

Milwaukee County Fiscal Update

County Executive Scott Walker

Presentation to the
Milwaukee County Board of Supervisors
Committee of the Whole
September 9th, 2004

Milwaukee County 2003 Operating Results

- Milwaukee County ended 2003 with an operating **deficit** of \$3.5 million
 - The primary causes for this operating deficit were
 - The Department of Aging CMO ran a sizable operating deficit of \$5.5 million
 - Child Support was unable to realize \$1.0 million in revenue in 2003

- This deficit contributed **\$7.5 million** to the FY2005 projected shortfall
 - \$3.5 million for the negative operating result
 - \$4 million for the unrealized ending balance anticipated for 2003

Milwaukee County

FY2004 Projected Financial Results

- Estimates as of August 2004 suggest that the County will end 2004 with a **\$5.6 million surplus**

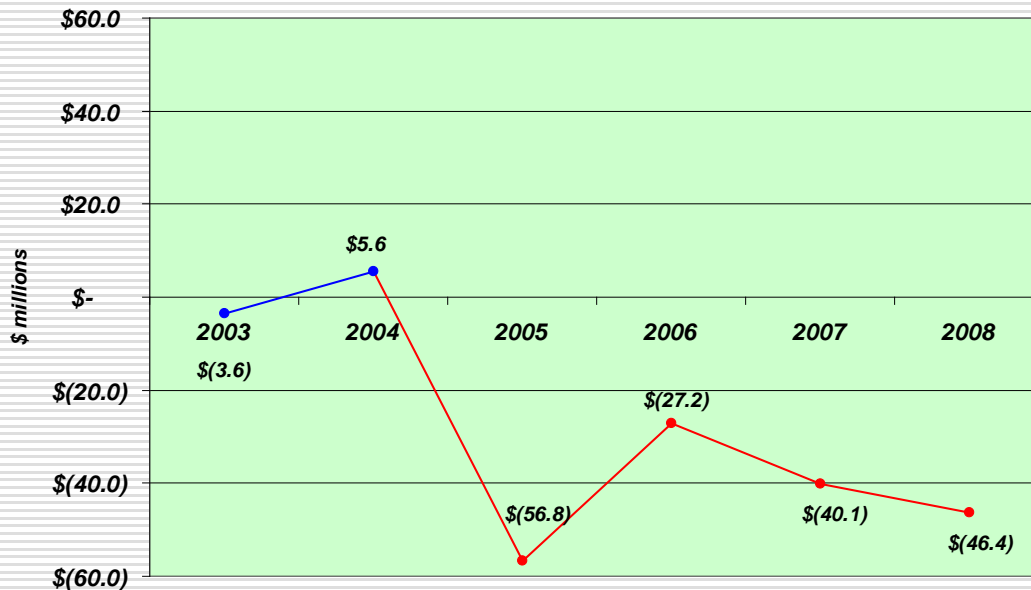
- This projected surplus is the result of 4 developments which have added \$11.1 million in resources to the “bottom line”:
 - The Department of Health and Human Services is reporting the one-time receipt of \$3.5 million in revenues
 - Employee Health Insurance costs are projected to be \$3.9 million lower in 2004 than budgeted
 - The County deposited an unanticipated \$2 million from its recent pension related borrowing into the contingency fund
 - The recent sale of Research Park land to the City of Wauwatosa generated \$1.7 million in unanticipated revenue

- Three of these developments, totaling \$7.2 million, represent “one-time” revenue sources that will not be available in balancing the FY2005 budget

- If there are no negative developments, this projected \$5.6 million surplus will be available for balancing the FY2006 County Budget

Milwaukee County Actual and Projected Operating Results Without Property Tax Increases FY2003-FY2008

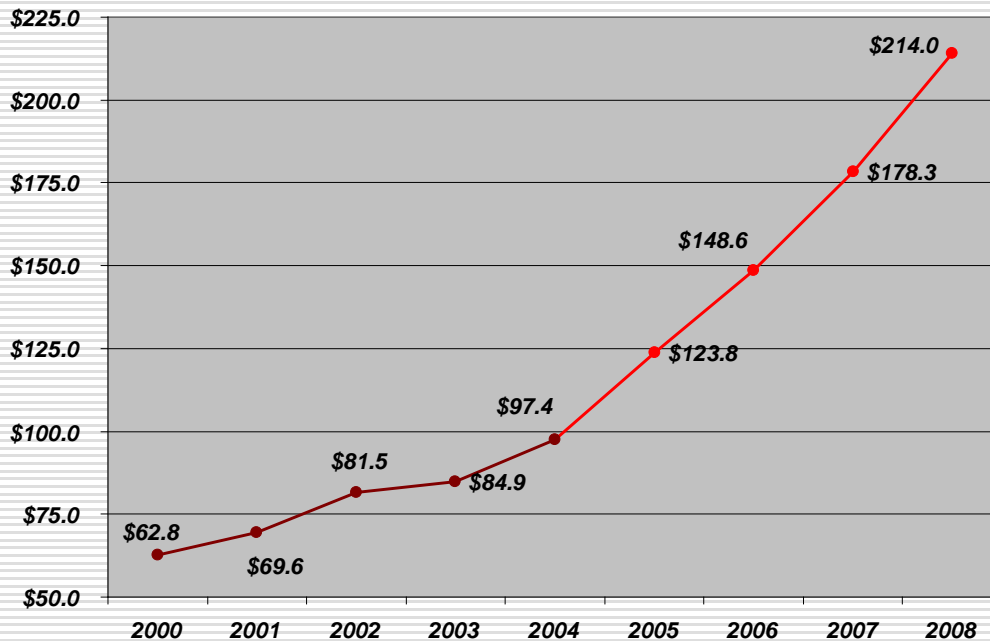
Milwaukee County Projected Operating Results
No Property Taxes Increases 2003 through 2008



- Although the County's operating results in 2004 appear encouraging, **this projected operating result obscures the sizable structural imbalance between operating revenues and operating expenditures facing the County**
- DAS estimates that this structural imbalance, or gap, ranges between \$32.8 million and \$56.8 million between FY2005 and FY2008 if property taxes are held at the 2004 level

Milwaukee County Employee Health Insurance Costs FY2000 through FY2008

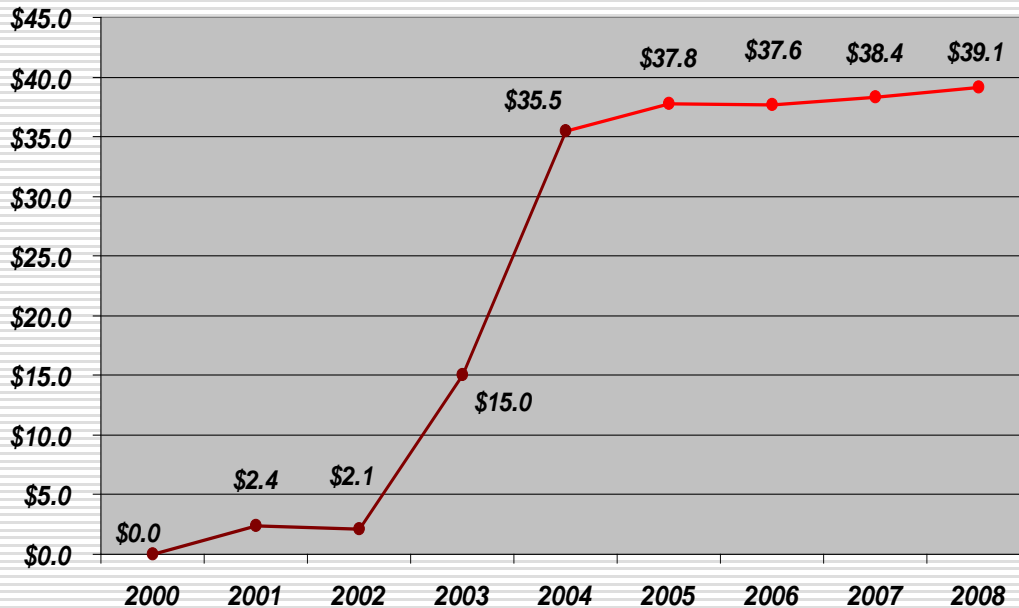
**Total Employee Health Insurance
Actuals 2000-2003; Projected 2004-2008**



- Because of the realization of \$3.9 million in savings for 2004, Employee Health Insurance Costs are now projected to grow by 15% in 2004, instead of 20%
- Although the slowing in the growth of employee health insurance costs is a welcome development, this item is anticipated to be the largest driver of the County's projected shortfall between 2005 and 2008
- Employee Health Insurance is anticipated to increase by over 25% in 2005 and 20% per annum between 2006 and 2008

Milwaukee County Pension Contributions FY2000-FY2008

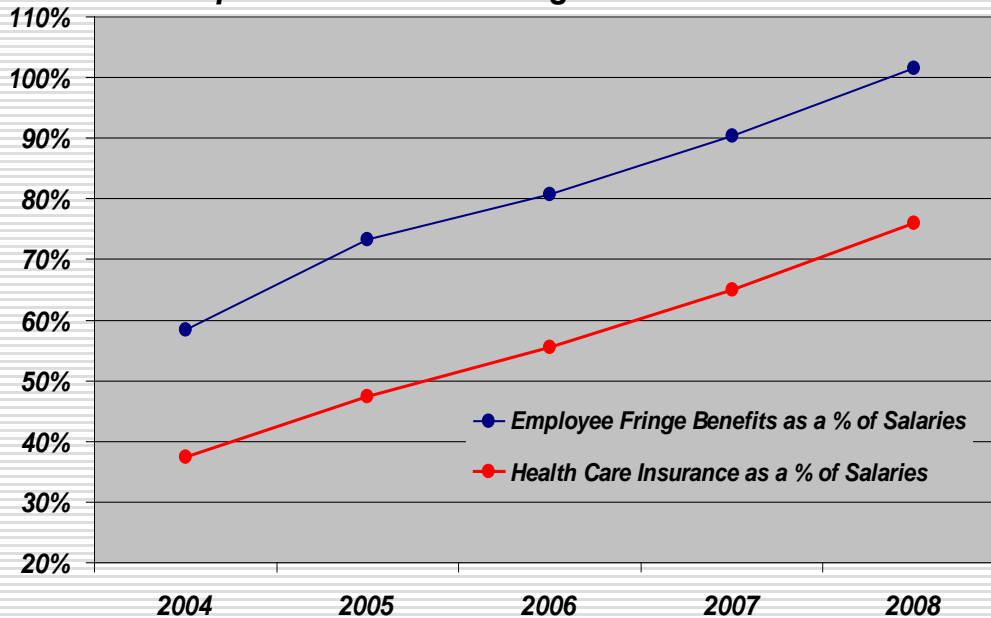
Total Employee Pension Contributions
Actuals 2000-2003; Projected 2004-2008



- The County's FY 2004 borrowing to address shortfalls in pension contributions resulted in generating \$2 million in savings in FY2004
- The borrowing also helped slow the growth in pension contributions.
- However, the growing size of "backdrop" payments, along with the realization of investment losses, will place additional pressure on the pension system and County contributions:
- One DAS estimate has shown that the UAAL for the system could increase by as much as \$80 million in the next year.

Milwaukee County Total Employee Benefits Compared to Salaries

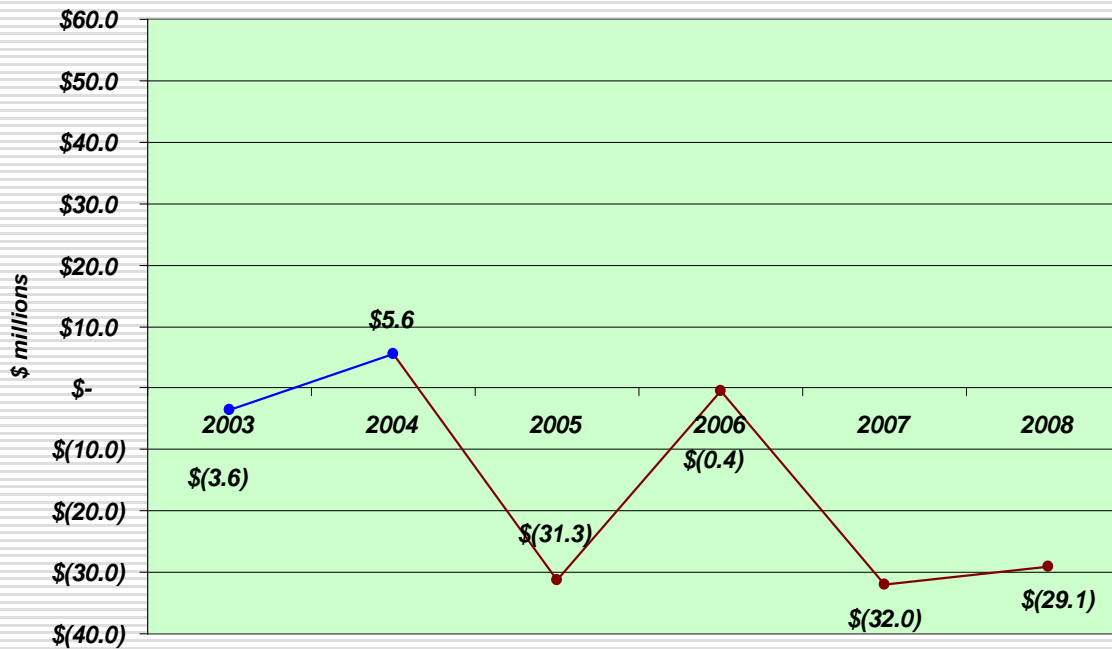
**Milwaukee County Employee Fringe Benefits
Expressed as a Percentage of Total Salaries**



- ❑ Total Employee Benefits in 2004 have reached the level where they now represent 60% of salaries
- ❑ If this trend is not addressed, by 2008 Total Employee benefits will exceed 100% of salaries
- ❑ Employee Health Insurance will be the primary driver of this trend
- ❑ This will represent an extraordinary development in U.S. municipal public finance

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

Actual and Projected Operating Results
2003 through 2008



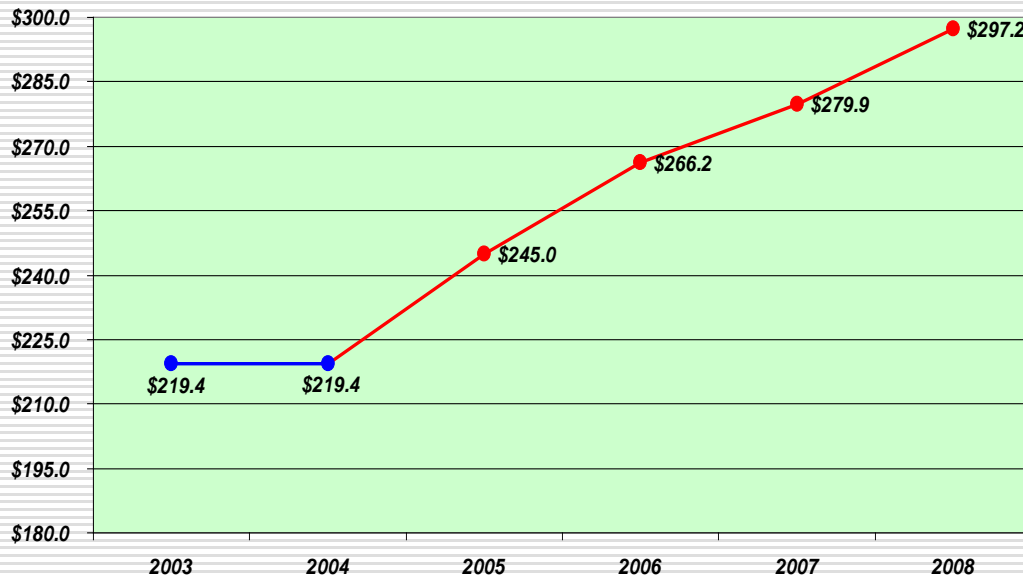
□ Property Taxes are one option to addressing the magnitude and duration of the County's structural imbalance

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

Projected Milwaukee County Property Taxes If Property Taxes Are Increased to State Cap Limit Between 2005 and 2008

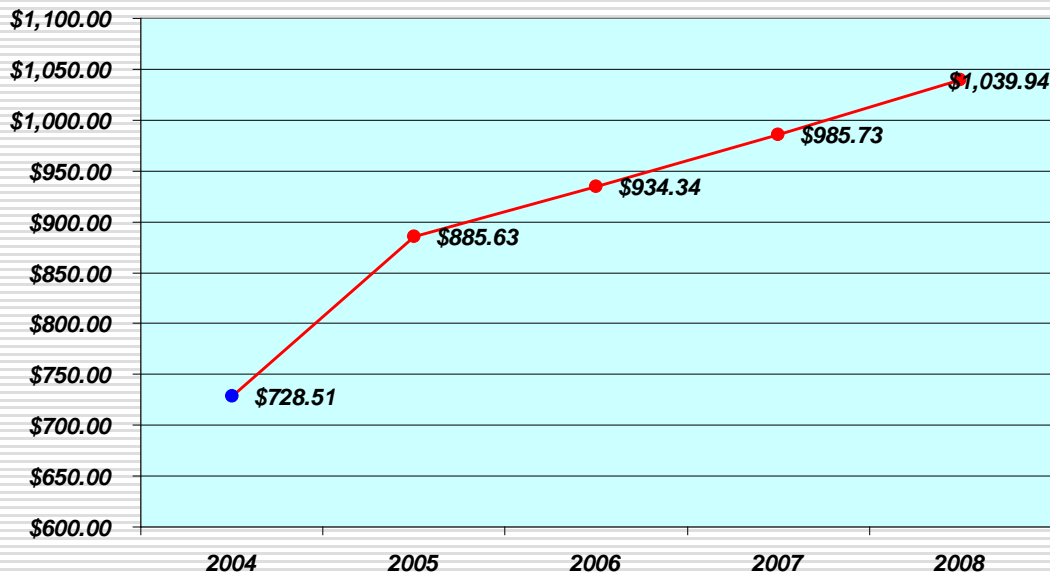
*Milwaukee County Property Tax Levy:
Actual and Projected 2003-2008*



- If property taxes are increased to the maximum allowable under State law, Milwaukee County's property tax levy will increase by 35% between 2004 and 2008

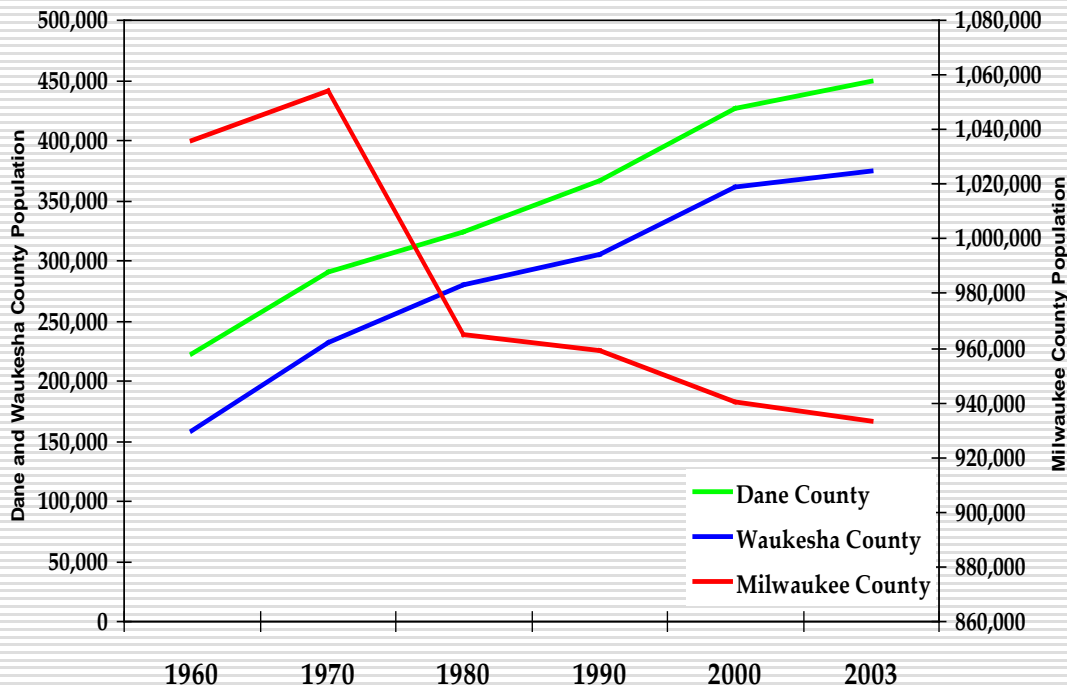
Prospective Property Taxes for the Average Milwaukee County Home If Property Taxes Are Increased to State Cap Limit

*Property Taxes on an Average Milwaukee County House if
Property Taxes are Increased to the State Allowable
Maximum between 2005 -2008*



- If property taxes are increased to the maximum allowable under State law, the average homeowner in Milwaukee County will see his or her County property tax bill increase by 43% between 2004 and 2008
- This policy initiative will have ramifications for the economic livelihood of the County

Milwaukee County's Total Population Has Declined Dramatically Between 1960-2003

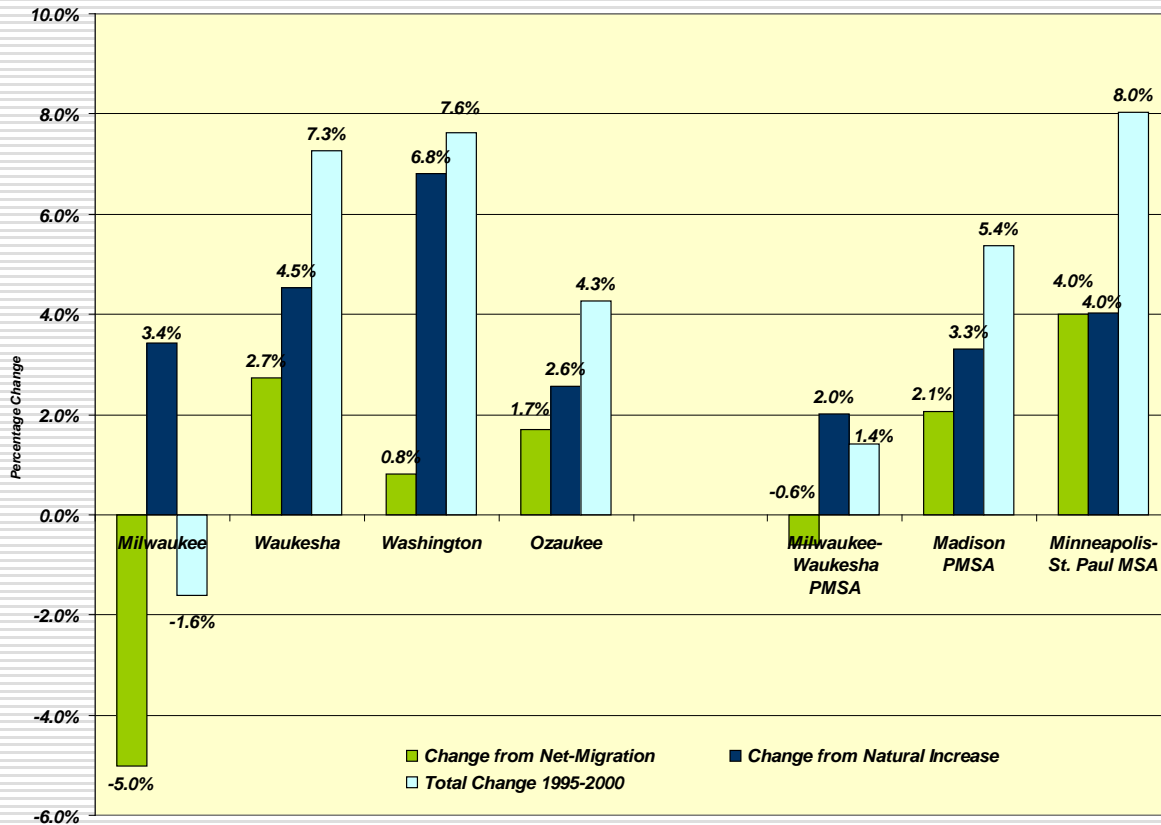


- Milwaukee County Population is at its lowest point in the last 43 years
- While Milwaukee County population has contracted, other economically important regions of Wisconsin, like Madison and Waukesha, have experienced dramatic population growth

Milwaukee County Continues to Experience Population Losses

Figure 6:

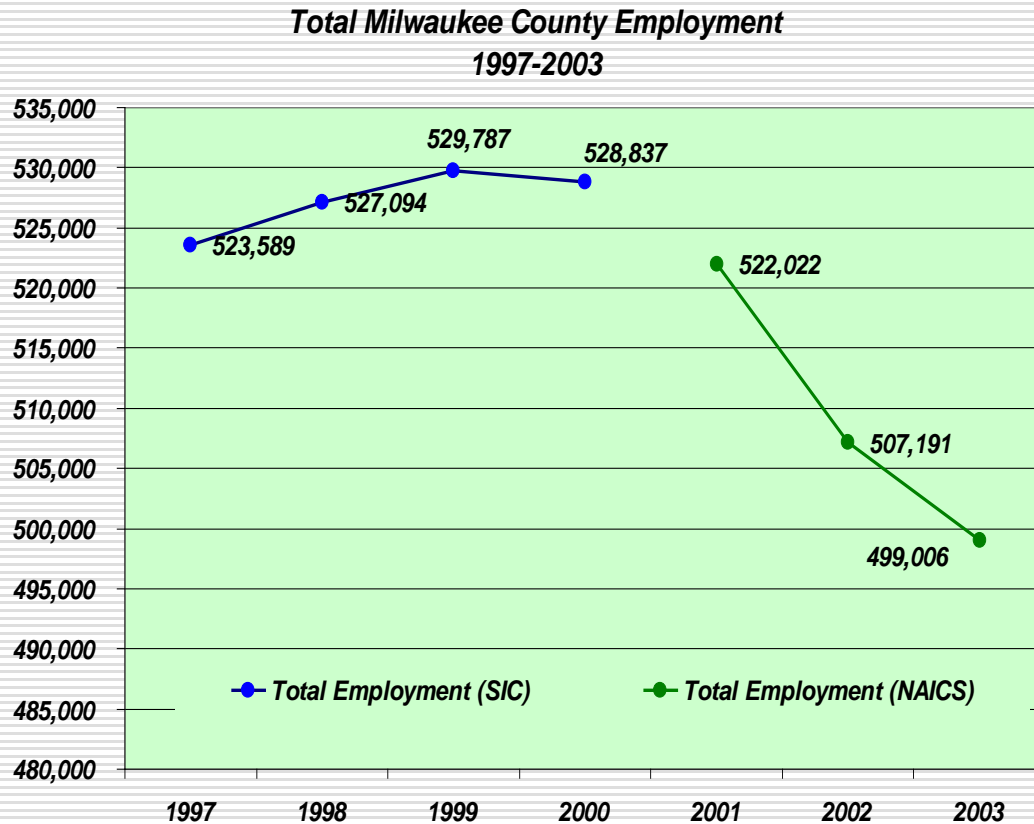
Components of Population Growth for Milwaukee Metro Area, 1995-2000



Source: Wisconsin Department of Administration State Demographics Services
Minnesota Department of Administration State Demographics Center

- More people left Milwaukee County than moved into Milwaukee County between 1995 and 2000
- In contrast, Waukesha, Dane and the Minneapolis-St. Paul areas saw increases in migration, which helped to increase total population over the same time period

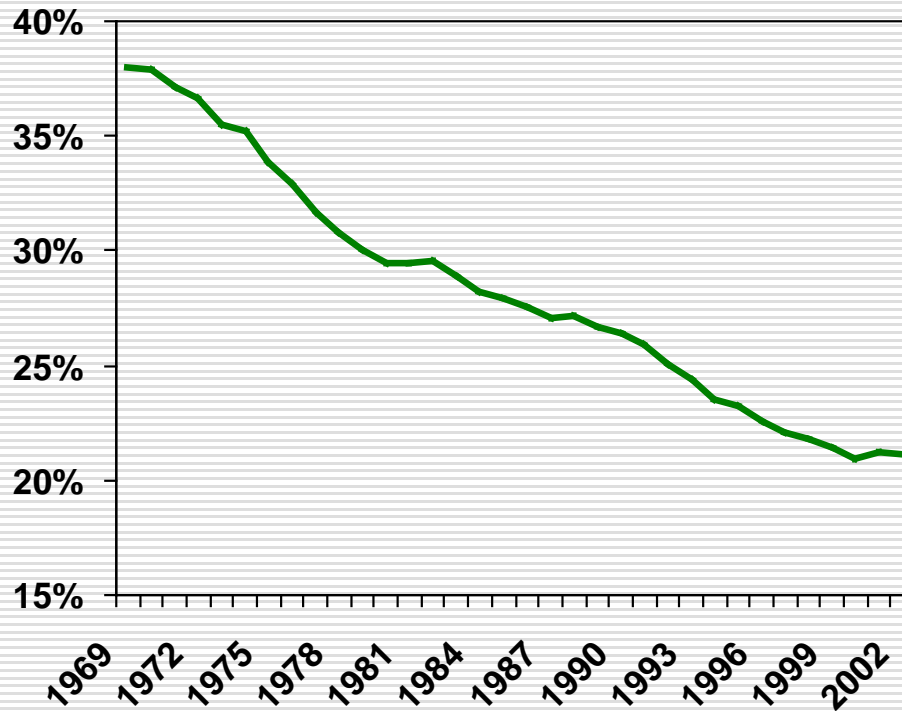
The Total Number of Milwaukee County Jobs Decreased between 1997 and 2003



- Along with losses in population, Milwaukee County continues to lose employment
- After reaching a high point in 1999, total jobs have declined since 1999
- Total jobs are now at the lowest point experienced on the last 7 years

Milwaukee County's Importance to the Overall Wisconsin Economy is Diminishing

*Milwaukee County Personal Income as a %
of Wisconsin Personal Income*



- ❑ As of 2002, Milwaukee County's personal income represented only 21% of the entire personal income produced by the State of Wisconsin
- ❑ This is a smallest share of Wisconsin's Personal Income recorded over the 43 years between 1969 and 2002.
- ❑ Over the last 40+ years Milwaukee County has become a diminishing component of the state's economic activity