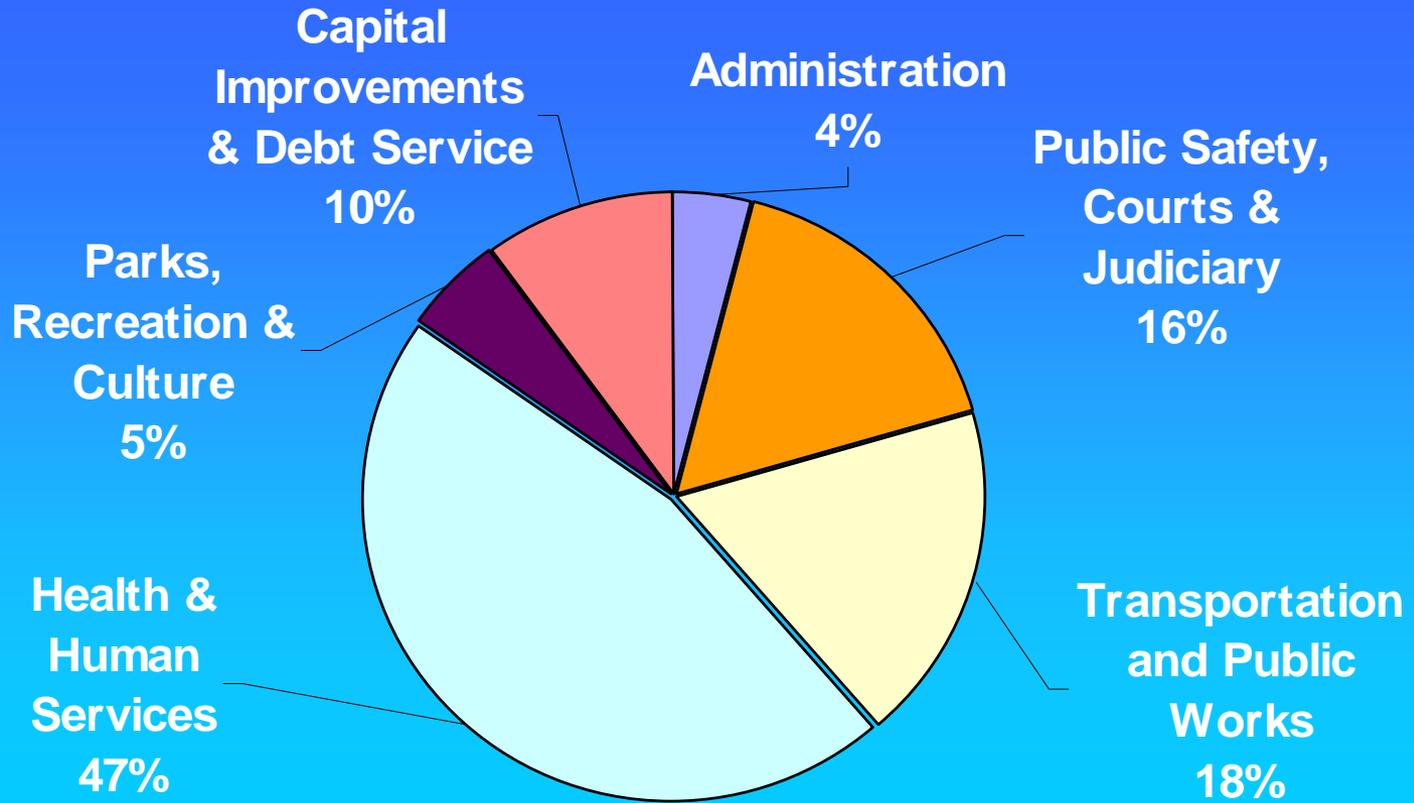
County Executive Scott Walker
May 2009

Agenda

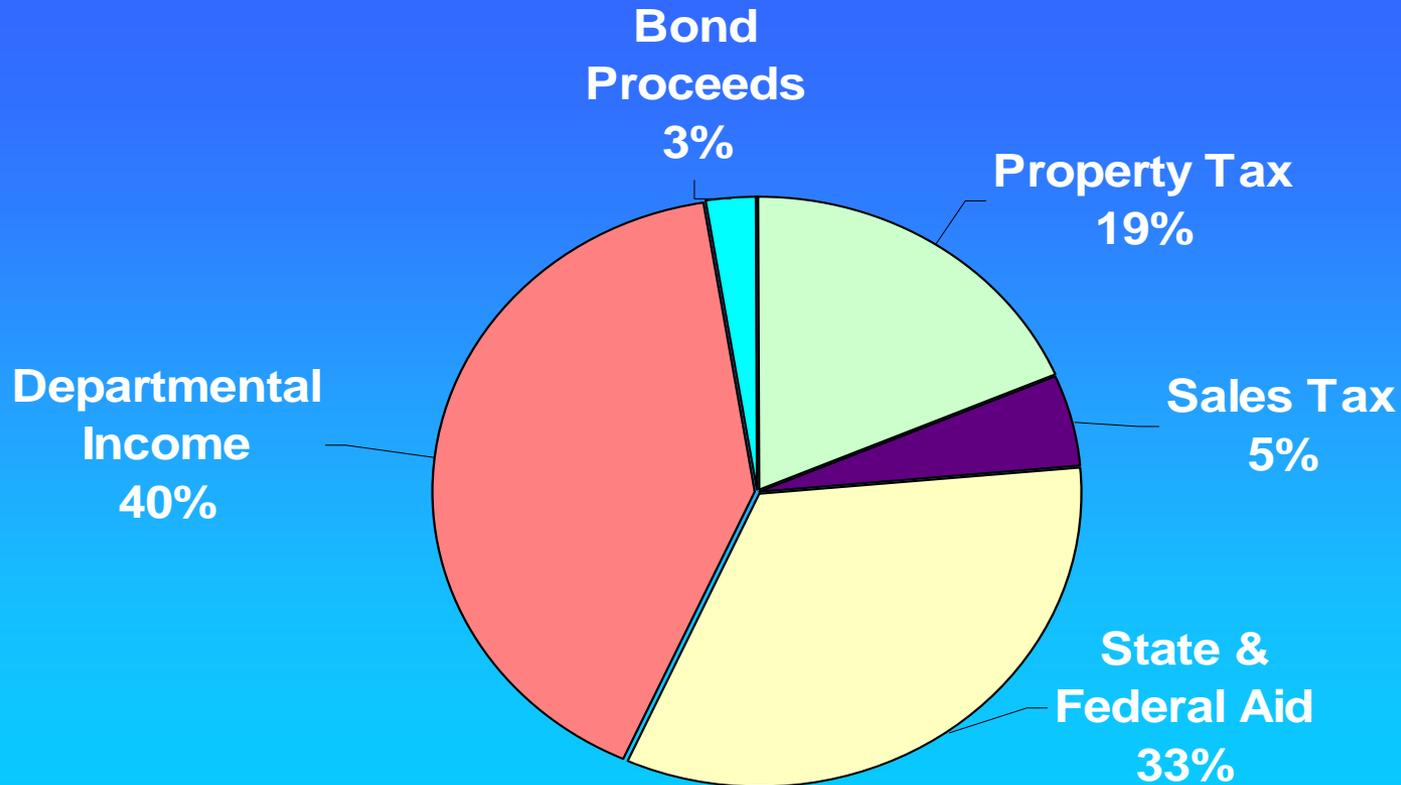
- Overview of The County Budget
- Historical Budget Challenges
- County Executive's Goals for the 2010 Budget
- 2010 Budget Challenges
- 2010 Budget Process
- Discussion/Public Input

Overview of the County Budget

2009 Expenditure Budget by Function

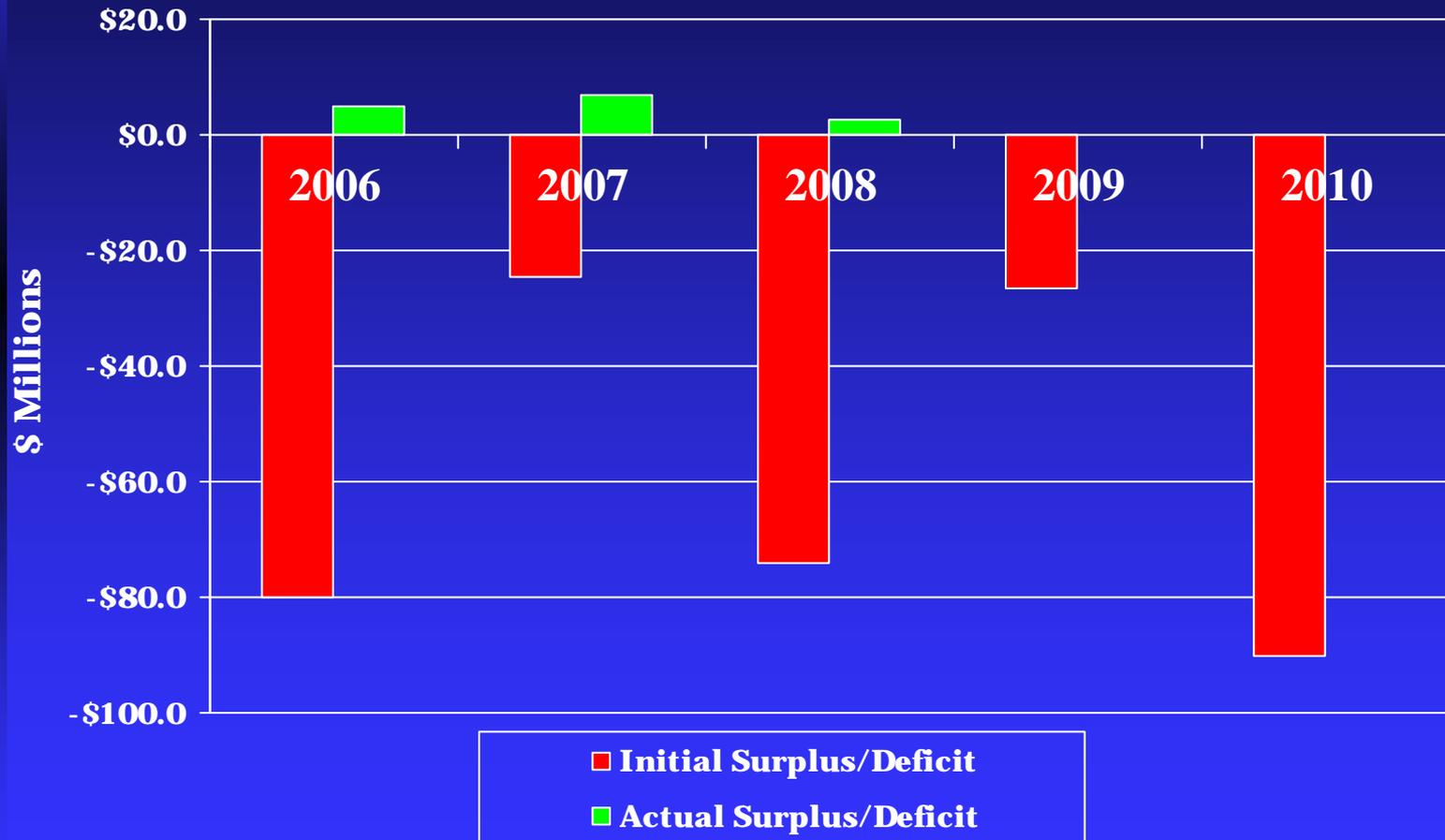


2009 Revenue Budget by Source



Historical Budget Challenges

Historical Challenges: Initial Funding Gaps and Final Results



Meeting Past Budget Challenges: Expanding the Economy

- Continued Private Economic Investment
 - \$843 million in major construction projects
- Residential home values have outperformed the national average.
- Metro area unemployment rate is slightly below the state average.

Meeting Past Budget Challenges: Reducing the County Workforce



Meeting Past Budget Challenges: Managing Employee Health Care

- Employee Wellness Program
- Employee Health Care Cost-Sharing
- Active Management of Health Care Costs
 - Improved provider discounts
 - Plan administration costs decreased \$15 million

Meeting Past Budget Challenges: Curbing Employee Pension Costs

- Eliminated pension backdrops for new hires
- Eliminated Rule of 75 for new hires
- Reduced sick leave payouts upon retirement
- Issued Pension Obligation Bonds

Meeting Past Budget Challenges: Additional Accomplishments

- Aggressive Management of Debt
- Controlled Overtime Spending
- Increased Use of Technology
- Implemented Energy Management Strategies

Meeting Past Budget Challenges: Additional Accomplishments

- Developed long-range financial forecasting and improved capital planning processes.
- Initiated a program to collect \$62 million in debt owed to the County.
- Merged the Sheriff and the House of Correction to achieve efficiencies.

Meeting Budget Challenges:

“...retiree costs represent an enormous and growing share of county expenditures. These cost increases not only have placed pressure on other expenditure categories, such as wages and salaries, but they also have placed pressure on the ability of the government to deliver services and respond to citizens’ demands and needs.” – Public Policy Forum, 2009

County Executive's Goals for the 2010 Budget

2010 County Executive Budget Goals

- No increase in County property tax levy
- Continued commitment to core services for Milwaukee County residents
- Address the County's long-term structural deficit
- Implement a sustainability plan

2010 Budget Gap

“The county’s fringe benefit expenditures increased by \$73 million between 2003 and 2007, an amount equal to nearly one-third of its tax levy” – Public Policy Forum, 2009

2010 Budget Gap:

$$\begin{aligned} & \text{2009 Costs} \\ & + \\ & \text{Increases in Wages and Benefits for Existing Staff} \\ & + \\ & \text{Increases in Costs for Utilities, Fuel, etc.} \\ & + \\ & \text{Estimated Reductions in Federal and State Aids,} \\ & \quad \text{and Other Revenues} \\ & = \\ & \text{2010 Budget Gap} \end{aligned}$$

2010 Budget Gap:

- Assumes no reduction in current service levels
- Assumes no change in County staff
- Assumes no new services

2010 Budget Gap:

■ Increase in Pension Contribution	\$21.8 m
■ Increase in Employee Wages	\$14.2 m
■ Increase in Employee Health Care	\$13.2 m
■ Increase in Other Expenses	\$ 8.4 m
■ Reduction in State Revenue	\$12.4 m
■ Reduction in Other Revenues	<u>\$20.0 m</u>
TOTAL	<u>\$90.0 m</u>

2010 Budget Challenge: Impact on Homeowners

**To address the gap with
a property tax increase,
County property taxes would
have to rise by 35%.**

2010 Budget Challenge:

The fundamental challenge of the 2010 budget is to restructure County government in a way that will:

- Provide core services to our constituents.
- Eliminate a \$90 million gap and balance the budget in the short term.
- Ensure fiscal sustainability in the long term.
- Require no tax increase.

The Milwaukee County Budget: A View from the Outside

“We conclude from this analysis that while year-to-year budget balancing has staved off crisis so far, Milwaukee County now must develop more comprehensive solutions. A solvency plan is required...”

– Public Policy Forum, 2009

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Long Term Sustainability Plan

The Plan Must Address:

- Employee Wages and Benefits
- Service Delivery
- Use of County Assets
- Budget Process

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Long Term Sustainability Plan

Employee Wages and Benefits

Employee compensation consumes \$670 million, almost half of the County's total expenditure budget.

- Reducing wages by 5% saves \$13.4 million
- Eliminating 1 week of vacation saves \$5.3 million
- Requiring 12% Employee Healthcare Contribution saves \$4.3 million

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Long Term Sustainability Plan

Employee Wages and Benefits (cont.)

- Eliminating step increases saves \$3.1 million
- Eliminating sick leave payouts saves \$1.8 million
- Eliminating non-FLSA overtime saves \$365,000

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Long Term Sustainability Plan

Service Delivery

- Focus on mandated and core services
- Pursue regional consolidation
- Increase use of technology, outsourcing, and data to achieve efficiencies in operations.

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Long Term Sustainability Plan

Use of County Assets

- Engage in long-term leases of revenue-generating assets
- Consolidate space
- Leverage assets to pay down long-term debt

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Long Term Sustainability Plan

Budget Process

- Continue to refine long-term financial forecasting
- Implement performance measures
- Create a rainy-day fund
- Implement a policy on the use of one-time revenues
- Improve the grant approval process

The 2010 Budget Process

Budget Process

- May 2009
 - Listening Sessions
- July 2009
 - Departments Brief County Executive July 1st and 2nd
- September 2009
 - County Executive Introduces Budget on September 24th

Budget Process

- October 2009
 - Legislative Hearings on Proposed Budget begin 1st week of October
- November 2009
 - Public Hearing on Proposed Budget including Legislative Amendments November 2nd
 - Budget Adoption Day November 9th
 - Potential Veto Consideration November 18th

Public Input/Discussion