

Milwaukee County Fiscal Projections 2007-2011



Prepared by

Department of Administrative Services

February 2006

Milwaukee County Government is Facing Significant Financial Challenges Between 2007 and 2011

- The County will face an ongoing “structural” imbalance between 2007-2011:
 - The Department of Administrative Services (the DAS) has prepared a preliminary 5-year forecast of the County’s operating results for 2006 through 2011
 - Projected annual earned and received revenue will be insufficient to fund projected annual expenditure commitments between 2007 and 2011
 - This structural imbalance could total \$278 million by the end of 2011
 - This structural problem is being driven primarily by the growth in personnel related costs

Solving this Structural Problem Will Require Difficult Decisions on Expenditures and Revenues

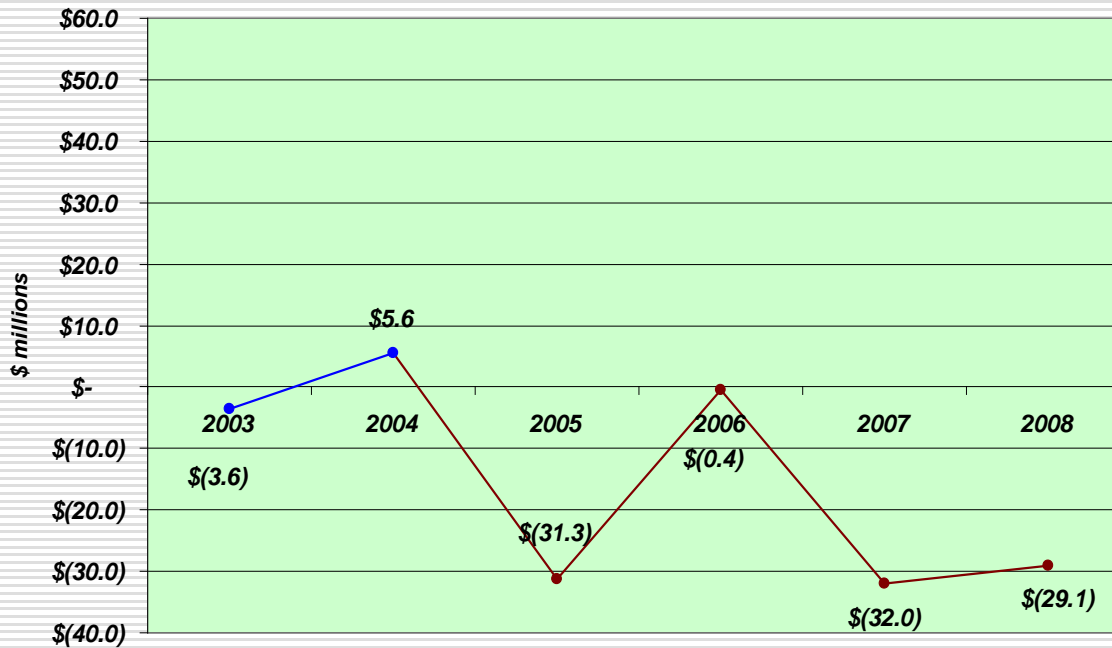
- ❑ The County's current expenditure commitments exceed the existing revenue base
- ❑ Significant reductions in the expenditures base and increases to the revenue base will need to be considered
- ❑ Even with such changes, the County may still face operating deficits in the years after 2011

The County's Structural Imbalance Is Not A New Development

- ❑ The County's fiscal situation has been discussed publicly on two occasions over the last 17 months
 - On September 9, 2004 the County Executive provided a presentation on the county's structural problems to a Board of Supervisor's Committee of the Whole meeting
 - ❑ At that time DAS projected a structural imbalance of \$32 million in 2007 and \$29 million in 2008
 - On February 18, 2005 the DAS-Fiscal made a similar presentation to the Board's Personnel Committee
 - ❑ At that time DA-Fiscal projected a structural imbalance of reaching \$157 million by 2009
 - Both of these presentations assumed annual property taxes would increase to the allowable "cap"

Milwaukee County Actual and Projected Operating Results With Maximum Allowable Property Tax Increases

Actual and Projected Operating Results
2003 through 2008



□ Property Taxes are one option to addressing the magnitude and duration of the County's structural imbalance

However, even **implementing the maximum allowable increase in County property taxes each year between 2005 and 2008 will not erase the structural imbalance**

The structural imbalance, even allowing for maximum property tax increases, will hover around \$30 million in FY2005, FY2007, and FY2008

Current Projections Point To Sizable County Operating Shortfalls between 2006 and 2009



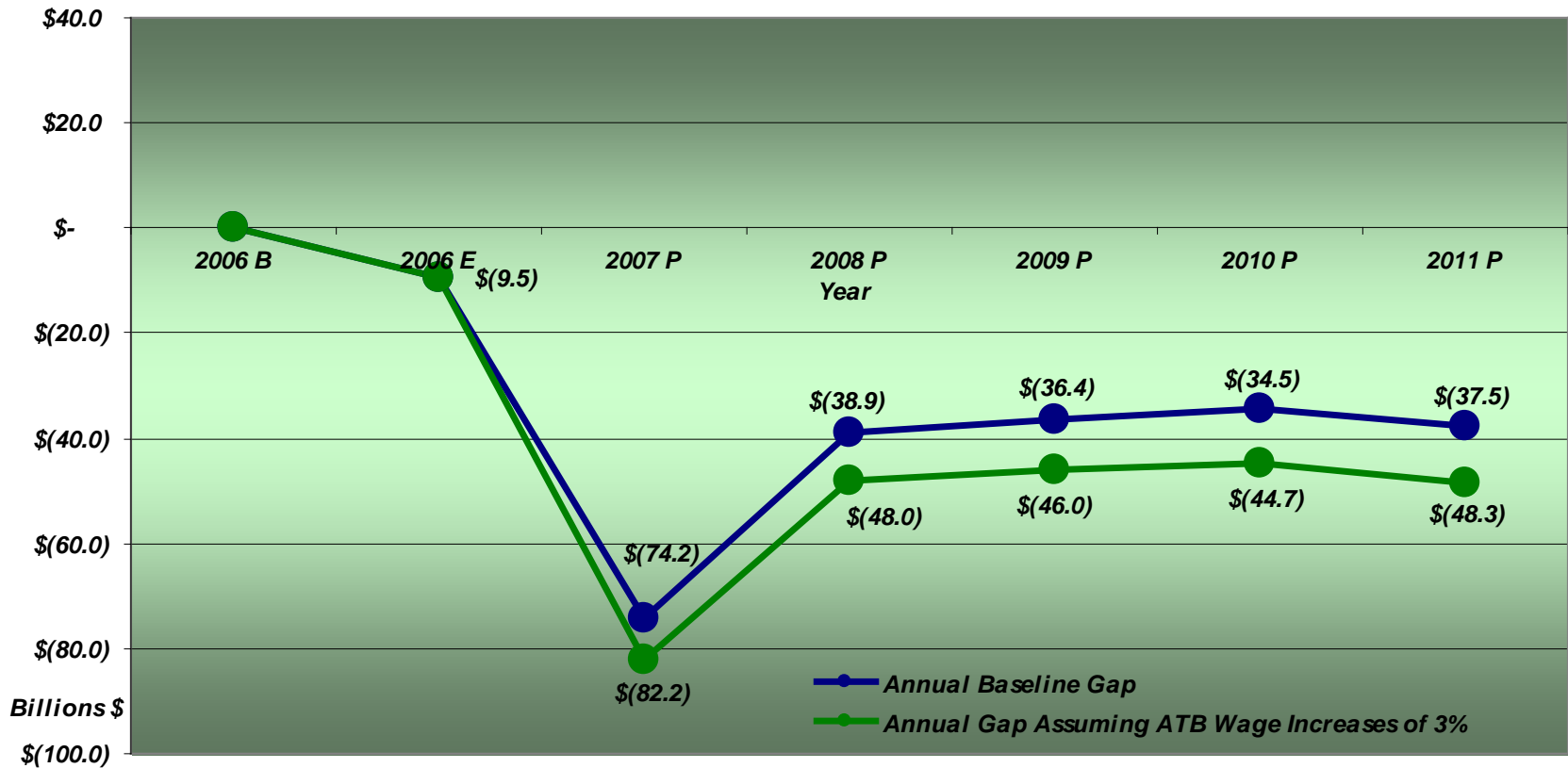
- Projections of Milwaukee County's operating results between 2006 and 2009 suggest that the County will face annual shortfalls between \$23 million (in 2006) and \$157.3 million (in 2009) over that period, assuming no corrective actions.
- This projection assumes
 - No wage increases over that period.
 - Employee health insurance costs increase 10% per year.
 - Property Taxes are increased 4.1 % per year, in keeping with Governor Doyle's recent property tax cap proposal.

Milwaukee County's Structural Imbalance Will Be Driven by Personnel Related Costs From 2007-2011

- ❑ Revenue growth will be flat even with the maximum property tax increases allowable under the current "cap"
- ❑ Non-personnel costs will grow modestly
- ❑ Salaries, health insurance, pension contributions will show significant growth over the five years

Milwaukee County's Structural Imbalance: Expenditure Commitments Will Exceed Revenues

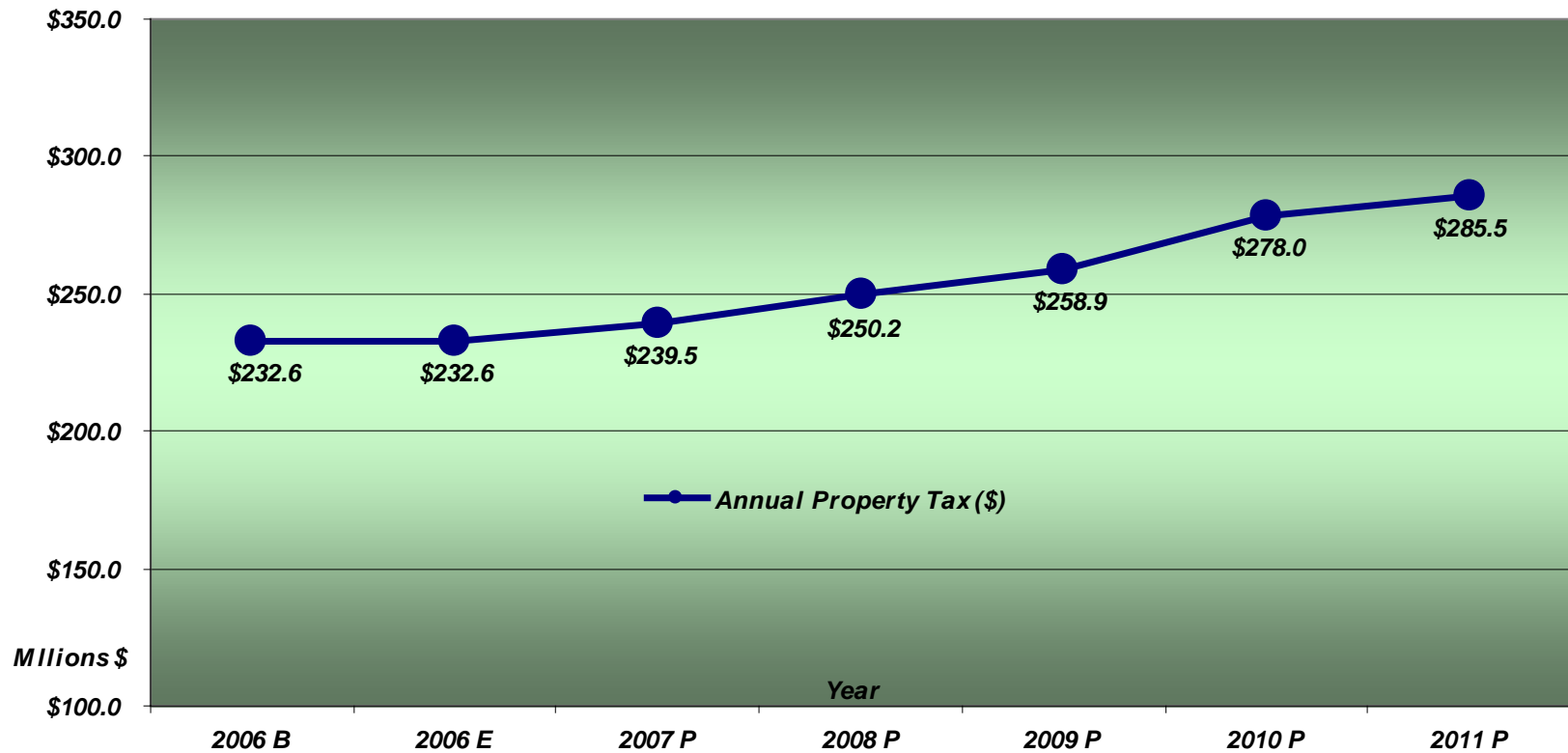
5 Year Projection, 2007 through 2011



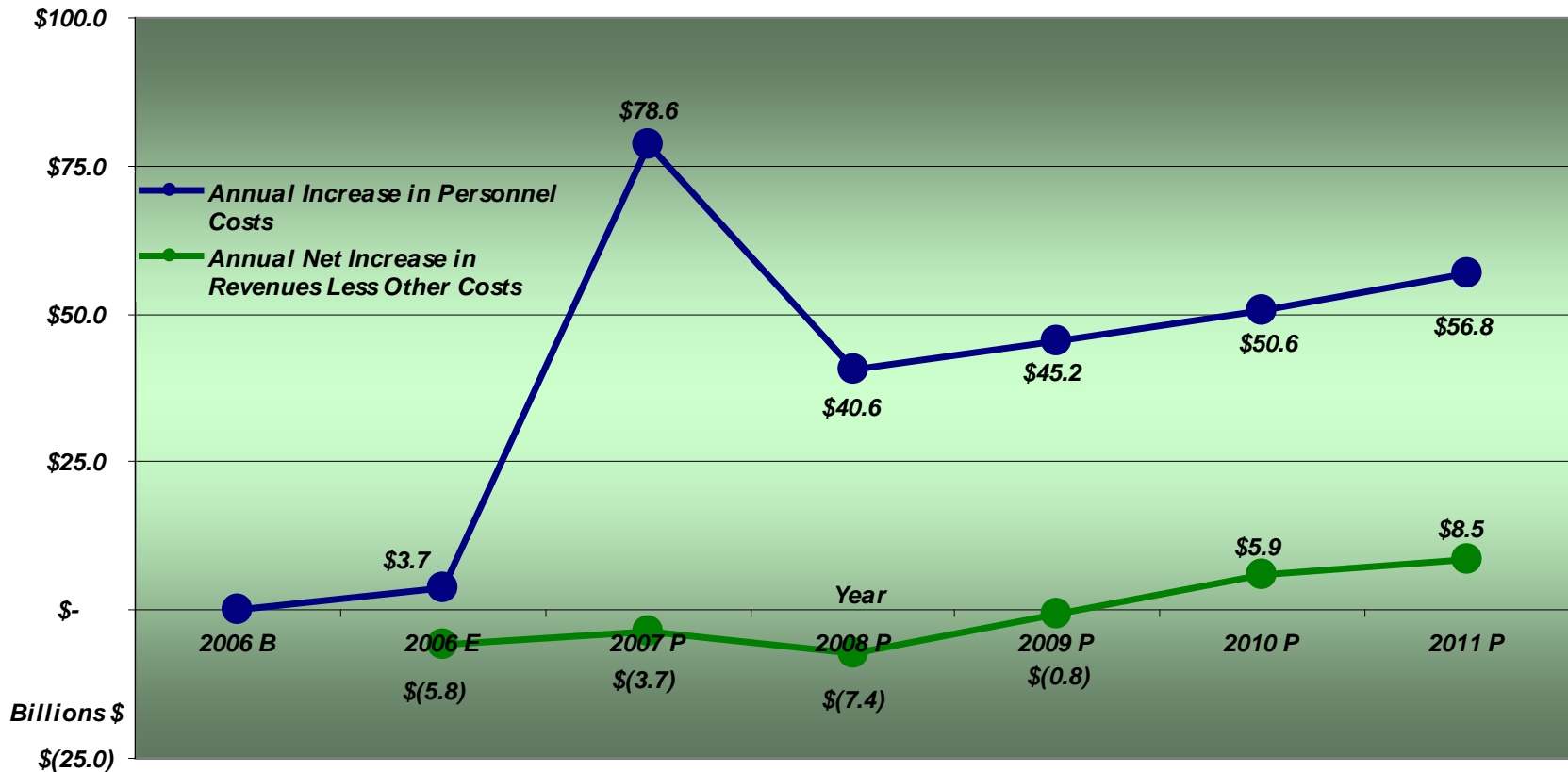
Not Enough:

“Capped” Property Tax Growth Will Not Bridge Gap

5 Year Projection, 2007 through 2011

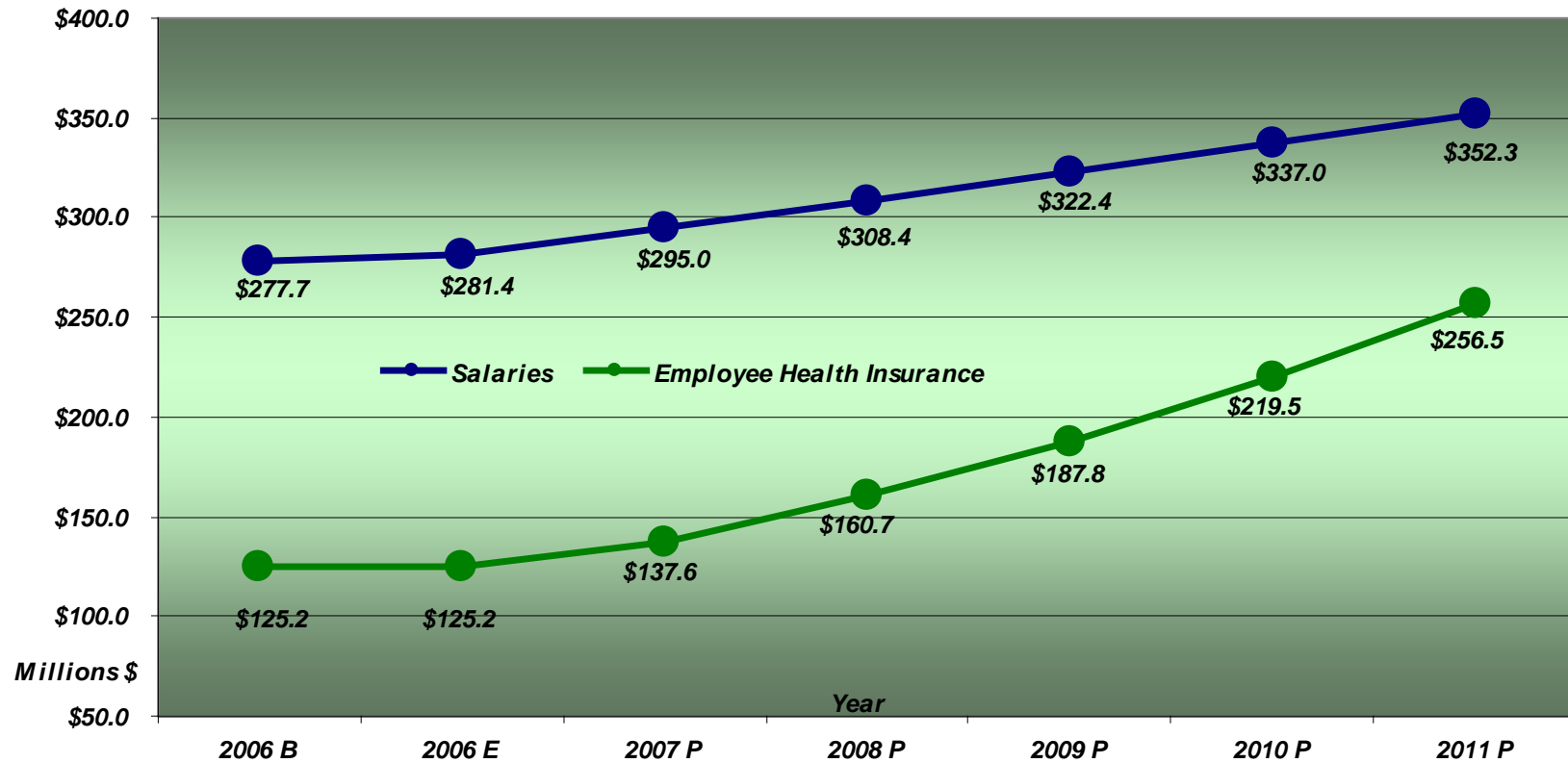


Personnel Related Costs Are the Core Issue: These Costs Will Exceed Revenues Net of Other Costs 5 Year Projection, 2007 through 2011



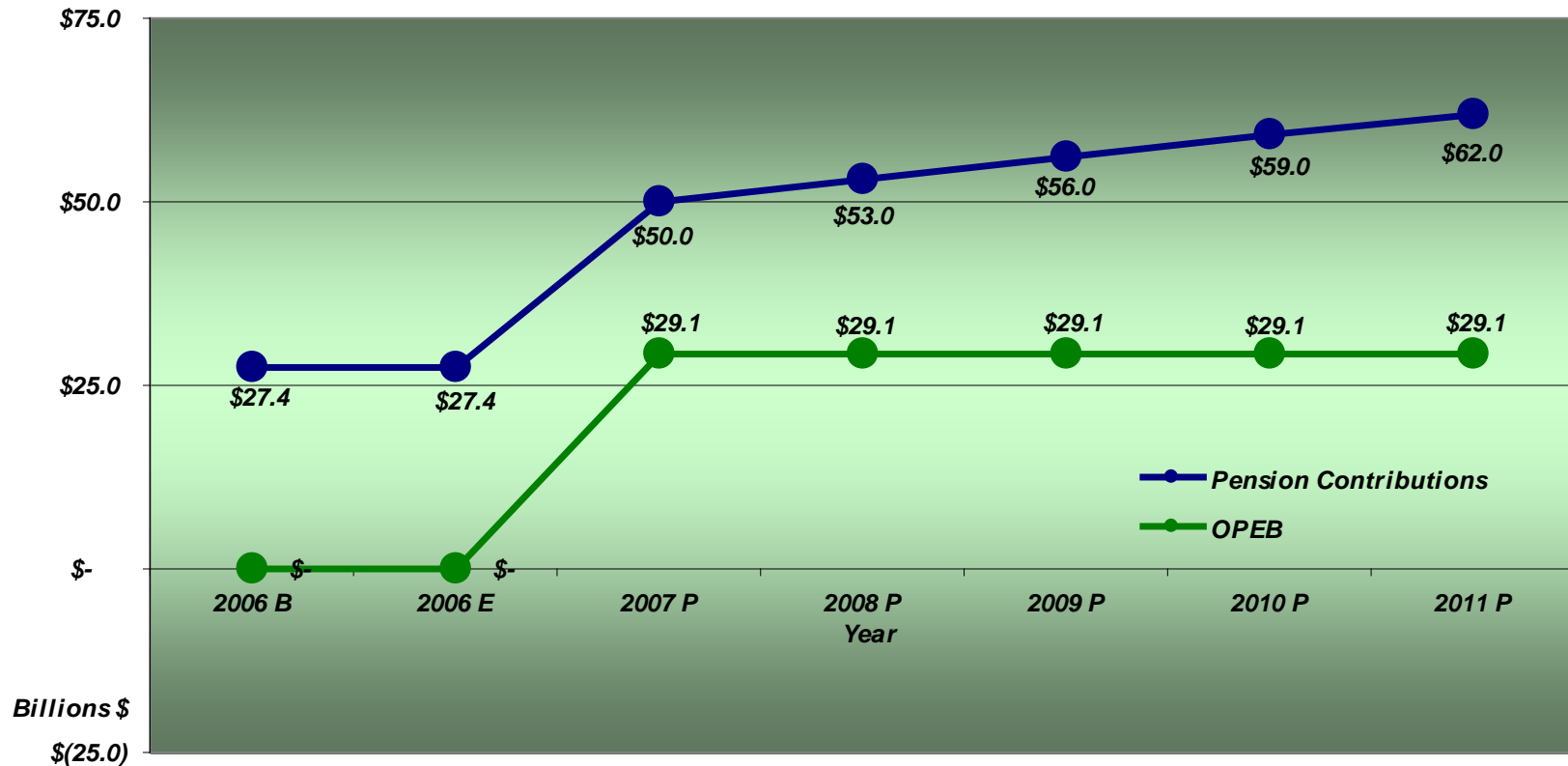
Health Insurance Is Driving Personnel Costs- Retiree Health Care is a Large Part of This Growth

5 Year Projection, 2007 through 2011



Pensions Contributions and Preliminary OPEB Liability Are Also Driving Personnel Costs

5 Year Projection, 2007 through 2011



Are There Options For Addressing This Structural Imbalance?

- ❑ Option #1: Do Nothing
 - ❑ Option #2: Postpone Hard Choices
 - ❑ Option #3: Implement Difficult Decisions
 - ❑ Option #4: Ask for State Assistance
 - ❑ Option #5: Eliminate County Government
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- ❑ In each of these options the County may still face fiscal challenges beyond 2011

Option 1: Do Nothing

- This is a path that flirts with potential insolvency
 - As deficits mount, this approach will compromise cash position of County as we fund prior year shortfalls
 - Compromised cash situation will require short-term borrowing
 - Short-term borrowing may be viewed negatively by investment community
 - Outside chance the County could be shut out from borrowing in capital markets like present-day San Diego

Option 2: Postpone Hard Choices

- ❑ Don't fund OPEB Liability
- ❑ Don't Fund UAAL portion of pension contribution
- ❑ No wage increases
- ❑ Program cuts
 - Eliminate funding for GAMP, EMS, Parks, Zoo, Non-Departmentals, Courts, DA and Sheriff's discretionary spending
- ❑ Tax Increases
 - MCTS fare hike, \$40 vehicle registration fee, 0.25% increase in sales tax
- ❑ State legislative changes
 - Allow for new taxes, ability to change existing contracts
- ❑ This will only postpone the overall problem and make it very difficult to solve in the future

Option 3: Implement Difficult Decisions

- Program cuts
 - Eliminate funding for GAMP, EMS, Parks, Zoo, Public Museum, Non-Departmentals, Courts, DA and Sheriff's discretionary spending
- Pension Obligation Bonds
- Tax increases
 - MCTS fare hike, \$40 vehicle registration fee, 0.25% increase in sales tax
- State legislative changes
 - Allow for new taxes, ability to change existing contracts, ability to issue 30yr POBs

- This will address the problem through 2011, but there is the possibility of further deficits beyond 2012.

Option 4

Ask for State Assistance

- State assistance could take many forms
 - New state funding for DHHS, Courts, DA etc.
 - A percentage of state income and sales taxes generated from Milwaukee
 - State operation of cultural facilities and Parks
 - Ask for a state takeover of county functions

- Not likely to be received warmly

Option 5

Eliminate County Government

- Milwaukee, as a truly urbanized county, could devolve its operations to a variety of entities
 - Special districts could be created for culture, airport and Parks
 - The State could operate much of County functions in the human welfare area
 - The State could operate public safety functions
 - Current spending on administration of county functions could be eliminated and used to fund these other entities

Milwaukee County Structural Problem is Serious Challenge to the County's Future

- ❑ This issue needs to be recognized now
- ❑ Planning for actions to address the imbalance needs to begin now
- ❑ Delays will only make the problem more difficult to solve in the future