



*Photo from the Courthouse roof courtesy of André Simms, Budget Analyst, Department of Administrative Services*

# MILWAUKEE COUNTY

## 2016 **ADOPTED** OPERATING BUDGET

**Chris Abele**

**Milwaukee County Executive**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Milwaukee County  
Wisconsin**

For the Fiscal Year Beginning

**January 1, 2015**

*Jeffrey R. Emer*

Executive Director



# **Introductory Section**

- **Budget Message of the County Executive (Recommended Phase)**
- **County Executive & Budget Staff**
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- **Readers' Guide**
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OFFICE OF THE COUNTY EXECUTIVE

# Chris Abele

MILWAUKEE COUNTY EXECUTIVE

October 1, 2015

The 2016 Budget is a demonstration of Milwaukee County turning the corner towards a sustainable and better future. Despite facing a \$26.2 million deficit, my recommended budget increases services and rewards employees while holding property taxes flat. Our goal is to make lives better, and we do so through job training programs, increasing support for underserved populations, and deeper investments in public safety.

Job development is a cornerstone of this budget. Our transit system is connecting more people to jobs through added links to employment centers, without raising fares or cutting service. Training programs at the House of Correction and through our Uplift MKE program will ensure that residents of our poorest neighborhoods obtain training and access to jobs.

My recommended budget maintains our commitment to ending chronic homelessness in Milwaukee by 2018. It also prioritizes public safety through investments in emergency management, the District Attorney's operation, and the Sheriff's training academy. Our child support program is a national model, lifting children and families out of poverty by helping fathers get the training they need to achieve economic security and provide for their kids.

Milwaukee County employees are the reason that Milwaukee County can provide these great services and more, which is why this budget adds \$7.6 million in salaries over the 2015 budget to thank employees for the important work they do building strong communities. Despite fiscal challenges, we are able to accomplish this generating new sources of revenue and increasing efficiency in our delivery of services.

Milwaukee County has made incredible strides in the past five years, but tremendous opportunities still lie ahead of us. This budget invests in programs that ensure we can continue our forward progress and improve quality of life for people in every corner of Milwaukee County.

The following pages highlight key initiatives from my Recommended Budget.

Chris Abele

## Turning the Corner

Five years ago, Milwaukee County faced a dire fiscal outlook, and the Public Policy Forum asked of County government, “Should It Go or Should It Stay?”<sup>1</sup> Today, Milwaukee County is setting performance records and is poised to serve as a model government. Thanks to thoughtful analysis, disciplined decision making, and principled budgeting, the County’s fiscal outlook is strong, and this budget demonstrates the rewards of hard work. In 2016 Milwaukee County will increase support of key community programs, offer meaningful growth and advancement to its workers, and uphold its responsibility to taxpayers. Further, it continues the prudent and responsible operations that have led to this improved outlook.

## Improving Services and Increasing Support for the Community

The discipline and rigor of the last four years are now paying dividends, as we are able to improve and expand services across the County. Highlights include:

### Improving Economic Opportunity and Quality of Life

Providing “economic opportunity and quality of life for its entire people” is a cornerstone of Milwaukee County’s Mission and of the 2016 Budget. In the face of persistent and high rates of poverty and falling real incomes<sup>2</sup>, we seek every opportunity to improve opportunities and the quality of life in Milwaukee County. Among the initiatives included in the 2016 Budget are:

**Supporting Children.** Milwaukee County’s Child Support Services (CSS) Department is launching an innovative program to increase support for some of our community’s poorest families and children. Research confirms that children with both parents supporting families have brighter prospects than those without such involvement, and the CSS department helps identify and involve noncustodial parents in their children’s lives. A team within CSS will focus on two of the County’s poorest neighborhoods with some of the lowest rates of child support to increase support for children. This team will employ a variety of best practices to work with families, including case management to help reach right-sized and mutually-agreed-upon support agreements. The goal is to increase child support collections by at least 20 percent over the next three years.

**Linking People to Jobs.** Another strategy to improve economic opportunity for residents of Milwaukee County is to help workers reach employment centers using public transit. During 2015 the Milwaukee County Transit System (MCTS) added links to industrial parks in New Berlin and Menomonee Falls. Seasonal ridership on these routes exceeds 1,150 weekday passengers. During 2016 MCTS will pilot an extension to new job sites in St. Francis, adding 20,000 route miles—all while holding fares steady.

Also in 2016 MCTS will work on two important initiatives to continue to improve access to key regional job centers. The budget includes funding to investigate Bus Rapid Transit (BRT), an innovative way of improving transit service. With BRT, buses operate in reserved lanes with stoplights set to turn green as buses approach. The buses stop at fewer locations and are able to achieve much of the speed and

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<sup>1</sup> Public Policy Forum, “SHOULD IT STAY OR SHOULD IT GO? Exploring the potential for structural reform in Milwaukee County government,” January 2010.

<sup>2</sup> Milwaukee Journal Sentinel, “Poverty keeps tight grip on Milwaukee, new census figures show, Sept. 16, 2015.

effectiveness of light rail without the same capital investment. MCTS is evaluating the use of BRT to link downtown Milwaukee to large employers on the west side of the County including the Milwaukee Regional Medical Center. MCTS also will explore options to address “the last mile” issue in transit. Fixed route systems, such as MCTS operates, rely on large numbers of travelers going to and from similar destinations. Often suburban employment centers lack the density to support fixed route service. This initiative will identify options to address this issue, based on best practices and innovations around the country.

We are especially happy to be able to fund all these improvements in transit service while holding fares flat – as they have been for the last four years. We recognize how critical affordable fares are to those who rely on the system to travel around the community.

**Expanding and Supporting Good Jobs.** While rates of unemployment have fallen since 2009, still too many people who want to work are unable to find full-time, family-supporting jobs. To address this issue, the County is spurring development and employment within the County. The Milwaukee Bucks are the first employer to pledge to target not only construction jobs but also ongoing jobs at those most in need, and more employers are expected to follow suit. The UpLift MKE partnership between the County, City, Milwaukee Area Technical College and the Milwaukee Area Workforce Investment Board will provide residents from some of the poorest areas of our community with training and access to those jobs. To jump-start this initiative, a mid-year 2015 budget amendment has been submitted to the County Board.

**Improving Skills for Re-entering Citizens.** Milwaukee County operates the House of Correction (HOC), a correctional facility designed for individuals remanded to custody for up to one year. Part of the mission of the HOC is to ensure that those in custody are “afforded the opportunity and encouragement to reach their full potential.” To that end, the HOC has created numerous programs since May 2013 to improve opportunities, including GED classes, job training programs, as well as Alcohol & Other Drug Abuse (AODA) programs including cognitive services and treatment.

In 2016, officials at the HOC will continue to expand opportunities. They expect to increase the percentage of Huber/work release inmates who are employed outside the facility. The 2020 goal of employing 33 percent of the total number of Huber/work release inmates has nearly been achieved: 42 inmates who were unemployed when they entered custody now have full time employment that can continue once the inmates are released. The HOC is also increasing opportunities for inmates to give back to the community by joining off-site community service work crews. Participating in community service allows inmates to engage in productive activities, as well as to reduce the length of their sentence and lower the costs of incarceration. And in 2016, the HOC will launch an initiative to promote and encourage 100 percent of eligible inmates to participate in at least one educational, job training, or personal enhancement program during their period of confinement.

### **Continuing the Strong Focus on Public Safety**

Over the last four years, public safety has been a consistent priority, and the 2016 budget continues this focus with additional investments in emergency management, the District Attorney’s operation, public safety operations, and the Sheriff’s training academy.

**Improving Public Safety through Emergency Management.** In 2015, we consolidated four divisions previously housed in three different departments into the single Office of Emergency Management

(OEM) for better coordination and efficiency. This effort is already creating benefits and implementing best practices, such as integrating the FEMA Incident Command System into the governance of the OASIS Public Safety Radio System that supports our first responders. The OASIS radio network is also adapting system protocol to meet the needs of local hospitals and gaining efficiencies within the county's Emergency Medical Services (EMS) system. Additionally, EMS is relocating its communications center into the County's 9-1-1 communications center, creating a successful consolidation as well as increasing opportunities for employees.

The 2016 budget continues technology investments to improve service coordination across the County with nearly \$1 million for the upgrade of the OASIS radio system. This partnership between Milwaukee County and 17 of the County's municipalities is a joint effort to move from analog to digital technology, which will improve coordination between dispatching organizations and will position the system to continue to provide excellent emergency responsiveness.

**Protecting Citizens.** The District Attorney's Office is responsible for promoting public peace and safety through just and vigorous prosecution. In response to the growing workload in the department, the 2016 budget provides a net increase of 3.5 FTE positions. These increases, which add Victim Witness Advocates as well as investigative support, help address the following areas: crime investigations, witness protection, domestic violence, and prosecution requirements.

**Improving Management of Inmates.** The Budget includes 2 additional FTEs and continuing support for the implementation of a new system that will, among other functions, provide a new Correctional Management Solution to help oversee approximately 2,400 inmates between the House of Correction and Sheriff's Office, including arrest, booking and inmate management.

**Upgrading Training Facilities for Law Enforcement.** The Office of the Sheriff manages a facility for initial and ongoing training for the Sheriff Deputies as well as law enforcement units statewide critical to ensuring the safety of both officers and the public. The budget includes nearly \$750,000 in capital improvements to maintain the Sheriff's Academy for law enforcement training.

### Increasing Support for Underserved Populations

Milwaukee County operates numerous local, state, and federal programs for residents who need support living healthy, independent, and safe lives within our community. This has been a core responsibility since its early days, when Milwaukee County was a pioneer in establishing facilities for orphans, the poor and the ill. Milwaukee County continues to be an innovator in this regard, and the 2016 budget funds important initiatives to help those in need.

**Ending Chronic Homelessness.** The Division of Housing this year announced a plan to end chronic homelessness by 2018, and this budget includes funding to address this goal, which is also being supported by the City of Milwaukee and its Housing Authority as well as by private sources. Based on local data from 2014, Milwaukee has a population of roughly 200 individuals and families who are chronically homeless, that is, who have been continuously homeless for a year or more or who have experienced at least four episodes of homelessness in the last three years<sup>3</sup>. These individuals and families will be assisted first with housing and then with additional case management services to help

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<sup>3</sup> Defined by the U.S. Department of Housing and Urban Development.

them remain in housing. This innovative approach pioneered in New York City has shown remarkable success. Included in the 2016 budget are funds for four additional staff to support this program.

**Employing the Disabled.** Also in 2016 the Division of Disability Services will launch a three-year effort to provide employment connections for all graduating high school students with disabilities. By collaborating with municipalities, school districts and other stakeholders, the County will link graduates to job coaches and job developers. This will enable young adults to participate in employment that focuses on their strengths and abilities, not their disabilities.

**Moving to Community-Based Services.** Milwaukee County continues to embrace service models to care for individuals within the community, rather than in institutional facilities, wherever possible, while maintaining or improving public safety. Research and experience have demonstrated that individuals have better outcomes when they are treated in less-restrictive and community-based settings, and the County is moving swiftly to align with best practices nationally. The Behavioral Health Division continues its move to community-based services by increasing funding for mobile crisis services and for community-based mental health and substance abuse services, as well as by funding the creation of a north-side community access hub. The Delinquency and Court Services Division plans in 2016 to increase community-based services to selected adolescents in a secure community-based facility, rather than a secure detention facility.

**Improving Accessibility across Milwaukee County.** In celebrating the 25<sup>th</sup> anniversary of the Americans with Disabilities Act in July, we recognized that while we have made good progress in making Milwaukee County accessible to all of its citizens, some of our facilities remain difficult to enter or navigate. In the 2016 we are dedicating \$500,000 specifically to improve access to our facilities for all citizens.

### **Supporting Active and Healthy Lifestyles**

Milwaukee County offers rich and varied recreational and cultural attractions that are important elements in our quality of life. The 2016 Budget continues investments across these facilities, including key improvements in our parks system, the Zoo, the Public Museum and other cultural institutions.

**Walking for Wellness – and Fun.** In 2014 the Department of Parks, Recreation and Culture surveyed residents about their usage of County parks, and walking in the parks was the number one activity residents reported. With over 114 miles of pathways within parks, 120 lane miles of parkways, and 150 miles of multi-use trails spreading across the County, the County park system offers a wide variety of walking – as well as running and cycling – opportunities. Recognizing the importance residents place on these trails, the budget targets \$1.4 million of the planned \$5.2 million in new capital spending for improvements to walkways and trails, including both resurfacing and expansions.

**Trumpeting the Elephants.** Did you know that the Milwaukee County Zoo has been continuously exhibiting elephants since 1907 and has the only collection of elephants in the upper Midwest? The next nearest collection is in Indianapolis. This makes the Zoo's Adventure Africa exhibit an important undertaking not just to the community but to the region. The budget includes nearly \$1 million as part of the \$16 million being raised by public and private partners, including the Zoological Society, for the first phase of this exciting project. The subsequent phase, including another \$15 million investment, will focus on improvements and renovations to the hippo, rhino, zebra, and giraffe exhibits.

**Supporting Cultural Institutions.** Milwaukee County is a key participant in the cultural life of our community, and the budget continues to make significant investments in these assets. The budget allocates nearly \$7 million in operating support for cultural institutions, generally based on ongoing agreements with the organizations that operate them, as well as another \$6.7 million in capital support to help maintain facilities.

## Offering Growth and Opportunities to Employees

Employees remain at the heart of our mission and success: they are the vibrant connection between the programs we offer and the people we serve. This budget recognizes their essential role, as well as their support in helping transform Milwaukee County government over the last four years. We are pleased to increase support of employees by \$7.9 million in the proposed budget over the 2015 adopted budget.

### Stabilizing Take Home Pay

A key priority in this budget is improving compensation for employees, and this budget allocates \$3.9 million more in base salaries for employees than in the 2015 budget. This results from a planned one percent increase in salaries in mid-2016, on top of the 1.5 percent increase during 2015. Further, the budget holds medical premiums, deductibles, coinsurance, and office copays unchanged, and it proposes a \$1 match for every \$2 employees contribute to a Flexible Saving Account. At the same time, state-mandated employee pension contributions are also rising<sup>4</sup>, to ensure that promised benefits will be available to employees at retirement. The net result of these changes is that take home pay for general employees will not erode in 2016 and most employees will see increases, especially coupled with the other investments in employees described below<sup>5</sup>.

### Recognizing Accomplishment and Supporting Advancement

In addition to increasing salaries by 2.5 percent over the start of 2015, the budget also includes two new programs to recognize County employees. We believe that this additional \$1.5 million investment in our employees is well placed and recognizes the significant role that employees play in making Milwaukee County a model government. New in 2016 are:

**Lump-Sum Increase.** The budget creates a one-time pool of 0.5 percent of salaries that will be awarded as a lump sum to employees. This means that employee salaries in 2016 will be 3 percent above 2015 budgeted levels.

**Tuition Assistance Program.** The budget envisions a major overhaul of the County's employee Tuition Assistance benefit. In the past, employees could borrow up to \$1,500 from the County to pay for tuition and then repay the interest-free loans over ten bi-weekly installments. Under the new program, employees will be eligible for reimbursement up to \$2,500 annually to attend classes to further skills for their current roles or to develop new skills to advance their careers.

### Addressing Market Compensation and Pay Equity Gaps

Along with \$5.4 million in salary and benefit increases for employees, the budget includes \$2.5 million to address imbalances in pay equity. The following proposals are designed to ensure that employees in critical roles, such as corrections officers, victim witness advocates, highway workers, human service

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<sup>4</sup> For 2016, general employees shall contribute 6.5 percent of salary to the pension plan (up from 5.0 percent in 2015).

<sup>5</sup> Public safety employees' compensation and benefits are subject to collective bargaining.

workers, and administrative support personnel, along with all other employees are treated fairly and respected for the valued role they play in our community.

**Meeting Market Minimums.** Over the last two years the Human Resources (HR) Department has evaluated jobs across the County to ensure that every job has an accurate description and that the salary ranges for all jobs are fair and competitive, based on market data for comparable jobs. In this process, the HR department discovered over 500 employees with salary levels below market ranges. The funding in the budget will allow HR to ensure that no County employee is paid below the market range for the position filled.

**Assuring Pay Equity.** In reviewing all positions and descriptions, our HR department also identified circumstances where employee compensation is not well aligned with employee experience. The 2016 budget also includes funds to begin addressing any issues of pay equity between employees.

## Maintaining Accountability to Taxpayers

In every budget since 2012 we have proposed a flat property tax levy, and 2016 is no exception. Taxpayers expect us to be frugal with their hard-earned money, and we continue to follow best practices in managing the County's finances. Taxes levied by County government represent about 16.5 percent of total property taxes levied on County taxpayers, and we are working hard to do more with the resources entrusted to us without relying on additional tax contributions from hard working residents.

### Holding Property Taxes Flat While Growing Revenue

Despite keeping the County tax levy flat, total expenditures and revenues are expected to increase modestly by 2.8 percent in 2016. To assure that our core programs receive adequate funding, we are investing in new sources of revenue for County operations. We are adding a Grant Coordinator in the Department of Administrative Services to help smaller departments secure and manage additional funding. To support our parks we are adding a full time development officer to secure additional funds, and we are funding the Parks Amenity Matching fund to ensure that we can accept grants with matching requirements.

### Managing County Finances Prudently

While under State law Milwaukee County is unable to maintain operating reserves, the County is able to maintain reserves for debt service to ensure that the County can meet its debt service payments. These reserves are funded by any surpluses generated from County operations. The County's Comptroller has set a minimum target of \$10 million for reserves. Under standard accounting practices, reserves should generally be used for one-time expenses, rather than for ongoing operations. The 2016 budget proposes to lower reserves by \$17.25 million primarily to increase funding for our employees' pensions and to offset reductions in shared revenue from the State of Wisconsin.

## Working "Better, Faster, Cheaper"

Our improved performance and stronger fiscal outlook rest heavily on the disciplined approach we've taken over the last four years in understanding community needs and designing solutions. We will continue to approach our responsibilities in that vein, relying on several approaches to improve performance and outcomes in the community, including:

### **Adopting best practices**

Across the County we are transforming our operations by adopting state-of-the-art approaches to meet needs. As described earlier, the Divisions of Delinquency and Court Services and Housing are each adopting best practices to improve outcomes by increasing secure community-based support for juveniles and by adopting the Housing First model to address chronic homelessness. The Behavioral Health Division is pursuing Joint Commission Accreditation to ensure that its hospital operations meet national standards for quality and performance. Today the Zoo supports and participates in over 50 conservation programs; over the coming years it will increase its support of world-wide conservation practices in keeping with the standards of the Association of Zoos and Aquariums. The Department on Aging will continue to examine the sites it operates for senior meal programs, based on feedback from seniors themselves, to ensure the locations and programming available continue to meet their needs and expectations.

Departments supporting County operations are also moving quickly toward best practices. The Human Resources Department is planning for 360 degree feedback tools for managers to ensure that they have opportunities to continue to develop and grow as leaders. The Information Management Services Division is adopting standard project management methodologies to ensure the successful completion of technology projects. And the Economic Development and Real Estate Division will introduce a sealed bid disposition process in 2016 for foreclosed properties, a best practice to help ensure that foreclosed properties revert to private ownership as fairly and effectively as possible.

### **Reducing and managing the County's footprint**

Earlier this year we successfully vacated the City Campus facility, and today plans are underway to redevelop that property into an engaging and attractive asset to the community. This budget includes over \$4 million to continue to fit our footprint to our needs and to bring unneeded and under-used assets back into community life – and back onto tax rolls. The Facilities Management Division will support and guide the changing needs of the County by creating a new team to oversee space usage and planning, a standard practice for an organization with over 14 million square feet of facilities to manage.

### **Seeking efficiencies**

Across the County we seek – and implement – more efficient operations. Examples of projects funded in this budget to spur efficiency include the project to consolidate as many as eight work order systems into the single City Works platform to improve information sharing and functionality as well as the project to move to digital radio systems to improve emergency response. Within the Department of Administrative Services, consolidation of safety program managers into the office of Risk Management, rollout of an automated procurement system, centralization of business services into the Central Business Office, and planning for an Enterprise Resource Planning system to replace aging and obsolete core systems are more examples of steps we are taking to operate as efficiently and as effectively as we can.

# **Milwaukee County Executive Chris Abele**

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Teig Whaley - Smith**

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***Special Thanks to:***

- Elected Officials
- Department Heads
- Departmental Fiscal Staff
- Staff of the Office of the Comptroller

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# Milwaukee County Board of Supervisors

The Milwaukee County Seal is a large, light gray watermark in the background. It features a central shield with a building and a Ferris wheel, surrounded by the text 'MILWAUKEE COUNTY' and 'INCORPORATED 1835'.

Chairman	Theodore Lipscomb, Sr., 1st District
First Vice-Chair	Peggy Romo West, 12th District
Second Vice-Chair	Steve F. Taylor, 9th District
2nd District -	Khalif Rainey
3rd District -	Gerry P. Broderick
4th District -	Marina Dimitrijevic
5th District -	Martin Weddle
6th District -	James "Luigi" Schmitt
7th District -	Michael Mayo, Sr.
8th District -	Patricia Jursik
10th District -	Supreme Moore Omokunde
11th District -	Vacant
13th District -	Willie Johnson, Jr.
14th District -	Jason Haas
15th District -	Eddie Cullen
16th District -	John F. Weishan, Jr.
17th District -	Anthony Staskunas
18th District -	Deanna Alexander

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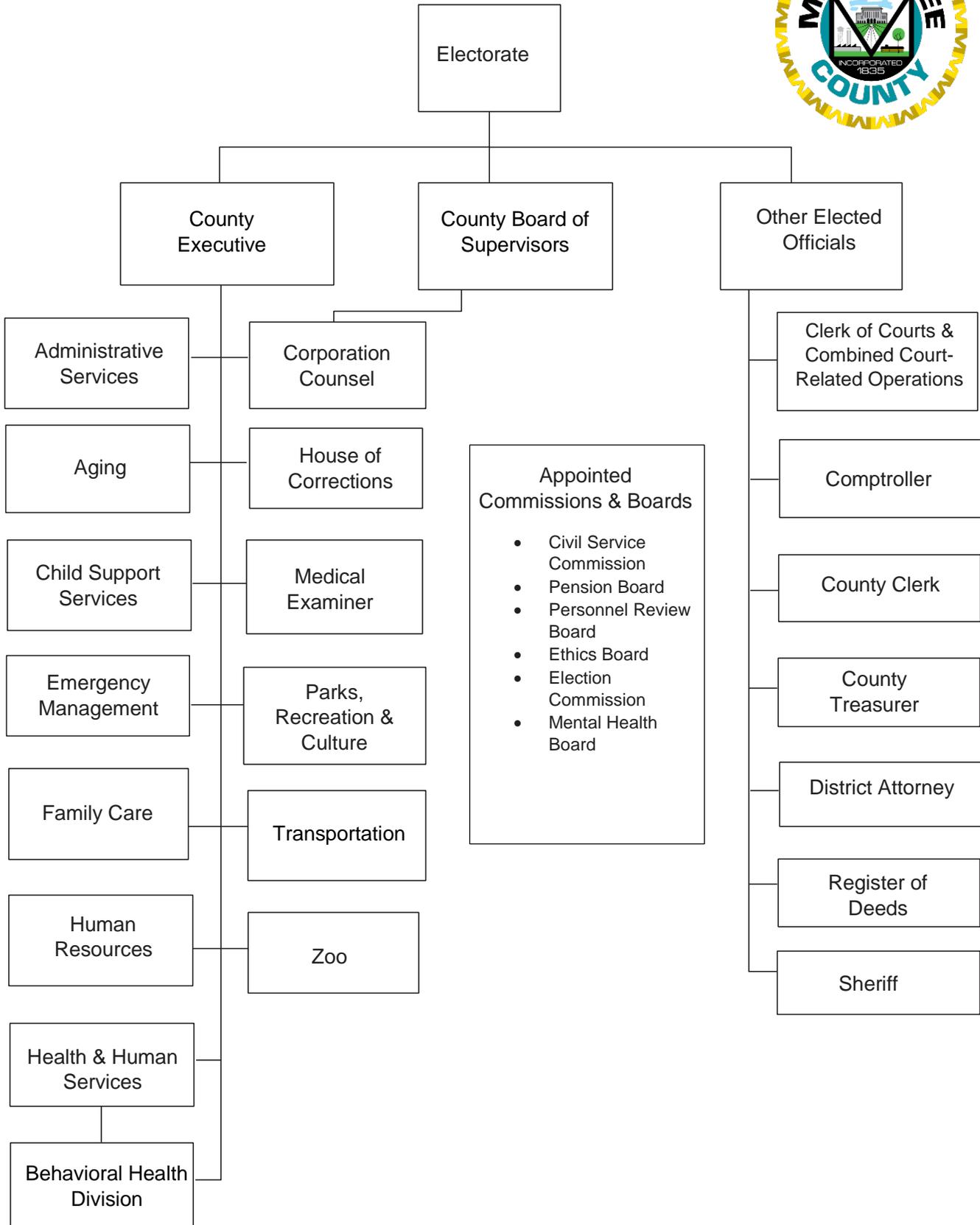
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# Organizational Chart



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# Budget Narrative Reader's Guide

The budget narrative serves as the County's business plan for the upcoming year. It provides information to taxpayers, policymakers, stakeholders, community groups, and other interested parties about what the County intends to produce with the resources provided to it. The goal of the budget narrative is to present this business plan in a format that is easy to read and informative for everyone who has an interest in the County. We seek to achieve this goal in part by adopting best practices, which are exemplified by the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award, which the County was awarded for the 2015 budget.

## **Structure of the Narrative**

Each departmental narrative starts with one or more summary pages. The first page shows expenditures, revenues, tax levy for the entire department, and how much of each department's resources are consumed by retiree fringe benefits, when applicable.

Staffing information for the entire department shows FTEs based on full-time and part-time (seasonal, hourly, pool, etc.) positions, and overtime by dollars. Following this information is a brief overview of the department's mission and structure.

After the departmental summary pages, the narrative shows detailed information about each program, including:

- **Service Provision:** This indicates whether the program is mandated by State or Federal law, committed via contract or other long-standing relationship, discretionary, or administrative in nature. Administrative program areas generally assist other County departments with basic business functions.
- **Strategic Outcome:** This indicates the plank of the County's mission statement, to which the program is most closely aligned. The County's Mission Statement reads,

*Milwaukee County Government will provide high quality, responsive services that enhance self-sufficiency, personal safety, economic opportunity and quality of life for all its people.*

For instance, in many of the programs within the Office of the Sheriff, the Strategic Outcome are listed as "personal safety"; likewise in many administrative departments, the Strategic Outcome are listed as "high quality, responsive services". Please see the "Performance-based Budgeting" section for additional detail.

- **"What We Do":** This indicates activity data that shows "how much" service is provided, for instance the number of aquatics attendees at parks or the number of individuals served in the senior meal program.
- **"How We Do It":** This displays the resources dedicated to this program, including expenditures, revenues, tax levy, and total FTEs, including full and part-time positions (note that this figure does not include FTE equivalents for overtime, special premium, salary adjustment, shift differential, or vacancy and turnover).
- **"How Well We Do It":** This displays performance measures for the program area. Many departments have identified and developed performance measures for several program areas; more will be created and included in future budget years, as this is intended to be an iterative process.
- **Strategic Implementation:** This is an overview of how the resources provided to the program area will be used to achieve the performance measures (where developed) and help the County achieve its mission in the upcoming year. It also provides information on significant changes.

# Community Profile



*Photo of the new baggage claim at General Mitchell International Airport courtesy of Airport staff.*

Milwaukee County was formed in 1835 when it was part of the Michigan Territory. Prior to that, the area had been settled by a variety of Native American tribes, and was explored by French Priests and traders as far back as 1674. The name “Milwaukee” is generally believed to be derived from a Native American term meaning “good land”<sup>1</sup>.

Today Milwaukee County is, by population, the largest county in the State of Wisconsin and the 47<sup>th</sup> largest in the United States with 956,406 residents<sup>2</sup>. Milwaukee County is one of the few fully-incorporated counties in the United States and includes 19 municipalities that range from a large urban center in the City of Milwaukee with 599,642 residents to small villages such as River Hills with a population of 1,591.

The County anchors the Greater Milwaukee Metropolitan Area, which has a population of more than 2 million and includes seven neighboring counties: Waukesha, Racine, Washington, Ozaukee, Dodge, Jefferson, and Walworth.

As in many other major urban areas in the upper Midwest, the regional economy in the 20<sup>th</sup> century was based on heavy manufacturing. As the manufacturing sector has declined nationally since the 1970s, the region has transitioned to attract economic growth based on high-tech, light manufacturing and service-oriented industries; now developing into a worldwide leader in freshwater sciences and technology.



*Photo of the pop up beer garden at Scout Lake courtesy of Parks Department*

The tables on the following pages provide some demographic and economic data about Milwaukee County.

<sup>1</sup> Wisconsin Historical Society, online at <http://www.wisconsinhistory.org/Content.aspx?dsNav=N:4294963828-4294963788&dsRecordDetails=R:BA8864>

<sup>2</sup> U.S. Census Bureau Quickfacts, online at: <http://quickfacts.census.gov/qfd/states/55/55079.html>

<b>Basic Data</b>	<b>Milwaukee County</b>	<b>Wisconsin</b>
Land area in square miles, 2010	241	54,158
Population, 2014 estimate	956,406	5,757,564
Population Density (Population per Square Mile)	3,926	105
<b>Demographic Data</b>	<b>Milwaukee County</b>	<b>Wisconsin</b>
Persons under 5 years, percent, 2014	7.2%	6%
Persons under 18 years, percent, 2014	24.4%	22.6%
Persons 65 years and over, percent, 2014	12.1%	15.2%
High school graduate or higher	85.9%	90.4%
Bachelor's degree or higher	28.1%	26.8%
Veterans, 2009-2013	53,064	408,870
<b>Economic Data</b>	<b>Milwaukee County</b>	<b>Wisconsin</b>
Housing units, 2014	417,082	2,648,317
Homeownership rate, 2009-2013	51.3%	68.1%
Median value of owner-occupied housing units, 2009-2013	\$158,400	\$167,100
Households, 2009-2013	379,637	2,288,332
Median household income, 2009-2013	\$43,193	\$52,413
Private nonfarm establishments, 2013	19,389	137,983
Private nonfarm employment, 2013	443,721	2,401,032
Manufacturers shipments, 2007 (\$1000)	19,065,361	163,563,195
Merchant wholesaler sales, 2007 (\$1000)	10,955,307	59,996,244
Retail sales, 2007 (\$1000)	10,207,295	72,283,321
Retail sales per capita, 2007	\$10,720	\$12,904
Accommodation and food services sales, 2007 (\$1000)	1,570,614	9,247,311
Building permits, 2014	795	14,622

Source: US Census Bureau



Photo from the Classic-Symetra Tour provided courtesy of the Parks Department

<b>10 Largest Principal Property Tax Payers</b>	
<b>Taxpayer</b>	<b>2014 Equalized Value</b>
Mayfair Mall LLC	\$406,619,000
Bayshore Town Center LLC	\$319,735,000
Northwestern Mutual Life	\$308,805,000
US Bank Corp.	\$276,645,000
BRE Southridge Mall LLC	\$161,689,000
Mandel Group	\$158,095,000
Wal-Mart/Sam's Club	\$145,864,000
Metropolitan Associates	\$126,746,000
Marcus Corp/ Milw. City Center/Pfister	\$120,952,000
Forest County Potawatomi Community	\$84,940,000
General Electric	\$80,720,000

*Source: 2014 Milwaukee County Comprehensive Annual Financial Report, Office of the Comptroller*

<b>10 Largest Private Sector Employers</b>			
<b>Private Sector Employer</b>	<b>Industry</b>	<b>2014 Employees</b>	<b>% of Total County Employment</b>
Aurora Health Care, Inc.	Health Care	24,462	5.47%
Wheaton Franciscan	Health Care	10,687	2.39%
Froedtert & Community Health	Health Care	9,028	2.02%
Roundy's Supermarkets	Retail Supermarkets	9,000	2.01%
Medical College of WI	Private Medical School	5,400	1.21%
Columbia St. Mary's	Health Care	5,400	1.21%
Northwestern Mutual	Insurance and Investments	5,000	1.12%
ProHealth Care, Inc.	Health Care	4,700	1.05%
Children's Hospital	Health Care	4,471	1.00%
Good Will Industries	Training Programs, Retail & Food Service	4,055	0.91%

*Source: 2014 Milwaukee County Comprehensive Annual Financial Report, Office of the Comptroller*



# Budget Summary

- **2016 Budget FAQ's**
- **Tax Levy Summary**
- **County Share of Property Tax Levy**
- **Budget Assumptions**
- **Performance Budgeting**
- **Long-Range Fiscal Analysis**
- **Expenditure Analysis**
- **Revenue Analysis**
- **Countywide FTE Positions**

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## 2016 Budget FAQ's

A budgetary best-practice recommended by the Government Finance Officers Association (GFOA) is to provide a list of the questions that might be most frequently asked about this year's budget. This is the familiar term FAQs. Some of the most pertinent questions related to the budget are as follows:

### **How much would this budget raise my property taxes?**

The change in individual property tax bills is subject to a number of factors, including changes across the County in equalized values, and tax levy changes made by local governments, the State of Wisconsin, and other taxing districts.

The cost to operate County government makes up approximately 17 percent of the total property taxes levied, so other units of government and taxing districts combined have a significant impact on your individual property tax bill. The 2016 budget property tax levy remains flat at the 2015 level of \$283 million. This means that individual tax payers may see a change in the County's share of taxes on their bills due to a combination of changes in equalized value across the County and in the total amount of tax levied.

### **What are the key assumptions contributing to the projected gap for 2016?**

The budget gap is driven by the County's structural deficit, where its ongoing costs to continue grow faster than its revenues. The projected gap for the 2016 budget is approximately \$26.2 million. Key assumptions contributing to the gap in 2016 Milwaukee County include a substantial increase in the pension contribution, a reduction in State Shared revenue for the County's share of the Bucks arena funding and elimination of the contribution from reserves. Offsetting these increases is a significant drop in annual healthcare costs, forecasted increases in property tax levy, and increased revenues from sales tax and employee pension contribution.

### **Why is the pension contribution increasing?**

Pension costs rise 29.3 percent in 2016 and then flatten out over a five- year forecast period. This increase in 2016 is due to the realization of COLA (cost of living adjustment) liabilities that were not included in 2013 and 2014 as well as the implementation of funding policy changes to accelerate funding of the current unfunded liability. Although the change is significant in 2016, the County's pension contribution is stabilized over the forecast period due to the funding policy changes. The total increase from 2015 to 2016 is projected to be \$20.4 million. These changes result in an additional \$111.4 million in expenditures over the five-year period. The portion of these costs which are attributable to active employees will be offset by an increase in active employee pension contributions of approximately \$3.0 million annually.

### **How will the County balance the budget?**

- **Investments in Revenue Initiatives:** One goal of the 2016 budget is to find financial opportunities to expand the County's revenues. The initiatives include:
  - Two new positions to facilitate securing additional funding. One position is a Grants Writer in the Department of Administrative Services and the other is a Development Officer in the Parks Department
  - \$250,000 of funding to the Parks Amenities Matching Fund (PAMF) is being restored
  - Child Support Services is implementing a pilot project Performance Geographic Pilot (PGP) to aid in Child Support Collection
  
- **Investments in Information Technology:** Funding is provided in the 2016 budget for major Information Technology related projects that include:
  - CityWorks
  - ERP
  - Phone System
  - Disaster Recovery
  - Internet/Intranet Redesign

- **Reducing the County's Footprint:** The 2016 budget includes a significant reduction in its outstanding maintenance requirements by reducing infrastructure that is outdated and expensive to maintain. Initiatives include:
  - Facility Redesign at Behavioral Health Division (BHD) for a cost savings of approximately \$400,000
  - Consolidation of senior center meal sites resulting in a reduction of two locations. The number of meals will not decrease, but the cost savings due to the reduction of sites is approximately \$128,000
  - Adding three positions to allow for improved facilities planning efforts
  - \$300,000 increase for maintenance staff overtime
  
- **Efficiency Measures:** The 2016 budget continues significant changes to how the County provides many of its internal administrative functions, with the goal of providing significant time and cost savings in the long-term. These efforts include:
  - Centralization of information technology procurement and maintenance to ensure standardization and better vendor management.
  - Centralization of the procurement process with a new paperless, online "E-procurement" system that will enable all County employees to purchase from preferred vendors at competitive and standardized prices.
  - Ongoing utilization of Continuous Improvement processes that adopt lean-management principles.
  - Strengthening financial management policies that will direct large, unanticipated one-time revenues to projects that enhance efficiency, drive economic development, and build debt reserves for the future pre-payment of debt obligations.



*Photo of Procurement process improvement team courtesy of André Simms, Budget Analyst*

- **Investment in Workforce:** The 2016 budget includes significant changes that invest in the County's workforce. These efforts include:
  - \$7.6 million for pay increases
    - Full year funding for 2015 COLA
    - Funding for implementation of new pay ranges
    - Funding for mid-year pay increase
    - Equity adjustment pool to address fairness issues
  - Stabilize pay for everyone and increase pay for those below market
  - Fund a tuition reimbursement program
  - 360 Leadership Assessments for senior leadership
  - Employee Engagement Survey

- **Utilize One-Time Revenues Properly:** The use of one-time, non-recurring revenues to finance ongoing, long-term operations is not sustainable. The 2016 Budget continues to implement sound financial policies regarding the use of one-time revenues.

**What are the key capital investments being made in this budget?**

The 2016 Recommended Capital Budget includes more than \$82 million in capital investments in the County’s infrastructure, including \$23 million in cash financing. The cash financing plan for 2016 is about \$10.5 million above the County’s stated goal of financing 20% of projects with cash.<sup>1</sup> By continuing to expand the use of cash financing, the County can address deferred maintenance without incurring more long-term debt.

The 2016 Recommended Capital Budget continues to emphasize improving County facilities and managing long-term costs. Highlights include:

- \$22.2 million in funding for Airport improvements
- \$14.5 million to continue the bus replacement program in the transit system
- \$10.7 million in funding to improve the condition of County highways and bridges
- \$6.4 million to continue the Fleet vehicle and replacement program replacement program.
- \$5.9 million for improvements to infrastructure in the County parks including:
  - \$1.9 million to complete the Sherman Parks Boys & Girls Club HVAC system replacement
  - \$1.1M for extension of the Oak Leaf Trail through the Root River Parkway
  - \$847,500 for planning and design related to the reconstruction of the Kinnickinnic Parkway
  - \$500,000 for park walkway improvement
- \$3.8 million to demolish two obsolete buildings located on the Milwaukee County Mental Health Complex grounds
- \$3.6 million to complete the final phase of overall HVAC replacement at the Marcus Center
- \$3.2 million to make improvements to Zoo infrastructure and exhibits (including \$1.8 million for continued work on the African Plains Elephant exhibit)
- \$1.9 million to make improvements to the War Memorial Center and Art Museum



*Photo of the Airport’s new monument letters provided courtesy of Airport Staff.*

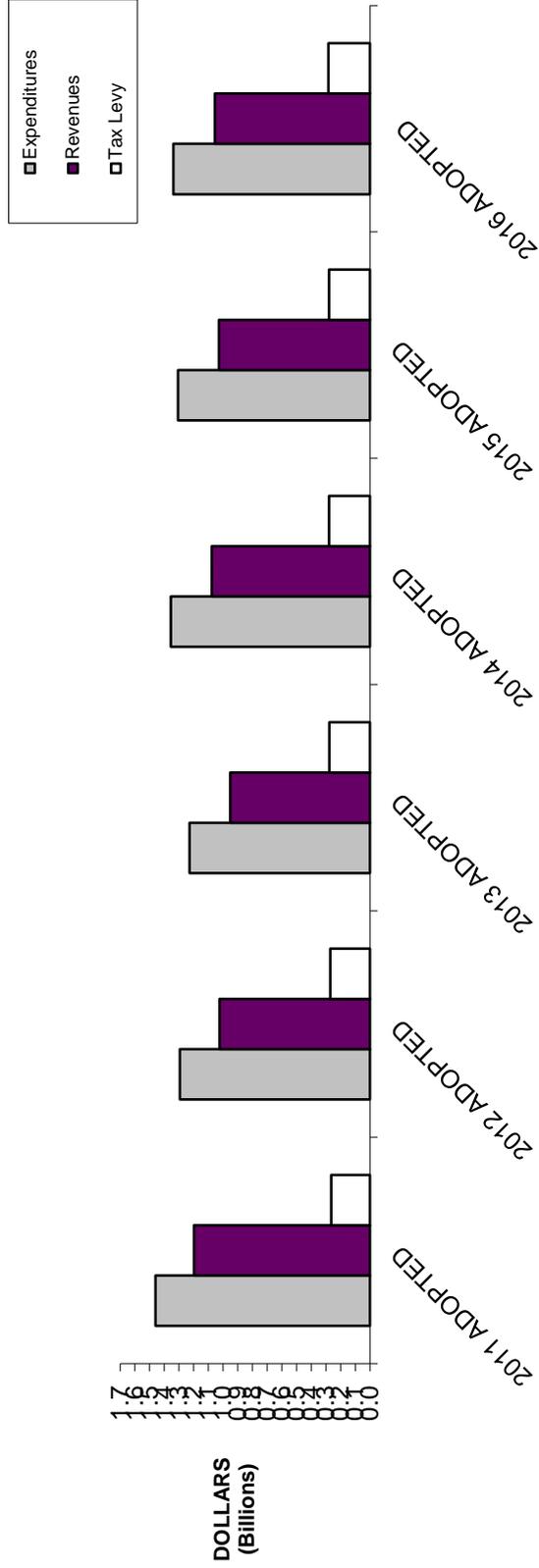
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<sup>1</sup> Cash financing is calculated from the County’s financial contribution to capital sub-projects. In 2016, the total capital sub-project expenditures amount to approximately \$82.6 million, with \$62.7 million financed via County resources and \$19.9 financed from Federal, State, and Local sources. Of the \$62.7 million in County financing, approximately \$23.2 million (or 36.7%) is cash financed. Please refer to the Introduction section of the 2016 Recommended Capital Improvement Budget for additional detail.

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## ADOPTED 2016 BUDGET FOR GENERAL COUNTY PURPOSES

	2015 ADOPTED	2016 ADOPTED	CHANGE	PERCENT
<b>EXPENDITURE</b>	<b>\$1,337,729,019</b>	<b>\$1,374,343,192</b>	<b>\$36,614,173</b>	<b>2.74%</b>
<b>REVENUE</b>	<b><u>1,054,743,894</u></b>	<b><u>1,087,358,067</u></b>	<b><u>32,614,173</u></b>	<b><u>3.09%</u></b>
<b>TAX LEVY</b>	<b>\$282,985,125</b>	<b>\$286,985,125</b>	<b>\$4,000,000</b>	<b>1.41%</b>



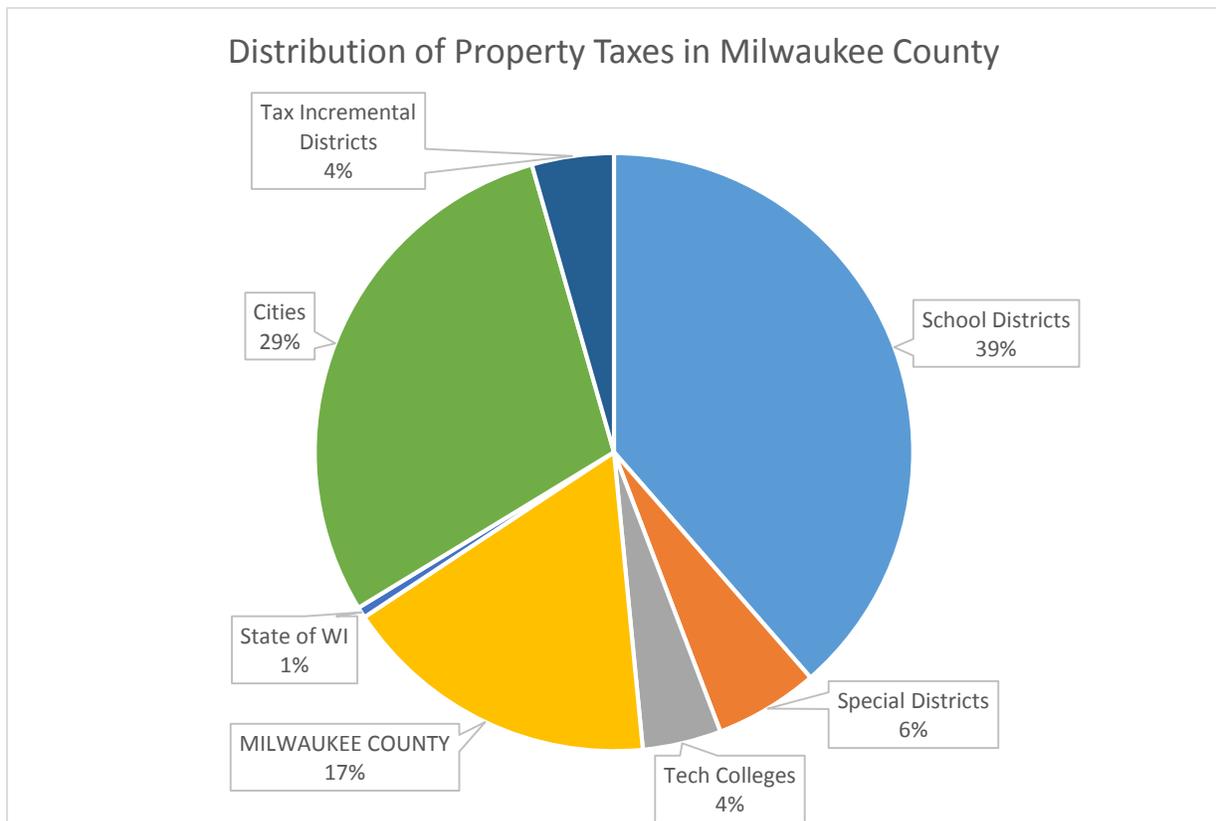
# County Share of Property Taxes

The 2016 Budget for Milwaukee County levies approximately \$286 million in taxes on property during the year, an increase of \$4.0 million or 1.4 percent over the 2015 Adopted Budget.

In 2015, according to data gathered by the Public Policy Forum, citizens and business will pay a total of approximately \$1.7 billion in property taxes to the various taxing entities in the County. These entities include:

- Milwaukee County government
- Municipal governments (cities & villages)
- School Districts
- Technical Colleges
- The State of Wisconsin
- Special Districts (such as the Milwaukee Metropolitan Sewerage District or the Southeast Wisconsin Regional Planning Commission)
- Tax Incremental Finance Districts

Of this \$1.7 billion total, Milwaukee County government makes up about 17 percent in 2015.



# 2016 Budget Assumptions

The Department of Administrative Services - Office of Performance, Strategy and Budget (PSB) and the County Executive utilized the most recent version of the "Municast" five-year forecast, produced by the Office of the Comptroller, to develop broad assumptions about the 2016 budget as a foundation when starting to develop the County budget. The figures below represent some of the significant known or estimated items that would have to be considered when *starting* the budget process.

## ***Employee and Retiree Fringe Benefits***

After increasing rapidly in the early 2000's, the rate of growth in health care costs has slowed significantly (see the Long Range Fiscal Forecast section for additional detail). This has been due to a variety of factors, including market factors and changes in plan design that have made the County's health care consumers more cost-conscious.

Due to large surpluses projected for 2015, healthcare costs will decrease about 4.3 percent in 2016. The 2016 Recommended Budget includes a 5 percent increase in healthcare costs. In 2017 and thereafter, these healthcare costs are anticipated to grow at 7 percent.

The 2016 budget assumes a 29.3 percent increase in pension costs over 2015. The increase is due to the inclusion of the cost of living adjustment (COLA) liabilities that were not included in 2013 and 2014, and implementation of funding policy changes to accelerate funding of the current unfunded liability. Although the change from 2015-2016 is drastic, the costs are anticipated to flatten out over the forecast period. The total increase from 2015- 2016 is projected to be \$20.4 million.

## ***Salaries & Wages***

Due to reductions in full time employees (FTEs) and limited salary increases over the past several years, total salary and overtime costs are projected to remain flat from 2015-2016. This projection includes a salary increase for inflation of 1.5 percent over the 2015 budget.

## ***State Aids & Federal Revenues***

State aids made up approximately 24 percent of County revenue in the 2015 Adopted Budget. The five-year forecast and 2016 base budget anticipate a drop of \$4 million in state shared revenue to account for the County contribution of funding for the Milwaukee arena. This contribution will be required for 20 years. Federal revenues will remain flat and continue to represent about 7 percent of the total 2016 revenues.

## ***Sales Tax***

Sales tax is exceeding budget for 2015 and will surplus by approximately \$1.5 million. The Legislative Fiscal Bureau forecasts growth of 5 percent in 2016, and 5.5 percent in 2017 in personal income. State-wide sales tax revenues are estimated at \$5.03 billion in 2015-2016 and \$5.19 billion in 2016-17, reflecting growth of 3.1 percent and 3.2 percent.

## ***Inflation***

The inflation rate for 2016 is forecasted at 1.4 percent, based on 2014 data provided by the Wisconsin Department of Revenue and the U.S. Department of Commerce – Bureau of Economic Analysis.

## ***Debt Service***

Debt Service, not including Pension Obligation Bond debt, assumes a continued decrease in 2016. The model projects the decline to \$585 million by 2019.

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# Performance Budgeting

## Overview

The Department of Administrative Services – Office of Performance, Strategy and Budget (DAS-PSB), began to develop a comprehensive, Countywide strategic planning effort in 2012. The goal of this strategic planning process is to identify desirable community outcomes, and link these to core business functions and develop measureable program outcomes across departments.

This effort builds on prior strategic planning efforts. In the late 1990s, the County embarked on a comprehensive strategic planning effort which included creating performance measures. Many of these performance measures were included in the 2003 Adopted Budget; however that effort to implement strategic planning and performance measurement was discontinued. In 2009, the County created the Long Range Strategic Plan Steering Committee, which explored performance measures and created long term strategic goals related to employee fringe benefits and facilities planning.

## Mission Statement & Strategic Outcomes

The County now integrates its budget process with its move towards performance management. Components of the County's mission statement, developed through a strategic planning process in the 1990s, have been incorporated into a set of Strategic Outcomes. The County's mission statement reads as follows:

*“Milwaukee County Government will provide high quality, responsive services that enhance self-sufficiency, personal safety, economic opportunity and quality of life for all its people.”*

Based on the Mission Statement and the strategic planning process, the Strategic Outcomes to be achieved by Milwaukee County are as follows:

- High Quality, Responsive Services
- Enhancement of Self-Sufficiency
- Enhancement of Personal Safety
- Enhancement of Economic Opportunity
- Enhancement of Quality of Life

The Milwaukee County Budget links each program area within its departments with one of these Strategic Outcomes where appropriate. For instance, the Operations Division at the Zoo is targeted at the Strategic Outcome of enhanced quality of life, and the Department of Child Support Services will work towards the Strategic Outcome of enhanced self-sufficiency. For administrative program areas that primarily support other County operations, the Strategic Outcome will be listed as “Administrative”.

## ***Performance Measures***

In addition to linking service areas with Strategic Outcomes, the County budget shows how well the service is being provided. DAS-PSB continues to work with departments to develop performance measures in as many service areas as possible. The goal is to implement a collaborative process whereby departments create their own performance measures as a way of challenging their management and staff to continue exemplary performance or improve on their existing performance levels.

The County seeks to develop performance measures that meet the SMART criteria, meaning goals that are:

- S = Specific
- M = Measureable
- A = Achievable
- R = Relevant
- T = Time-Bound

DAS-PSB and the departments make every effort to create iterative performance measures that meet these criteria. Performance measures differ from activity data, which are also shown (when available) in the service-area narratives. Activity data are an important measure of *how much* of a service is provided, but do not inform policymakers or the public *how well* that service is provided. “How well” a service is provided can be a measure of quality – such as ratings on customer surveys or attainment of a positive audit finding, or a measure of efficiency – such as how long it takes to perform a task.



*Photo of Milwaukee County's first class of Continuous Improvement Facilitators courtesy of County Executive's staff. The facilitators guide project teams through the task of evaluating and streamlining existing processes and making them more efficient.*

# Long Range Fiscal Analysis

Since 2009, Milwaukee County has utilized a five-year model to forecast future expenditures and revenues. It provides taxpayers, policymakers and the public with an insight into the fiscal situation faced by the County.

This analysis has consistently shown that the County faces a long-term structural deficit, meaning that the County's continuing costs are greater than its forecasted revenues. Based on the 2015 forecast which gives us insight from 2016-2020, the projected 2016 deficit is \$26.2 million; about \$10.8 million more than predicted in the 2014 forecast. Projected expenditures increase \$31.4 million and projected revenues increase \$5.2 million. Significant drivers of the 2016 structural deficit include:

- Substantial increase in the pension contribution
- Continued reductions in state shared revenue
- Eliminating the contribution from reserves.

The forecast shows that labor costs, especially fringe benefits, continue to be a primary driver of this structural imbalance. Fringe benefits, including pension and healthcare, will grow by 16.8 percent during the forecasted period. This is less than the forecast projections from 2012 (36%), 2013 (29%), and 2014 (22%). Another driver are personnel costs which are about 35 percent of total expenditures. This percentage remains nearly flat over the forecast period which suggests the County's significant changes in the last several years will restrain expenditure growth in this area. Revenues not keeping pace with expenditures is yet another factor in the County's structural imbalance. The 2016 budget addresses this issue in several ways, with:

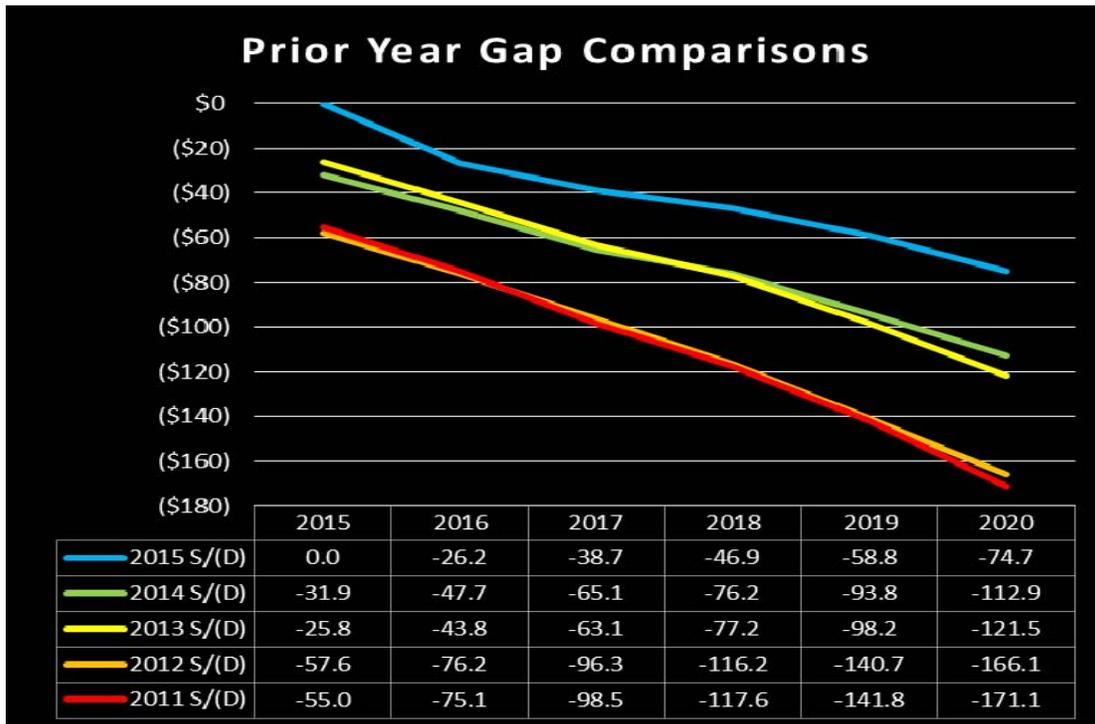
- Positions dedicated to finding additional grant dollars,
- Amenity matching funds among others; geared toward an effort of increasing County revenues.

The forecast also displays that the County lacks revenue flexibility; a high reliance on State and Federal revenues and limited discretionary alternatives other than property taxes, which are capped by State law. Because of these limitations, managing expenditures is the only significant option to achieve fiscal sustainability. Therefore, since 2010, the County continues to make significant structural changes in its wage and benefit structure, including:

- Realigning the share of health care costs borne by employees and retirees.
- Complying with 2011 Wisconsin Act 10, having employees to contribute to their defined benefit pension plan.
- Stabilizing pension costs by issuing Pension Obligation Bonds starting in 2009.
- Reducing headcount through a policy changes, such as the State takeover of the Income Maintenance program, contracting services such as housekeeping, and consolidating job duties.
- Mainstreaming overtime, sick leave policies, and other risk-type policies such as workers' compensation, to reduce payouts and liability accruals.
- Accelerated funding of unfunded Pension Liability

The impact of these structural changes is shown in table 1 on the next page, which compares the forecasted structural imbalance for the period of 2016-2020 after the passage of each annual budget since 2012.

**Table 1 – Change in County’s Projected Structural Deficit 2015- 2020 Due to Policy and Economic Changes:**



Source: Office of the Comptroller

### **Expenditures Continue to Grow Faster than Revenues**

Table 1 illustrates the impact these decisions had on the forecasted structural deficit, demonstrating that the structural deficit is growing at a lower rate than it was four years ago. The model now shows:

- Expenditures are now forecast to rise 2.3 percent annually, a reduction from 6.1 percent in the 2009 forecast, but still surpassing revenue growth.
- Some of the expenditure growth remains due to fringe benefit costs. The August 2015 [forecast report from the Office of the Comptroller](#) estimates that,
  - “Fringe benefits, including pension and healthcare, will grow by 16.8 percent during the five-year forecast period. This is less than the five-year forecast projections in 2012, 2013 and 2014 of 36 percent, 29 percent and 22 percent, respectively, but still remains a significant financial obligation for the County. Fringe benefits for healthcare fall in 2016 by about 4.3 percent, but are projected to grow by about 7.0 percent thereafter, to a total of \$56.7 million over the five year period”.
- Pension costs also add to expenditures each year. In 2016, costs in this area will rise 29.3 percent and then flatten out over the forecast period. The total increase is \$111.4 million in expenditures over the five year period.
  - “[The] increase in 2016 is due to reinclusion of the COLA [Cost of Living Adjustment] liabilities that were not included in 2013 and 2014 and implementation of funding policy changes. The total increase from 2015-2016 is projected to be \$20.4 million”.

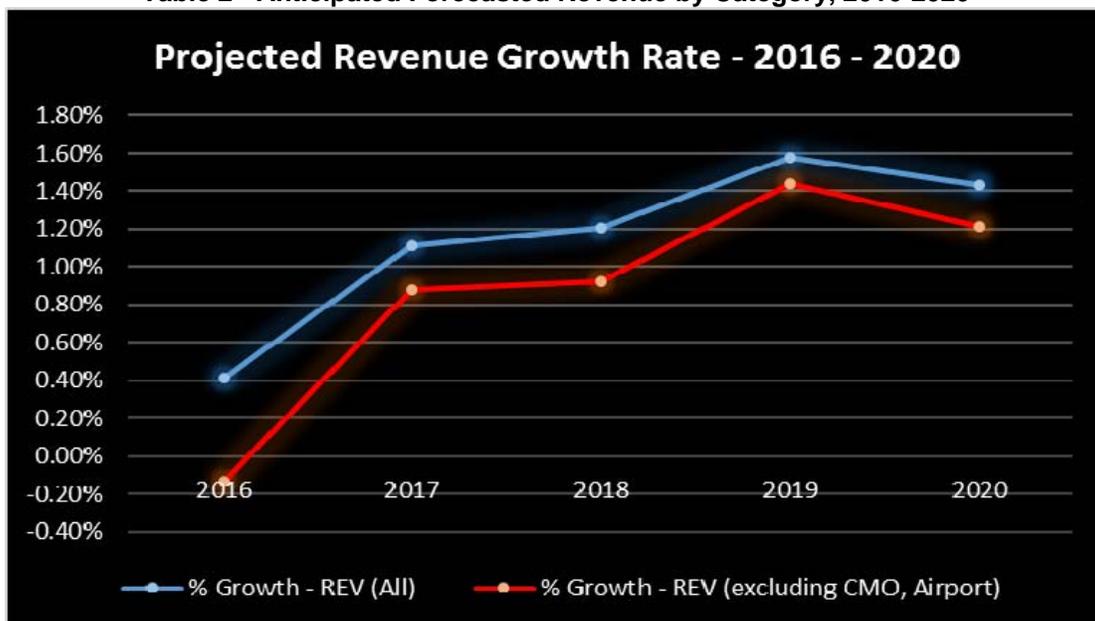
## Revenue Growth Continues to be Constrained

The County continues to operate under strict tax levy caps, and new sources of revenue are limited. Revenues are projected to rise by 1.2 percent annually. New in 2016, the state of Wisconsin will withhold \$4 million in shared revenue to account for the County's contribution to the Milwaukee Bucks Arena.

The most recent [five-year forecast report from the Office of the Comptroller](#) forecasts that:

*“Low growth rates are attributable to mostly flat revenue projections for State and Federal resources, as well as discretionary resources that are mostly forecasted to grow at CPI over the forecast period. This suggests that the County will be able to do little with respect to revenue and managing the structural deficit, unless new revenue sources become available”.*

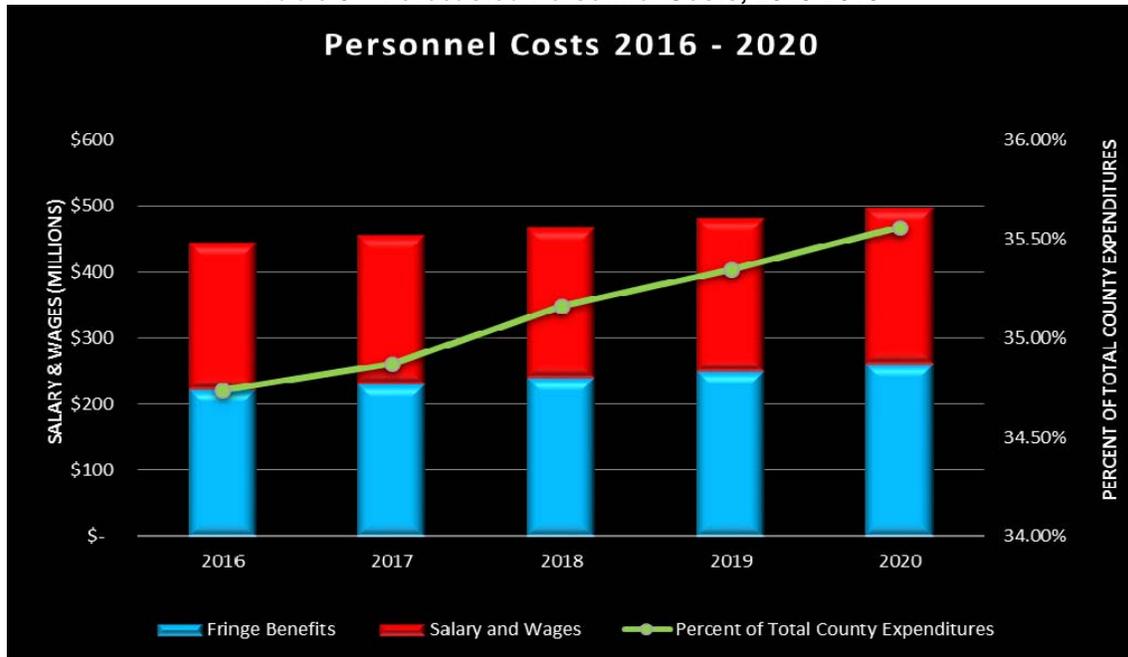
**Table 2 - Anticipated Forecasted Revenue by Category, 2016-2020**



## Personnel Costs Remain a Key Driver

While recent fiscal policy has “bent the structural deficit curve”, the County continues to need to make significant structural changes to achieve long-term sustainability. Table 3 below highlights the need for continued attentiveness when it comes to controlling personnel costs.

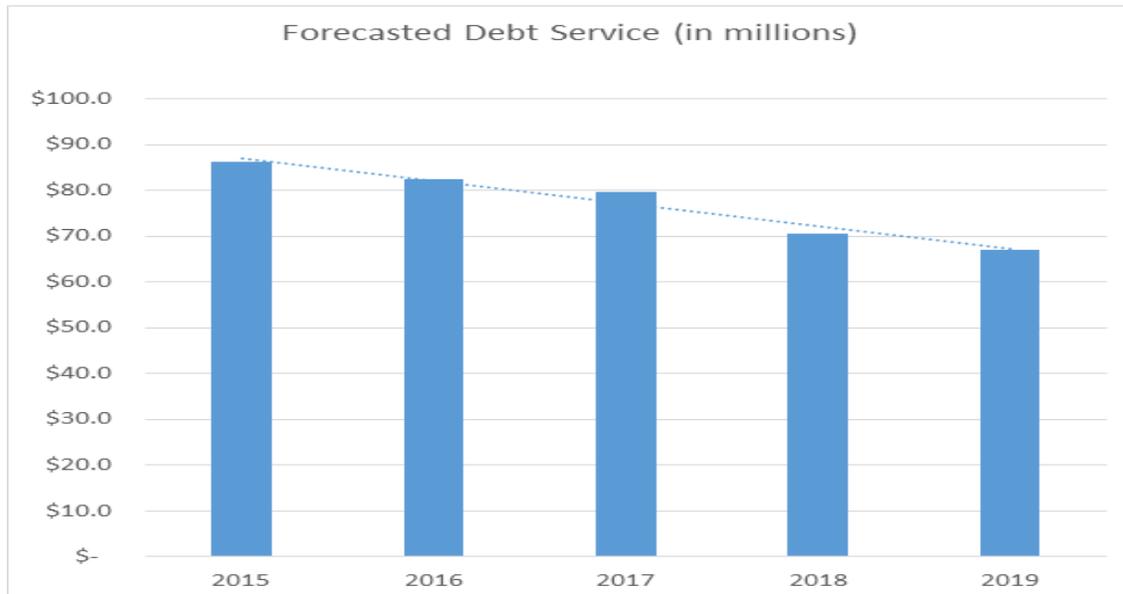
**Table 3 – Forecasted Personnel Costs, 2015-2019**



Source: Office of the Comptroller

The trend is apparent when considering the County's outstanding liabilities owed to current and future retirees. Personnel costs comprise about 35 percent of the County's total expenditures. The County's percentage of total expenditures for personnel-related expenditures remains nearly flat over the forecast period, suggesting that the County has meaningfully restrained expenditure growth in this area.

**Table 4 – Forecasted Debt Service**



Source: Office of Performance, Strategy & Budget Analysis

## **Debt Reduction is a Key Driver of Sustainability**

Repaying debt continues to drag on the County and channels resources away from funding core services. The County's general obligation debt service costs remain flat 2016 and, assuming adherence to the present bonding levels, should continue to be flat in the coming years (note this table does not include pension obligation bond debt service, which is considered with fringe benefits).

General obligation bonding debt service is funded by the Sales Tax in Milwaukee County. After funding debt service, surplus sales tax revenues are allocated to cash finance capital projects. This amount is approximately \$10.5 million in 2016. This level of sales tax funding enables the County to utilize cash financing for approximately 12.6 percent of total capital project costs (net of federal, state, PFC Revenue, airport reserve, and private contributions).<sup>1</sup>

Remaining sales tax revenue is then allocated to the operating budget to fund programs. Utilizing non-debt funds for capital projects minimizes future debt service obligations, which makes more sales tax funding available to support capital improvements or programs in the operating budget. In 2016, remaining sales tax revenue of \$10.5 million is available to finance capital projects while \$35.9 million is available to support general operations.

## **County Continues to Face Fiscal Challenges**

The Forecast shows that the County has progressed in addressing its fiscal imbalance each year since the forecast model was introduced. In the long term, revenues are still forecast to rise less rapidly than expenditures, mainly due to flat housing values and uncertainty regarding state and federal revenues. While expenditure growth is reduced due to changes described above, the County will continue to face fiscal pressures because of the structural deficit.

This situation requires, continued examination of service delivery models, prudent use of one-time revenues to drive cost saving operational efficiencies, and a continual focus on reducing debt. Additionally, thorough examination and rightsizing of the County's facilities is necessary in order to reduce the County's future capital and maintenance requirements; bringing future needs in line with the County's ability to support capital funding. The County does not have the fiscal flexibility to add additional debt service to adequately address the deferred maintenance that has accumulated over decades. Therefore, the County must prioritize its facilities and focus on those that deliver core services and those that operate in the most cost-efficient manner. This will allow the County to eliminate underutilized facilities that have high operating costs and facilities that would require significant capital expenditure to maintain.

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<sup>1</sup> Overall, county cash financing for capital projects has historically included not only sales tax, but also private contributions, PFC revenue, airport reserves, and tax levy. Refer to the Capital Improvements Budget introduction for additional detail.

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# 2016 Expenditure Analysis

## Overview

The 2016 gross expenditure budget is \$1,374,343,192, an increase of \$36,614,173 or 3 percent from the 2015 Adopted Budget. The 2016 expenditure budget includes \$1,294,343,027 for departmental and non-departmental operations and debt service, and \$80,000,165 for capital projects. In comparison with the 2015 Adopted Budget, operating budget expenditures increase by \$44,467,713 or 4 percent, and capital budget expenditures decrease by \$7,450,127 or 11 percent.

Budget Narrative Appropriation Units	Included Budgetary Control Appropriation Units:
Personal Services	Personal Services
Operation Costs	Operation Costs Other Charges
Debt & Depreciation	Debt & Depreciation
Capital Outlay	Capital Outlay Capital Contra
Interdept Charges	Internal Service Charges Abatements

## 2016 Expenditure Highlights by Category

**Personal Services**, including the abatement related to employee/retiree fringe benefits, increase by \$18.3 million, or 4 percent, from the 2015 Adopted Budget. This change is mainly due to additional Pension costs of \$22.4 million.

Gross fringe benefit costs increase by \$7.6 million, from \$191.5 million in 2015 to \$199.1 million. Pension costs increase by \$22.4 million, mainly due to the inclusion of retiree cost-of-living adjustments in 2016 (which were omitted in 2015) and decreasing the amortization period from 30 years to 20 years. Health care costs decrease by \$14.9 million based on recent trends and some minor plan design changes.

**Operation Costs** increase by \$31.1 million or 4 percent from \$735.3 million to \$766.4 million

**Debt & Depreciation** increases by just under \$903,000 from \$119.0 million to \$119.9 million due primarily to a \$2.1 million increase in the Department of Transportation – Airport division. The increase is partially offset by reductions in expenditures within the Department of Administrative Services – Water Utility, the Office of Emergency Management and the Department of Transportation Fleet and Transit/Paratransit divisions.

**Capital Outlay** decreases \$13.3 million or 13 percent under 2015. The capital outlay included in the capital improvement budget decreases by \$15.4 million or 19 percent under 2015. Operating Capital Outlay, not including items related to Capital Outlay/Depreciation Contra (see the Non-Departmental Expenditure narrative, agency 1940, for additional detail), including funding for major maintenance, increases by \$1.5 million.

**Internal Service Charges** including the net total of abatements and crosscharges between County departments decrease by just under \$178,000, or less than 1 percent in 2016.

## 2016 Expenditure Highlights by Functional Area

Below are summaries of major changes within most departments or organizational units by Functional Area for the Operating Budget. Please review the specific organizational or capital project narrative for more detailed information. If a department is not listed it is because its expenditure budget did not change materially (less than 2 percent) from the 2015 Adopted Budget.

### **Legislative & Executive**

Expenditures decrease by \$889,977 or 26 percent in the **Office of the County Board** due to lower personal service costs associated with elected positions and an expenditure abatement providing budget flexibility for the department to meet property tax levy requirements related to Act 14.

Expenditures in the **Office of the County Executive** decrease by \$190,462 or 13 percent mainly due to removal of active fringe benefit crosscharges.

The expenditure increase of \$120,920 or 29 percent in the **Office of Government Affairs** is primarily related to an increase of \$150,000 for a community identification card program.

Expenditures in the **Office of Veterans' Services** decrease by \$19,655 or 6 percent mainly due to removal of active fringe benefit crosscharges.

### **General Government**

Expenditures are increased in the **Office of the County Clerk & Election Commission** by \$133,780 or 10 percent mainly due to removal of active fringe benefit crosscharges.

Expenditures in the **Office of the Register of Deeds** decrease by \$397,204 or 11 percent mainly due to removal of active fringe benefit crosscharges.

Expenditures in the **Office of the County Treasurer** increase by \$145,524 or 9 percent mainly due to higher interdepartmental charges of approximately \$137,000.

Expenditures are increased in the **Office of the Comptroller** by \$504,396 or 7 percent mainly due increased interdepartmental charges of approximately \$214,000 and higher personal services costs of approximately \$364,000 primarily due to increased legacy fringe benefits.

### **Administrative**

#### **Department of Administrative Services – General Fund Programs**

General Fund divisions in the Department of Administrative Services were combined into a single agency in 2015. Expenditures in the General Fund operations in the Department of Administrative Services increase by \$3.98 million or 9 percent in 2016. This is primarily related an increase in personal service expenditures of \$2.2 million, largely driven by an approximately \$621,000 increase in legacy fringe benefits and overall net position changes resulting in 3 additional FTEs. Other expenditure increases include operating of approximately \$1.05 million and interdepartmental charges approximately of \$492,000

#### **Department of Administrative Services – Internal Service Funds**

Expenditures in the **DAS-Information Management Services Division (DAS-IMSD)**, increase by \$874,712 or 6 percent mainly due to personal service costs of \$538,895, operating cost increases of \$794,694 largely due to annual maintenance/licensing and offsite hosting, \$190,000 for a reserve for future personal computer and laptop replacement needs. The expenditure increases are offset by a decrease in interdepartmental charges of \$648,877.

In the **Department of Human Resources**, expenditures are increased by \$853,942 or 12 percent mainly due to \$300,000 for the Tuition Reimbursement Program for employee job-related educational advancement, an increase of approximately \$200,000 due to the transfer of the Family Medical Leave Act (FMLA) leave management contract from the Department of Administrative Services – Risk Management to Human Resources and the addition of one related position, and increased interdepartmental charges of approximately \$263,000.

In the **Civil Service Commission and Personnel Review Board**, expenditures decrease by \$37,608 or 7 percent mainly due to removal of active fringe benefit crosscharges.

Expenditures decrease in the **Office of the Corporation Counsel** by \$215,627 or 11 percent, mainly due to removal of active fringe benefit crosscharges.

Expenditures increase in the **Ethics Review Board** decrease by \$2,768 or 7 percent mainly due to removal of active fringe benefit crosscharges.

### **Courts & Judiciary**

Expenditures in the **Combined Court Operations (Courts)** increase by \$2.5 million or 6 percent in 2016. The 2016 budget is largely a cost-to-continue budget, with increases in personal services based on a largely unchanged staffing levels and a \$343,244 increase in operating expenditures based on recent experience.

Expenditures in the **Department of Child Support Services** are increased by \$471,801 or 2 percent, mainly due to increased legacy fringe benefit costs.

### **Public Safety**

Expenditures are increased in the **Office of the District Attorney** by \$1.4 million or 7 percent. The increase is mainly due to the creation of 5 positions: One Victim Witness Advocate, two paralegals (Public Integrity Unit and General Crimes unit), one Sensitive Crimes Witness Advocate position, and one investigator (Public Integrity Unit). The costs of the new positions are partially offset by the elimination of one Senior District Attorney Assistant and one-half secretarial assistant position.

Expenditures in the **Office of the Sheriff** increase by \$4.6 million or 6 percent, mainly due to a \$4.6 million increase in personal services and interdepartmental increases of \$2.9 million. The increases are partially offset by a decrease in operating costs of approximately \$2.4 million (which includes a budget abatement of reduction of \$2.6 million) and capital outlay of \$476,000.

Expenditures in the **Office of the Medical Examiner** decrease by \$167,760 or 3 percent, mainly due to removal of active fringe benefit crosscharges. The increases are partially offset by increased legacy fringe benefits and two new positions to better manage staff for overnight shifts and provide additional capacity for completing revenue-generating referral work. Additionally, interdepartmental charges increase approximately \$241,000.

### **Transportation**

Expenditures in the **Department of Transportation (DOT) Airport Division** increase by \$2.8 million or 3 percent from 2015. This is mainly due to personal service costs increase by \$1.2 million related to employee salary and benefits; depreciation increases by \$2 million as a result of completion of the baggage claim building renovation, completed airfield safety and improvement projects, and the in-line baggage security screening building; \$250,000 is included for consulting services related to Timmerman Airport.

Expenditures in the **DOT-Highway Maintenance Division** increase by \$732,250 or 3 percent. This is mainly due to increased salaries/overtime and legacy fringe benefit costs. Additionally, interdepartmental charges from other County departments providing services to Highway Maintenance increase by a net of just over \$287,000.

### Health & Human Services

In the **Milwaukee County Mental Health Board's Behavioral Health Division (BHD)**, expenditure changes include \$2.0 million reduction in personnel service costs primarily related to full-year closure of county-operated long-term care units and community support programs. Operating expenditures are increased by \$9.4M, including \$12.5 million for the expansion of the Comprehensive Community Services program, increased Community-Based Residential Facility capacity, and other community-based expansions of service. This is partially offset by a reduction of \$3.1 million due to decreased dietary and pharmacy costs.

### Recreation & Culture

In the **Department of Parks, Recreation, and Culture**, expenditures increase by \$3.1 million, or 7 percent over 2015. The increase is largely due to cost-to-continue factors for personnel \$1.5 million, increased interdepartmental charges of \$1.2 million, and operating charges of \$434,369.

Expenditures increase for the **University of Wisconsin – Extension** by \$22,200, or 4 percent over 2015. The increase primarily due to higher interdepartmental charges of approximately \$16,000.

Contributions to the **County Fund for Performing Arts** increases by \$96,790 (30 percent). Contributions to the **County Historical Society** decreases by \$102,062 (33 percent) and to the **Marcus Center for the Performing Arts** decreases \$138,000 (13 percent).

### Non-Departmental Expenditures

The **Appropriation for Contingencies** is decreased by \$3.1 million (or 36 percent) from \$8.6 million to \$5.5 million.

Funding for the **Litigation Reserve** increases by \$49,959 or 8 percent to reflect actual experience in recent years.

**Chart 1 – Total Expenditures by Functional Area:**

<b>County Budget Expenditure Comparison (Capital &amp; Operating)</b>					
<b>TOTAL Operating &amp; Capital Expenditures by Functional Area</b>	<b>2014 Actual</b>	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>\$ Change from 2015 Budget</b>	<b>% Change from 2015 Budget</b>
Legislative & Executive	\$5,703,141	\$5,694,236	\$4,715,062	(\$979,174)	-17%
Administration	\$112,387,578	\$112,470,079	\$109,866,287	(\$2,603,792)	-2%
General Government	\$15,060,971	\$14,489,763	\$15,296,862	\$807,099	6%
Courts & Judiciary	\$63,208,167	\$67,617,662	\$70,541,568	\$2,923,906	4%
Public Safety	\$166,965,050	\$179,987,016	\$185,149,413	\$5,162,397	3%
Transportation & Public Works	\$306,451,972	\$282,156,309	\$296,958,144	\$14,801,835	5%
Health & Human Services	\$565,856,340	\$570,104,110	\$597,870,048	\$27,765,938	5%
Recreation & Culture	\$88,908,330	\$107,291,199	\$91,711,023	(\$15,580,176)	-15%
Debt Service	\$59,080,351	\$50,522,841	\$50,299,599	(\$223,242)	0%
Non-Departmental Revenues	\$0	\$0	\$0	\$0	0%
Non-Departmental Expenditures (a)	\$10,695,102	(\$52,604,196)	(\$48,064,814)	\$4,539,382	-9%
<b>TOTAL</b>	<b>\$1,394,317,003</b>	<b>\$1,337,729,019</b>	<b>\$1,374,343,192</b>	<b>\$36,614,173</b>	<b>3%</b>

(a) = The budgets for some Non-Departmental Expenditure organizations are technical in nature and do not have actual expenditures. These budgets include 1930 - Offset to Internal Service Charges and 1985 - Capital Outlay Depreciation Contra.

**Chart 2 – Operating Budget Expenditures by Functional Area**

<b>County Budget Expenditure Comparison - Operating</b>					
<b>TOTAL Operating &amp; Capital Expenditures by Functional Area</b>	<b>2014 Actual</b>	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>\$ Change from 2015 Budget</b>	<b>% Change from 2015 Budget</b>
Legislative & Executive	\$5,703,141	\$5,694,236	\$4,715,062	(\$979,174)	-17%
Administration	\$75,627,367	\$86,551,372	\$91,816,119	\$5,264,747	6%
General Government	\$15,060,971	\$14,489,763	\$15,296,862	\$807,099	6%
Courts & Judiciary	\$63,208,167	\$67,617,662	\$70,541,568	\$2,923,906	4%
Public Safety	\$166,965,050	\$179,987,016	\$185,149,413	\$5,162,397	3%
Transportation & Public Works	\$226,772,766	\$244,554,486	\$248,035,644	\$3,481,158	1%
Health & Human Services	\$565,335,840	\$569,093,514	\$597,801,018	\$28,707,504	5%
Recreation & Culture	\$74,373,581	\$81,720,565	\$78,752,556	(\$2,968,009)	-4%
Debt Service	\$59,080,351	\$50,522,841	\$50,299,599	(\$223,242)	0%
Non-Departmental Revenues	\$0	\$0	\$0	\$0	0%
Non-Departmental Expenditures(a)	\$10,695,102	(\$52,604,196)	(\$48,064,814)	\$4,539,382	-9%
<b>TOTAL</b>	<b>\$1,262,822,337</b>	<b>\$1,247,627,259</b>	<b>\$1,294,343,027</b>	<b>\$46,715,768</b>	<b>4%</b>

(a) = The budgets for some Non-Departmental Expenditure organizations are technical in nature and do not have actual expenditures. These budgets include 1930 - Offset to Internal Service Charges and 1985 - Capital Outlay Depreciation Contra.

**Chart 3 – Capital Budget Expenditures by Functional Area**

<b>County Budget Expenditure Comparison - Capital</b>					
<b>TOTAL Operating &amp; Capital Expenditures by Functional Area</b>	<b>2014 Actual</b>	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>\$ Change from 2015 Budget</b>	<b>% Change from 2015 Budget</b>
Legislative & Executive	\$0	\$0	\$0	\$0	0%
Administration	\$36,760,212	\$25,918,707	\$18,050,168	(\$7,868,539)	-30%
General Government	\$0	\$0	\$0	\$0	0%
Courts & Judiciary	\$0	\$0	\$0	\$0	0%
Public Safety	\$0	\$0	\$0	\$0	0%
Transportation & Public Works	\$79,679,206	\$37,601,823	\$48,922,500	\$11,320,677	30%
Health & Human Services	\$520,499	\$1,010,596	\$69,030	(\$941,566)	-93%
Recreation & Culture	\$14,534,750	\$25,570,634	\$12,958,467	(\$12,612,167)	-49%
Debt Service	\$0	\$0	\$0	\$0	0%
Non-Departmental Revenues	\$0	\$0	\$0	\$0	0%
Non-Departmental Expenditures(a)	\$0	\$0	\$0	\$0	0%
<b>TOTAL</b>	<b>\$131,494,667</b>	<b>\$90,101,760</b>	<b>\$80,000,165</b>	<b>(\$10,101,595)</b>	<b>-11%</b>

(a) = The budgets for some Non-Departmental Expenditure organizations are technical in nature and do not have actual expenditures. These budgets include 1930 - Offset to Internal Service Charges and 1985 - Capital Outlay Depreciation Contra.

Please see the Capital Budget for additional detail about 2016 budgeted capital projects.

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# 2016 Revenue Analysis

## Overview

The 2016 revenue budget is \$1,374,343,192, an increase of \$36,614,173 or 3 percent from the 2015 Adopted Budget. The 2016 revenue budget includes \$1,294,343,027 for departmental and non-departmental operations and debt service, and \$80,000,165 for capital projects. In comparison with the 2015 Adopted Budget, operating budget revenues increase by \$46,715,768 or 4 percent, and capital budget revenues decrease by \$10,101,595 or 11 percent.

## **Revenue Projection Methodology**

Realistic, conservative and accurate revenue estimates are a key building block in developing a fiscally sound budget. The County combines four primary projection methods, listed below, based on the unique characteristics of forecasted revenue:

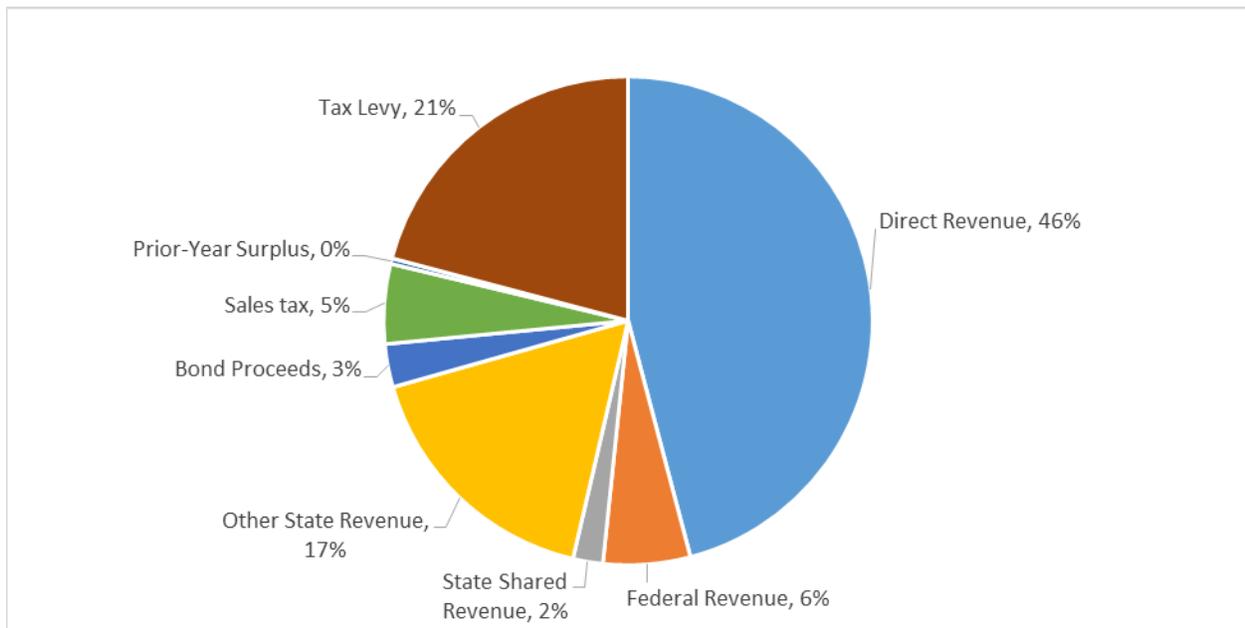
1. Informed and Expert Judgment (e.g., the advice of a department head).
2. Deterministic Technique (e.g., formula based).
3. Time Series Technique (e.g., trend analysis, rolling averages).
4. Estimates from external sources or appropriated in adopted legislation (e.g., State and Federal governments).

As in the expenditure analysis, several revenue appropriation units are combined into categories for illustration purposes in the departmental and non-departmental narratives. The combinations of major revenue types include the following:

<b>Departmental Narrative Appropriation Unit</b>	<b>Included Revenue Appropriation Units:</b>
Indirect Revenues	<b>Indirect Revenues</b>
State and Federal Revenues	<b>Federal Revenues State Shared Revenue Other State Revenues</b>
Other Direct Revenues	<b>Direct Revenue Bond Proceeds Sales Tax Prior Year Surplus</b>
Property Tax Levy	<b>Property Tax Levy</b>

Forty-six percent of the County's \$1.4 billion revenue budget, or \$631 million, includes direct revenues for services charged in 2016; this amount is re-stated in the tables at the end of the analysis to reflect a change in methodology for offsetting interdepartmental revenues to avoid double-counting. Property tax levy represents twenty-one percent of budgeted revenues at \$287 million. State Aids, including Basic Community Aids, Youth Aids, General Transportation Aids, Transit Aids, Airport funding, and other funding represent 17 percent of total revenues, or \$233.5 million; State Shared Revenue is budgeted at \$27.2 million and represents an additional two percent of total revenues. Federal revenues are six percent of the total, and sales tax represents five percent. The remaining three percent, totaling \$44.2 million, includes indirect revenues, bond proceeds, and prior-year surplus (see chart next page).

**Table 1 – Composition of 2016 Budgeted Countywide Revenues**



**2016 Revenue Highlights by Category**

**Direct Revenues**, not including sales tax, bond proceeds, or prior-year surplus, increase by \$49.1 million or 8 percent in 2016. Significant changes to Direct Revenues include:

- A contribution of \$10.5 million from the Reserve for County Bonds is included for 2016. This is an increase of \$4.2 million from the 2015 Budget. The use of reserves is higher in 2016 than in 2015 as the County is using the funds to phase in the fiscal impact of an increase in the annual required pension contribution and a reduction in stated shared revenue.
- Patient Service Revenues at the Behavioral Health Division increases \$2.5 million due to improved collection efforts and an initiative to charge professional fees for services which were previously not billed.
- Revenues at the Behavioral Health Division increases by \$8.9 million due to improved collection efforts on inpatient units and the expansion of the Comprehensive Community Services (CCS) program in the Community Access to Recovery Service Division.
- 2016 Family Care capitation revenues increase by \$16.0 million as a result of new enrollment of 319 members at the nursing home level of care. Member obligation revenue increased by \$2,030,882.
- Direct revenues increase in the Office of the Sheriff by \$1.4 million primarily due to Milwaukee Regional Medical Center providing funding for 10 Deputy Sheriff positions.
- Revenue in DOT-Airport increases by \$2.7 million to offset increased operating expenditures per the terms of the current master lease.
- Employee pension contributions increase \$3.6 million based on the actuary's estimated employee contribution rate required by Wisconsin State Statutes.

**Sales Tax** revenue is increased countywide by \$3.6 million in 2016, from \$69 million to \$72.6 million, due to rising collections in 2015.

In the operating budget, sales tax revenue increases by \$2.1 million, from \$59.6 million to \$65.9 million, while \$6.7 million is provided for capital projects, a decrease of 2.6 million.

**State and Federal Revenues** decrease by a total of \$7.6 million or 19 percent in 2016. Significant changes include:

- State Shared Revenues to the County are projected to decrease due to the contribution of \$4,000,000 toward the Milwaukee Sports Arena as outlined in 2015 Senate Bill 60.
- Other State Revenue increases \$2.8 million primarily due to Youth Aid Programs in DHHS.

**Indirect Revenues**, which are charges by County departments to other departments for services increase by \$10.7 million, primarily due to increases in Fringe Benefit and Facilities Management costs. Org 1930 includes an abatement for all indirect revenues to ensure that countywide revenues are not overstated. Due to the abatement, countywide indirect revenues total \$0.

### County Budget Revenue Comparison (Capital & Operating)

SOURCE	2014 Actual	2015 Budget	2016 Budget	\$ Change from 2015 Budget	% Change from 2015 Budget
Direct Revenue	\$517,809,824	\$581,629,437	\$630,770,385	\$49,140,948	8%
Federal Revenue	\$83,847,112	\$85,629,891	\$79,044,599	(\$6,585,292)	-8%
State Shared Revenue	\$31,080,305	\$31,163,647	\$27,229,789	(\$3,933,858)	-13%
Other State Revenue	\$226,689,320	\$230,616,254	\$233,494,384	\$2,878,130	1%
Bond Proceeds	\$37,476,557	\$51,734,665	\$39,234,810	(\$12,499,855)	-24%
Sales Tax	\$66,492,280	\$68,970,000	\$72,584,100	\$3,614,100	5%
Prior-Year Surplus	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0%
Indirect Revenue	\$59,234,019	\$0	\$0	\$0	0%
<b>Tax Levy</b>	<b>\$279,321,196</b>	<b>\$282,985,125</b>	<b>\$286,985,125</b>	<b>\$4,000,000</b>	<b>1%</b>
<b>TOTAL</b>	<b>\$1,306,950,613</b>	<b>\$1,337,729,019</b>	<b>\$1,374,343,192</b>	<b>\$36,614,173</b>	<b>3%</b>

### Operating Budget Revenue Comparison

SOURCE	2014 Actual	2015 Budget	2016 Budget	\$ Change from 2015 Budget	% Change from 2015 Budget
Direct Revenue	\$509,274,649	\$576,856,073	\$618,101,964	\$41,245,891	7%
Federal Revenue	\$62,691,320	\$63,059,779	\$61,255,177	(\$1,804,602)	-3%
State Shared Revenue	\$31,080,305	\$31,163,647	\$27,229,789	(\$3,933,858)	-13%
Other State Revenue	\$223,762,319	\$229,394,404	\$231,480,340	\$2,085,936	1%
Bond Proceeds(b)	\$10,000	\$0	\$0	\$0	0%
Sales Tax	\$57,055,255	\$59,643,731	\$65,883,032	\$6,239,301	10%
Prior-Year Surplus(a)	\$5,000,000	\$5,000,000	\$5,000,000	\$0	0%
Indirect Revenue	\$59,234,019	\$0	\$0	\$0	0%
<b>Tax Levy(a)</b>	<b>\$278,808,526</b>	<b>\$282,509,625</b>	<b>\$285,392,725</b>	<b>\$2,883,100</b>	<b>1%</b>
<b>TOTAL</b>	<b>\$1,226,916,393</b>	<b>\$1,247,627,259</b>	<b>\$1,294,343,027</b>	<b>\$46,715,768</b>	<b>4%</b>

(a) = Reflects Budgeted Figures in 2014 Actuals

(b) = Mainly reflects proceeds from refunding of bonds which are booked in Agency 9960-Debt Service

### Capital Budget Revenue Comparison

SOURCE	2014 Actual	2015 Budget	2016 Budget	\$ Change from 2015 Budget	% Change from 2015 Budget
Direct Revenue	\$8,535,175	\$4,773,364	\$12,668,421	\$7,895,057	165%
Federal Revenue	\$21,155,792	\$22,570,112	\$17,789,422	(\$4,780,690)	-21%
State Shared Revenue	\$0	\$0	\$0	\$0	0%
Other State Revenue	\$2,927,001	\$1,221,850	\$2,014,044	\$792,194	65%
Bond Proceeds(b)	\$37,466,557	\$51,734,665	\$39,234,810	(\$12,499,855)	-24%
Sales Tax	\$9,437,025	\$9,326,269	\$6,701,068	(\$2,625,201)	-28%
Prior-Year Surplus	\$0	\$0	\$0	\$0	0%
Indirect Revenue	\$0	\$0	\$0	\$0	0%
<b>Tax Levy(a)</b>	<b>\$512,670</b>	<b>\$475,500</b>	<b>\$1,592,400</b>	<b>\$1,116,900</b>	<b>235%</b>
<b>TOTAL</b>	<b>\$80,034,220</b>	<b>\$90,101,760</b>	<b>\$80,000,165</b>	<b>(\$10,101,595)</b>	<b>-11%</b>

(a) = Reflects Budgeted Figures in 2014 Actuals



Org.	Description	2016/2015					CHANGE
		2012	2013	2014	2015	2016	
<b>DEPARTMENT OF TRANSPORTATION <sup>6</sup></b>							
5040	Airport	290.5	289.1	288.3	284.3	289.7	5.4
5100 <sup>7</sup>	Highway Maintenance	128.1	136.6	135.3	138.4	148.4	10.0
5300 <sup>8</sup>	Fleet Management	35.0	34.1	34.1	35.1	35.3	0.2
5800 <sup>9</sup>	Director's Office	7.0	7.0	6.0	7.0	8.1	1.1
<b>TOTAL TRANSPORTATION #</b>		<b>460.5</b>	<b>466.8</b>	<b>463.7</b>	<b>464.8</b>	<b>481.5</b>	<b>16.7</b>
<b>HEALTH AND HUMAN SERVICES</b>							
6300 <sup>11</sup>	DHHS-Behavioral Health Division	837.4	801.0	577.1	607.1	571.3	(35.8)
7900	Department on Aging	77.2	73.0	76.0	75.7	84.4	8.7
7990	Department of Family Care	64.4	64.6	72.2	73.2	72.7	(0.5)
8000 <sup>11,17</sup>	Department of Health and Human Services	313.8	314.6	448.8	293.1	300.9	7.8
<b>TOTAL HEALTH AND HUMAN SERVICES #</b>		<b>1,292.8</b>	<b>1,253.2</b>	<b>1,174.1</b>	<b>1,049.1</b>	<b>1,029.3</b>	<b>(19.8)</b>
<b>PARKS, RECREATION AND CULTURE</b>							
9000	Parks Division	458.2	391.1	363.6	371.3	381.8	10.5
9500	Zoological Department	254.3	254.7	252.7	254.4	259.5	5.1
9910	University Extension	0.8	0.8	0.8	0.8	0.8	0.0
<b>TOTAL RECREATION AND CULTURE</b>		<b>713.3</b>	<b>646.5</b>	<b>617.1</b>	<b>626.5</b>	<b>642.1</b>	<b>15.6</b>
<b>TOTAL - ALL OPERATING DEPARTMENTS <sup>19</sup></b>		<b>4,853.1</b>	<b>4,636.7</b>	<b>4,601.6</b>	<b>4,460.6</b>	<b>4,591.6</b>	<b>131.0</b>

- <sup>1</sup> In 2013, the Office of the Comptroller was created as its own department. Positions in this department were previously budgeted in the County Board-Department of Audit and in the Central Accounting section of DAS-Fiscal Affairs.
- <sup>2</sup> Prior to the 2010 Budget, Labor Relations was a division of the Department of Administrative Services. The 2010 Budget created the Department of Labor Relations. In 2014, the Department of Labor Relations was merged into the Department of Human Resources.
- <sup>3</sup> The 2012 Budget created the Department of Human Resources and includes the former divisions of DAS - Employee Benefits and DAS - Human Resources. In addition, in 2010 within the DAS - Human Resources Division, 14.0 FTE Human Resource field staff were transferred to their respective Departments; the 2012 Budget reversed this initiative and transferred them back to the Department of Human Resources.
- <sup>4</sup> The 2012 Budget created the Department of Administrative Services - Facilities Management Division. This included the former Department of Transportation and Public Works (DTPW) divisions of Facilities Maintenance and Architectural and Engineering. The MCAMLIS Section of the former DTPW division of Architecture and Engineering was transferred to the DAS division of Economic Development as part of the 2012 Budget.
- <sup>5</sup> In 2009, the Sheriff's Office took responsibility for the House of Correction. The reorganization was first reflected in the 2010 Budget. The 2013 Budget re-created the House of Correction as a separate entity.
- <sup>6</sup> The 2012 Budget reorganized all of the former divisions of DTPW into either the Department of Transportation or the Department of Administrative Services - Facilities Management.
- <sup>7</sup> The 2012 Budget created the Department of Transportation and merged the former DTPW division of Transportation Services into the DOT Highway Maintenance division.
- <sup>8</sup> The 2012 Budget created the Department of Transportation and includes the former DTPW division of Fleet Management.
- <sup>9</sup> The 2012 Budget created the Department of Transportation and includes the former DTPW division of Director's Office except for Real Estate Services and Economic Development, which are transferred to the DAS-Economic Development Division.
- <sup>10</sup> FTE Counts in the Office of the District Attorney include Deputy District Attorneys and Senior Assistant District Attorneys who are State Employees but who chose to retain County benefits in the 1990s. These positions are not reflected in the FTE Count in the Departmental Budget Narrative. In 2013 there were seven total positions; in 2014 there were six total positions; in 2016 there will be five.
- <sup>11</sup> The 2014 Budget shifted the Community Services Branch, Alcohol and Other Drug Abuse (AODA) program, Wraparound (now collectively known as Behavioral Health Community Services), and Emergency Medical Services (EMS) from the DHHS-Behavioral Health Division to the Department of Health and Human Services. The 2015 Budget shifted these programs back to the Behavioral Health Division, with the exception of EMS which was shifted to the new Department of Emergency Management.
- <sup>12</sup> The 2014 Budget contained several position changes related to 2013 Wisconsin Act 14. Two intergovernmental relations positions were shifted out of the Office of the County Board and into the Office of the County Executive. The 2014 Budget creates the County Executive-Office of Intergovernmental Relations (Org 1020), which contains 3.0 FTE positions. Additionally in 2013, 4.0 FTE committee clerk and 1.0 FTE support positions were shifted out of the Office of the County Board and into the Office of the County Clerk, and another 4.0 FTE positions were created in the Office of the Comptroller for research services.
- <sup>13</sup> The 2015 Budget created the Department of Emergency Management, which includes positions transferred out of the Office of the Sheriff, the Department of Health & Human Services (see footnote 11), and the Information Management Services Division of the Department of Administrative Services.
- <sup>14</sup> The 2015 Budget merged the Civil Service Commission and Personnel Review Board into a single agency.
- <sup>15</sup> The 2015 Budget merged the General Fund divisions (Persons with Disabilities, Community Business Development Partners, Facilities Management, Economic Development, Procurement, and Fiscal Affairs) of the Department of Administrative Services into a single agency.
- <sup>16</sup> The 2015 Budget transferred the Courthouse Security function from the Department of Administrative Services to the Office of the Sheriff.
- <sup>17</sup> Four positions, including 1.0 FTE in the General Fund portion of DAS, 2.0 FTE in the House of Correction, and 1.0 FTE in the Department of Health and Human Services were restored through a sustained veto and are not included in the figures shown here.
- <sup>18</sup> The 2015 Adopted Budget merged the Election Commission and the Office of the County Clerk into one departmental unit due to a change in State Statute.
- <sup>19</sup> The 2015 Adopted Budget included (1.2) FTE related to vacancy and turnover savings in a non-departmental unit that are not reflected in the departmental totals above, though they are included in the County-wide total.

The 2015 Budget included all reclassification and reallocation actions recommended by the Department of Human Resources up to and including the July 2014 committee cycle. The position reclassifications recommended by HR that were rejected by the County Board shall remain rejected until the Board takes affirmative action to approve the position actions. All newly created positions have been reviewed by the Department of Human Resources and are created at the budgeted pay grades and title codes.

Note that the FTE totals above include Overtime, Special Premium, Salary Adjustment, Shift Differential, and Vacancy and Turnover Adjustments



# **Budget Policies & Structure**

- **Budget Process & Calendar**
- **Financial Management Policies**
- **Basis of Budgeting**
- **Fund Balance Policy**
- **Fund Descriptions**
- **Budgeted Funds**
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# Budget Process & Calendar

Milwaukee County's Budget represents the County's business plan for the coming year, and shows taxpayers and stakeholders how the County services link to these broad building blocks of our community.

## **THE BUDGET PROCESS**

State Statute 59.60 governs the annual budget process for Milwaukee County. Each department is required to submit requested operating and capital (as part of a five-year capital plan) budgets to the Director of Administrative Services no later than mid-July. On or before August 15, the Department of Administrative Services (DAS) is required to submit a summary of the requests to the County Executive and County Board, and the County Executive is required to hold public hearings on the requests. DAS is required to analyze the operating and capital requests and assist the County Executive in making "changes in the proposed budget that in the executive's or administrator's discretion are considered desirable or proper" (§59.60 (6) (a)).

The resulting Executive's Budget is then presented to the County Board on or before October 1. The Board then considers and may adopt amendments to the County Executive's Budget, and must hold a public hearing on the budget no later than the first Monday in November. After adopting amendments and holding the public hearing, the Committee on Finance, Personnel and Audit submits the amended budget to the County Board, which adopts the final Budget in mid-November. After the Budget has been adopted and a detailed summary of appropriations is provided to County departments, the DAS-Office of Performance, Strategy & Budget and Comptroller's Office monitor the Budget during the fiscal year. This monitoring involves periodic checks of expenditures against appropriations, reviewing actual revenue compared to budgeted revenue and reviewing requests for transfer of appropriations. This completes the budget process.

## Annual Budget Process:

<b>March through May</b>	DAS-PSB develops budget assumptions for the upcoming fiscal year. Tax levy targets are submitted to the operating departments. Budget instructions and forms are submitted to department administrators. The County Executive also holds listening sessions to solicit input from the public.
<b>Early May</b>	Capital Budget requests are submitted by County agencies to the Department of Administrative Services-Facilities Management Division.
<b>No later than July 15</b>	Operating Budget requests and revenue estimates are submitted by County agencies to DAS-PSB.
<b>June/July</b>	Department Administrators present the programmatic impacts of their budgetary requests. The Department of Administrative Services and the County Executive review agency budget submittals.
<b>August 15th</b>	Per State Statute, DAS-PSB submits to the County Board a summary of requested budgets.
<b>No Later than October 1</b>	County Executive presents to the County Board the Executive Budget for the subsequent year. This is then referred to the Board's Finance, Personnel and Audit Committee for review and recommendation.
<b>October 1 - to 1st Week in November</b>	Finance, Personnel and Audit Committee reviews the County Executive Budget.
<b>November - Not later than First Monday in the Month</b>	County Board public hearing on Budget, inviting members of general public to comment on the Executive Budget and Finance, Personnel and Audit Committee changes to date.
<b>Monday after First Thursday in November</b>	County Board annual meeting and the adoption of the Budget and tax levies. During this meeting, the County Board acts on the amendments and recommendations submitted by the Finance, Personnel and Audit Committee relative to the County Executive's Budget as well as amendments submitted by individual County Board members.
<b>January 1 of the Following Year</b>	Departments translate Budget to public services.

# Financial Management Policies

Milwaukee County's long- and short-term financial policies are derived from various sources; primarily including AAA-rated peer counties and the Government Finance Officers Association (GFOA).

The State of Wisconsin Statutes prescribes the basic budgeting standards for county governments. These financial policies establish the basis of accounting in conformance with Generally Accepted Accounting Principles (GAAP). Below is a description of the County's fiscal management policies for a variety of topics including revenues, operating expenditures, capital improvements, debt, risk management, grants, use of one-time revenues, information technology purchases, and other items.

## **Balanced Budget**

It is the adopted policy of Milwaukee County that the County's budget must be balanced. Total expenditures will be funded by a combination of various external revenue sources (e.g., intergovernmental sources, grants, fees, or fines), property taxes, sales taxes, and funds appropriated from available fund balances.

## **Operating Budget - Revenue Policy**

The County relies on the property tax and has implemented the local option sales tax to fund state and local programs and services. Property taxes account for about 21 percent of total revenues. The local option sales tax provides approximately 6 percent of total revenues. State Statutes also allow for collection of a local motor vehicle registration fee. Milwaukee County has not implemented this option.

The County attempts to maintain a diversified and stable revenue stream.

The County to transition to true user fee service charges to help offset reductions of federal/state funding and to balance reliance on property tax revenues. Service fee charges (user fees) are implemented for services that can be individually identified and where costs can be directly related to the level of service provided. The County's budgeting philosophy is to annually review and provide at least nominal inflationary increases on appropriate user fees charges for service to reflect increasing costs of providing those services.

Services that have a countywide benefit shall, in general, be financed with broad-based revenue sources such as property tax levy and state aids. Services where the customer determines the use shall, in general, be financed with user fees, charges, and other revenues related to the level of service provided.

County staff are required to follow good billing and recording practices, and to engage in collections of outstanding debts. All such outstanding debts are forwarded to the County's collections program as soon as possible.

The County maximizes its return on investment consistent with its investment policy as required by County Ordinance 15.215. The County will also follow all Internal Revenue Service policies with regards to the investment of bond proceeds. Investment income is used to reduce reliance on the property tax levy and fund capital projects. Investment return is limited due to emphasis on the safety of the principal, rather than the return on investments, and its investments reflect that policy, which is also required by State Statute. Deposits with financial institutions should either be covered by Federal depository insurance and State governmental insurance, subject to availability of funds in the State's Deposit Guarantee Fund or collateralized with government securities held in a separate financial institution in the County's name. The County's investment policy states that all securities shall be properly designated as an asset of Milwaukee County and held in safekeeping by a third-party custodial bank or other third-party custodial institution, chartered by the United States Government or the State of Wisconsin and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the County Treasurer or a designee.

Due to strict limits placed on the County by the State regarding use of surplus funds and fund balances, one-time revenues and fund balances shall not be used to fund ongoing operating expenses, other than reducing taxpayer costs for debt service.

The County actively seeks to increase revenues through the sale of excess assets; proceeds from which are utilized for one-time investments.

Revenue budgets are based on documented assumptions; significant budgeted increases in revenue are based on data and explained in the budget narrative.

Sales and Use Tax revenues shall be applied toward county expenditures as follows:

- a. Pay general obligation debt service costs;
- b. Cash finance capital improvement projects;
- c. Pre-pay outstanding bonds;
- d. Pre-fund employee benefit costs or fund unanticipated or extraordinary annual increases in such costs; or
- e. Supplement the Appropriation for Contingencies

### **Operating Budget – Expenditure Policy**

Under Wisconsin State Statute, no payment may be authorized or made and no obligation incurred against the County unless the County has sufficient appropriations for each payment. Budgetary control over expenditures is maintained by a formal appropriation and encumbrance system. Encumbrances are charged against appropriations when purchase orders, contracts, or other commitments are incurred. No payment may be made or obligation incurred against an appropriation unless the director first certifies that a sufficient unencumbered balance is or will be available in the appropriation to make the payment or to meet the obligation when it becomes due and payable. An obligation incurred and an authorization of payment in violation of this policy is void. A county officer who knowingly violates this policy is jointly and severely liable to the county for the full amount paid. A county employee who knowingly violates this subsection may be removed for cause.

Every appropriation excepting an appropriation for capital expenditure or major repair lapses at December 31, to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure or a major repair continues in force until the purpose for which it was made has been accomplished or abandoned or three years pass without any expenditure or encumbrance. The County Board of Supervisors approves carryovers recommended by the Department of Administrative Services – Office of Performance, Strategy and Budget (DAS-PSB).

The legal level of control for each budget is by department. Once the Budget is adopted, transfers of appropriations among departments require approval by the Board of Supervisors. Supplemental appropriations for the purpose of public emergencies or from the contingency appropriation may be made from unanticipated revenues received or surplus, as defined by resolution adopted by a vote of two-thirds of the members of the Board of Supervisors. Supplemental appropriations from the issuance of tax anticipation notes require an affirmative vote of three-fourths of the members of the Board of Supervisors.

### **Land Sales & Other One-Time Revenues**

It is the general policy of Milwaukee County that significant one-time revenues be utilized for one-time projects or acquisitions and shall not be used to offset ongoing operating costs of County Government. The policy shall be consistent with File Number 11-145, developed by the Long-Range Strategic Planning Steering Committee.

Large, unanticipated one-time revenues not related to grants, insurance proceeds, or other previously-identified projects or uses shall be utilized as follows:

1. Land sale revenue accounts for the sale of County land as authorized by state statute. As in previous years, \$400,000 is budgeted in Real Estate Services to cover its operating

expenditures. This represents the first \$400,000 of unallocated land sales and is historically realized through the sale of foreclosed properties and other miscellaneous land.<sup>1</sup>

2. If the revenue is from a county asset that is being sold and the asset has outstanding debt, the County will use the proceeds to defease the outstanding debt and pay all associated costs of defeasance.
3. If the Office of the Comptroller is projecting a countywide deficit at the time funds are received, the Office of Performance, Strategy and Budget may recommend that all or part of the proceeds be deposited into the Appropriation for Contingencies.
4. The remaining balance shall be utilized as follows:
  - a. Twenty-five percent (25%) shall be made available for economic development projects funded through the Economic Development Fund consistent with File Number 11-601.
  - b. Twenty-five percent (25%) shall be made available to departments on a competitive basis via the Milwaukee County Innovation Fund. The Innovation Fund is managed and allocations distributed using the process established in File Number 13-756. Departments that receive funds issue an informational report to the County Executive and the relevant policy oversight committee no more than six months after funding is made available.
  - c. Fifty percent (50%) shall be deposited into the Appropriation for Contingencies.

### **Grants**

The Office of Performance, Strategy & Budget shall create and maintain a Grants Management Policy. Grant funds will be expected to cover their full cost and not be looked at in simple terms as “free” funding. All positions and other expenditures funded in whole or part by grant revenues shall sunset upon expiration of the grant period, unless DAS-PSB verifies that the item(s) leverages cost savings or operational efficiencies that justify ongoing support.

### **Operating Budget Forecast**

The Office of the Comptroller develops and annually updates a five-year financial forecasting system, which includes projections of revenues, expenditures, future costs of current budget decisions and costs, and debt service.

### **Debt Management and Capital Finance**

The County has adopted the following debt management and capital finance policy goals:

- Tax supported debt service costs shall not exceed actual sales and use tax revenues.
- Direct debt shall not exceed 1.5 percent of equalized property value.
- Financing terms shall not exceed 16 years.
- Average principal maturities shall not exceed 10 years.
- Direct debt per capita shall not exceed \$500.
- Bond insurance will be used when it provides a net economic benefit.
- Corporate purpose bond issues are limited to an increase of 3 percent based on the previous Adopted Capital Budget corporate purpose bond amount.
- Net present value savings for proposed refundings should total a minimum of 3 percent to 5 percent of refunded capital.

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<sup>1</sup> In 2016, per amendment 1A025, the next \$1,000,000 received in unallocated land sales revenue will be used to implement the African American Community Economic Stimulus Package.

### **Unrestricted Fund Balance Policy**

Unlike most other local governments in Wisconsin and across the Country, Milwaukee County's ability to retain unrestricted fund balance is extremely limited. Wisconsin State Statute 59.60(6)(b)(3) requires Milwaukee County to budget a prior year surplus or deficit in the next budget year. For example, the \$5 million surplus from 2014 must be budgeted as revenue in the 2016 budget. There are two alternatives to this requirement:

The County may, under State Statute 59.60(5)(g), place surplus funds in a "sinking fund" for the "redemption or repurchase of bonds", or for emergency needs. This sinking fund is referred to as the Debt Service Reserve Fund in Milwaukee County. In 2015, the County passed a resolution that split the 2014 surplus so that \$5 million would be applied to the 2016 budget, and the remainder deposited into the Debt Service Reserve Fund.

State Statute 59.60(13)(b)(3) provides for a tax stabilization fund, into which surpluses may be deposited. However, this statute allows the County to utilize this fund only in order to prevent a tax levy increase of 3 percent or greater over the prior year. 2013 Wisconsin Act 20 (the State's 2013-2015 Biennial Budget) retained limits on property tax levy increases that make this occurrence highly unlikely. To date the County has not utilized this fund.

Due to these statutory restrictions, the County is not able to develop an unrestricted fund balance, and therefore the County has no need to implement an unrestricted fund balance policy.

### **Debt Service Reserve**

Bond rating agencies strongly recommend that sufficient funds be reserved to account for emergencies and other unavoidable, unplanned, one-time expenses. Meeting this recommendation results in increased ability to respond to unanticipated expenses and improved bond ratings, which results in lower interest rates for debt and reduced ongoing debt service costs. Therefore, Debt Service Reserve funds, excluding bond proceeds, shall be utilized only to:

- a. Reduce taxpayer costs for debt service;
- b. Provide cash financing for one-time capital projects, or for one-time operating items that result in improved County service and/or reduced ongoing County costs in future years;
- c. Provide cash financing for the refinancing of debt when financially advantageous;
- d. Respond to emergencies as allowed by §59.60 (5) (g).

In order to ensure sufficient funding for emergencies and one-time expenses and with the goal of improvement in the County's ability to respond to emergencies, and improve bond ratings, the County will seek to build and maintain a minimum balance of \$10 million in the Debt Service Reserve.

### **Risk Management**

Realizing the importance of maintaining a safe workplace for the benefit of both its employees and the general public, all County employees will follow proper risk management practices, which will result in a safer workplace which will enable the County to maintain a high level of professionalism, courtesy, and quality of service, while protecting its human and financial resources. The Director of Risk Management will develop a comprehensive risk management program and will chair a countywide safety committee that will promulgate best practices in all departments and elected offices.

### **Information Technology**

An Information Technology Steering Committee was created in 2015 to review and approve information technology purchase requests (hardware or software) with a unit cost of greater than \$500. Per best practices identified by the Government Finance Officers of America & Canada, all funds for information technology purchases with a unit cost of greater than \$500 are budgeted in the Information Management Services Division of the Department of Administrative Services (DAS-IMSD). No County department or office other than the Transit and Airport divisions of the Department of Transportation may purchase information technology-related items with a unit cost greater than \$500. The Chief Information Officer will develop by 2015 an administrative process subject to approval by the County Board, by which

departments receive DAS-IMSD approval for replacement items (commodities), updated maintenance agreements or software license renewals that exceed this amount; however the administrative process must require that any request for new or replacement software applications or significant hardware upgrades or purchases must be approved by an Information Technology Steering Committee. The Information Technology Steering Committee shall be comprised of at least one member each from the legislative and judicial branch and one from the Office of the Sheriff.

### **Budget Documents**

The County's Annual Adopted Budget is published in two sections, Operating and Capital, as follows:

The Operating Budget includes five major sections:

1. The Introductory Section provides basic information about the County, such as elected officials, a community profile, and a countywide organizational chart; and the Budget document, such as the table of contents.
2. The Budget Summary Section provides information about the budget from a countywide perspective, including analysis of: the short and long-term factors that influence the annual budget and the County's long-term fiscal situation; performance measures; analysis of major revenue and expenditure changes; information about the county's major funds, and budgeted positions.
3. The Budget Policies Section provides information about the County's budget and financial management policies, the budget process calendar, basis of budgeting, and policies regarding the use of fund balances.
4. The Departmental Narratives Section includes the detailed narratives for each individual department, including major changes, detailed revenue and expenditure analysis, and resources, activity data, and performance measures by service area.
5. The Supplemental Information Section includes additional information such as a glossary, operating authority and purpose for each department, and an index.

The Capital Budget includes project-by-project detail and five-year planning goals, objectives, and funding requirements.

### **Performance Management and Budgeting**

The County's Strategic Outcomes are the components of the Mission Statement, as defined above: High-Quality, Responsive Services; enhancement of Self-Sufficiency, enhancement of Personal Safety, enhancement of Economic Opportunity, and enhancement of Quality of Life. Based on these strategic outcomes, all Departments and Offices will:

1. Identify distinct Program Areas.
2. Link Program Areas with the most appropriate Strategic Outcome.
3. Develop Performance Measures that show progress of that Program Area towards achieving the Strategic Outcomes.

### **Property Tax Levy Increase Limits**

The states Local Levy Limit law (Wis. Stat. 66.0602) allows a County to increase its total property tax levy by the percentage change in the County growth in equalized value due to net new construction between the previous year and the current year.

The tax levy cap includes the following exemptions:

- The Federated Library system tax levy;
- Debt service tax levy (including any debt that was refinanced or refunded);
- Bridge and culvert repair aids to towns paid with County tax levy.

The County may also utilize one of two provisions that allow for carryover of available levy from the prior year:

- Unused tax levy authority up to a maximum of 1.5% of the prior year levy could be carried forward by a super majority vote of the County Board. If Milwaukee County were to use this 1.5% prior year levy, the County would be required to reduce tax levy by an amount equal to the change in pre-2015 debt.
- A new carryforward provision was added in the 2015-2017 State budget that allow the county to carry forward unused levy limit capacity for a period of up to five years under certain conditions. The amount of the potentially available carry forward adjustment is determined by totaling the amount of any *unclaimed* carry forward percentages from each of the proceeding five years' levy limit worksheets. However, since the law specifies that the first worksheet that can be considered is the one for the 2014 levy, this is initially a two-year look back and will not truly provide for the potential of a five year carry forward until the 2019 levy year.<sup>1</sup>

#### **Property Tax Levy Rate Limit**

The 2013-15 State Budget eliminated levy rate limits.

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<sup>1</sup> *Since some of the provision of the new law are unclear as to how calculations will be made, the Office of the Comptroller has reached out to the Department of Revenue for guidance.*

# Basis of Budgeting

In accordance with Generally Accepted Accounting Principles (GAAP), the accounts of the County are maintained on the basis of funds. Each fund is a separate fiscal and accounting entity. The various funds are grouped into the following categories:

## **Governmental Funds**

Governmental funds utilize the modified accrual basis of accounting, except for the treatment of the Fund Balance Reserved for Appropriations. For budget purposes, the Fund Balance Reserved for Appropriations is reflected as other financing sources, whereas for accounting purposes it is reflected as part of fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures and commitments of the current period. Expenditures are recognized when the related liability is incurred, if measurable.

### General Fund

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

### Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt.

### Capital Projects Fund

The Capital Projects Fund is used to account for financial resources segregated for the acquisition of construction of major capital facilities other than those financed by proprietary funds.

## **Proprietary Funds**

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred.

### Enterprise Funds

The Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

### Internal Service Funds

The Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments in the County or to other governmental entities, on a cost-reimbursement basis.

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# Fund Balance Policy

Unlike most other local governments in Wisconsin and across the Country, Milwaukee County's ability to retain unrestricted fund balance is extremely limited. Wisconsin State Statute 59.60(6)(b)(3) requires Milwaukee County to budget a prior-year surplus or deficit in the next budget year. For example, the \$5 million surplus from 2014 must be budgeted as revenue in the 2016 budget. There are two alternatives to this requirement:

- The County may, under State Statute 59.60(5)(g), place surplus funds in a “sinking fund” for the “redemption or repurchase of bonds”, or for emergency needs. This sinking fund is referred to as the Debt Service Reserve Fund in Milwaukee County. In 2013, the County passed a resolution that split the 2012 surplus so that \$5 million would be applied to the 2014 budget, and the remainder deposited into the Debt Service Reserve Fund. It is the policy of Milwaukee County to maintain a balance of no less than \$10 million in this fund.
- State Statute 59.60(13)(b)(3) provides for a tax stabilization fund, into which surpluses may also be deposited. However, this statute allows the County to utilize this fund only in order to prevent a tax levy increase of 3 percent or greater over the prior year. 2013 Wisconsin Act 20 (the State's 2013-2015 Biennial Budget) retained limits on property tax levy increases that make this occurrence highly unlikely. To date the County has not utilized this fund.

Due to these statutory restrictions, the County is not able to develop an unrestricted fund balance, and therefore the County has no need to implement an unrestricted fund balance policy. The County has adopted a number of financial policies that govern the use of unanticipated revenues and funds in the Debt Service Reserve Fund. Please see the “Financial Policies” section for further detail.

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# Fund Descriptions

The following are summaries of the County's budgeted funds. The County's Comprehensive Annual Financial Report considers five of the funds below to be "major funds": the General Fund, the Airport Fund, the Transit Fund, the Debt Service Fund, and the combined Capital Projects Funds.

## **General Fund (Fund 0001)**

The General Fund is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those resources required to be accounted for in another fund. Various funds (below) are subsidiary funds of the General Fund and are assigned a separate fund number for tracking purposes related to State and Federal funding.

### *Family Care (Fund 002)*

This fund accounts for costs and revenues of the Department of Family Care, which operates the State Family Care program. This department coordinates all long-term care services, including home and community based services and institutional services for eligible elders and the disabled who require publicly-funded long-term care services.

### *Fleet Management (Fund 0030)*

Primary use of this fund is to account for the costs associated with the maintenance, repairs and centralized fueling of all County-owned motorized equipment. Costs are billed to user departments based on work orders, time and material costs.

### *Behavioral Health Division (Fund 0077)*

This fund is used to account for the costs associated with the mental health research, patient activities and special events, and compensated absence payouts for BHD retirees.

### *Expendable Trust Funds (Various)*

A number of expendable trust funds exist in several departments to account for and report the proceeds of specific revenue sources that are committed to expenditures for specified purposes. These funds exist for the Zoo, Department of Parks, Recreation and Culture, Office for Persons with Disabilities, Behavioral Health Division, Fleet Maintenance, Facilities Management, Airport (used for the collection of Passenger Facility Charge Revenues), and Risk Management. The Budget includes budgeted appropriations in the Zoo, Office for Persons with Disabilities, and Behavioral Health Division expendable trust funds. See the narratives for these departments for additional details.

## **Debt Service Fund (Fund 0016)**

The Debt Service Fund accounts for and reports the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt.

## **Capital Project Funds (Various)**

These funds, which are separated by functional area, report the financial resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities and other capital assets.

## **Enterprise Funds (Various)**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

### *Airport (Fund 0076)*

The Airport Fund accounts for the operations of General Mitchell International and Timmerman Airports. Airport passenger facility charges and related capital expenditures are not accounted for in the airport's enterprise fund but are accounted for as a special revenue fund.

### *Transit (Fund 0083)*

The Transit Fund accounts for the operations of the Milwaukee County Transit System.

## **Internal Service Funds (Various)**

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County, or to other governmental entities, on a cost-reimbursement basis.

### *IMSD (Fund 0026)*

This fund is used to account for electronic data processing, graphics, applications, radio, mainframe, desktop support and replacement, and telecommunications services provided to County departments.

### *Water Utility (Fund 0029)*

This fund is used to account for maintenance of the water distribution system that is located on the Milwaukee County grounds and provides service to County departments.

### *Risk Management (Fund 0040)*

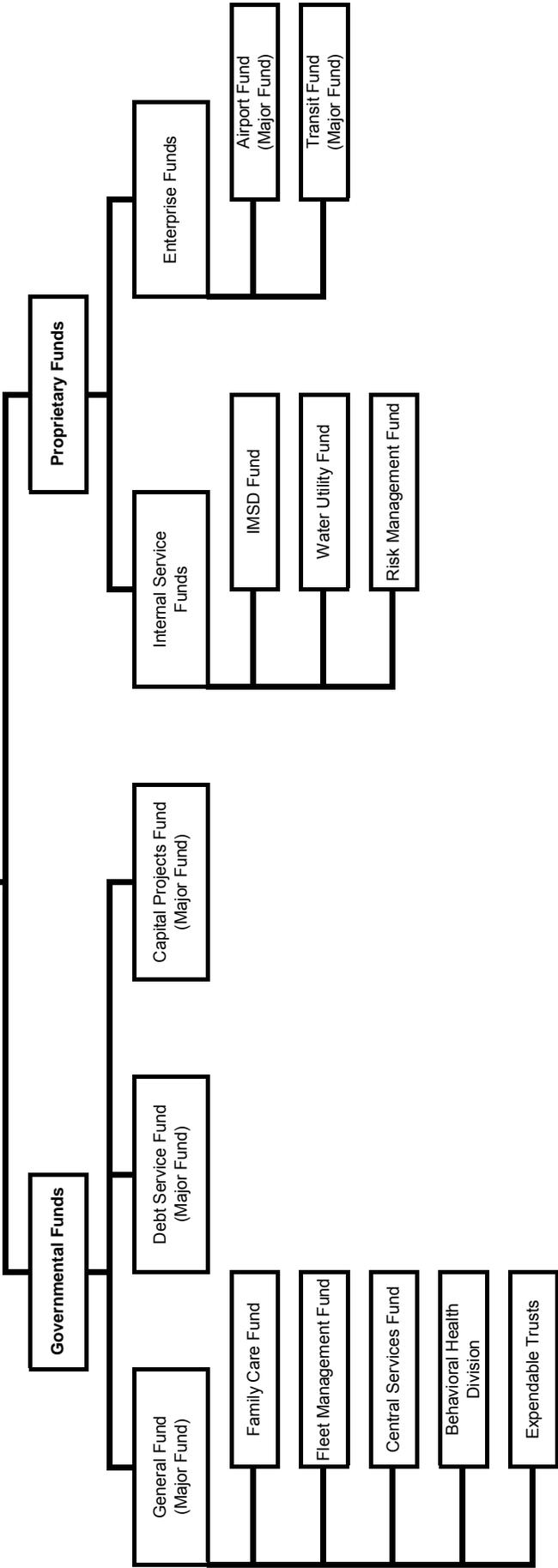
This fund accounts for risk financing, loss control and insurance-related activities for the County and its employees.

**2016 Functional Area Summary by Fund Type**

REVENUES	GENERAL FUND(a)	ENTERPRISE	INTERNAL SERVICE	DEBT	CAPITAL PROJECTS	TOTAL
Legislative & Executive	\$0					\$0
Administration	\$50,329,016		\$26,161,835		\$18,291,168	\$94,782,019
General Government	\$10,077,164					\$10,077,164
Courts & Judiciary	\$29,799,520					\$29,799,520
Public Safety	\$28,274,990				\$1,365,000	\$29,639,990
Transportation & Public Works	\$33,819,633	\$191,391,747			\$47,316,500	\$272,527,880
Health & Human Services	\$517,910,607				\$69,030	\$517,979,637
Recreation & Culture	\$41,084,441				\$11,366,067	\$52,450,508
Debt Service				\$20,849,864		\$20,849,864
Non-Departmental Revenues	\$109,556,646					\$109,556,646
Non-Departmental Expenditures	(\$50,305,161)					(\$50,305,161)
<b>TAX LEVY</b>	<b>\$235,068,760</b>	<b>\$22,466,630</b>		<b>\$29,449,735</b>	<b>\$0</b>	<b>\$286,985,125</b>
<b>TOTAL</b>	<b>\$1,005,615,616</b>	<b>\$213,858,377</b>	<b>\$26,161,835</b>	<b>\$50,299,599</b>	<b>\$78,407,765</b>	<b>\$1,374,343,192</b>
EXPENDITURES	GENERAL FUND(a)	ENTERPRISE	INTERNAL SERVICE	DEBT	CAPITAL PROJECTS	TOTAL
Legislative & Executive	\$4,715,062					\$4,715,062
Administration	\$65,728,660		\$26,087,459		\$18,291,168	\$110,107,287
General Government	\$15,296,862					\$15,296,862
Courts & Judiciary	\$70,541,568					\$70,541,568
Public Safety	\$185,149,413				\$1,365,000	\$186,514,413
Transportation & Public Works	\$34,177,267	\$213,858,377			\$47,316,500	\$295,352,144
Health & Human Services	\$597,801,018				\$69,030	\$597,870,048
Recreation & Culture	\$78,752,556				\$12,958,467	\$91,711,023
Debt Service	\$0			\$50,299,599		\$50,299,599
Non-Departmental Revenues	\$0					\$0
Non-Departmental Expenditures	(\$48,064,814)					(\$48,064,814)
<b>TOTAL</b>	<b>\$1,004,097,592</b>	<b>\$213,858,377</b>	<b>\$26,087,459</b>	<b>\$50,299,599</b>	<b>\$80,000,165</b>	<b>\$1,374,343,192</b>

(a) = General fund includes subsidiary funds as noted in the Fund Descriptions section. These subsidiary funds include Family Care, Fleet Management, Central Services, Behavioral Health Division, and Expendable Trust Funds

**Milwaukee County Budgetary Funds**



# Glossary

The following are explanations of some of the most commonly used terms found in the Operating and Capital Budget narratives.

**Abatement:** A negative expenditure or cost amount. Milwaukee County sometimes uses a process by which one department will transfer costs to another department in lieu of charging that department in a cost/revenue structure. For instance, the Department of Administrative Services places expenditures in its various program areas to allocate the cost of the DAS Management program area, which are offset by negative expenditure amounts in the DAS Management program area. These negative expenditure amounts are combined with positive crosscharge amounts (see below) in the Interdepartmental Charges appropriation unit on the front pages of all departmental narratives.

**Accrual Basis of Accounting:** An accounting method that recognizes the impact of financial transactions when they occur regardless of when cash flows are realized.

**Appropriation:** The setting aside of funds for specific purposes. This is essentially the budgeting of expenditure authority for the purpose of carrying out programs or services.

**Appropriation Unit:** A group of expenditure or revenue accounts that are similar in nature. For instance, the Personnel Cost appropriation unit includes salaries, social security, and fringe benefit costs for County employees.

**BHD:** The Behavioral Health Division of the Milwaukee County Department of Health and Human Services.

**Capital Improvement Committee (CIC):** A committee, required by Section 36 of the County Ordinances, that reviews departmental capital project and capital improvement plan requests and makes recommendations to the County Executive for inclusion in the Recommended Capital Budget. The County is composed of the Chair of the County Board Committee on Transportation and Public Works, the Co-Chairs of the County Board Committee on Finance, Personnel and Audit, the Comptroller, the Director of Transportation, the Budget Director, and two municipal mayors.

**Capital Outlay:** In the Operating Budget narrative, the appropriation unit that includes costs of acquisition of operating equipment items such as vehicles and office equipment greater than \$5,000. These items generally have a useful life greater than one year, but less than ten years, and are included in an organization's operating budget.

**Crosscharge:** A cost budgeted and realized for inter-departmental service costs. For instance, the DOT-Fleet Management Division charges other County departments for vehicle maintenance costs. These charges are referred to as "crosscharges". These expenditure amounts are combined with negative abatement amounts (see above) in the Interdepartmental Charges appropriation unit on the front pages of all departmental narratives.

**DAS:** The Department of Administrative Services, which is broken up into several divisions and generally provides internal administrative services to County departments.

**DAS-Fiscal:** The Fiscal Affairs Division of the Department of Administrative Service. This division includes the DAS Director and support staff, the Office of Performance, Strategy and Budget, and the Collections section.

**Debt & Depreciation Costs:** The combination for narrative purposes of the Debt Service and Depreciation appropriation unites that includes all such costs.

**DHHS:** The Milwaukee County Department of Health and Human Services

**Direct Revenue:** A revenue appropriation unit, these are payments by customers or outside entities to the County for specific purposes. Examples include capitated payments by the State of Wisconsin for Family Care services, greens fees to play a round of golf, admissions fees to the Zoo, or Real Estate Transfer fees paid when a property changes ownership.

**DOT:** The Milwaukee County Department of Transportation.

**Five Year Capital Improvements Plan:** The anticipated required or requested capital projects for the current budget year and the proceeding four years.

**FTE:** "Full-time Equivalent" positions, or the proportion of 2,080 hours that a position is anticipated to be employed by the County.

**Fund:** An individual account that is used for accounting and budgeting purposes of similar services or functions. Similar to individual bank accounts for checking, savings, retirement, etc. Milwaukee County utilizes the following funds:

- The General Fund, which is used to account for all financial resources, except those required to be accounted for in another fund.
- The Debt Service Fund, which is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt.
- The Capital Projects Fund, which is used to account for financial resources segregated for the acquisition of construction of major capital facilities other than those financed by proprietary funds.
- Enterprise Funds that are used to account for operations that provide services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.
- Internal Service Funds that are used to account for the financing of goods or services provided by one department to other departments in the County or to other governmental entities, on a cost-reimbursement basis.

**General Obligation Bonds:** Bonds in which the government pledges its full faith and credit to the repayment of bonds that it issues.

**Indirect Revenues:** Revenues earned by departments by charging other Milwaukee County departments for services.

**Interdepartmental Charges:** The combination for narrative purposes of the Abatement and Crosscharge appropriation units that includes charges between departments for services or cost allocations.

**Intergovernmental Revenue:** The revenue appropriation unit that includes payments by the State of Wisconsin or the Federal Government. Examples include General Transportation Aids for County highway operations, payments by the State for housing State inmates in the Jail, State Shared Revenue, Youth Aids, etc.

**MCAMLIS:** The Milwaukee County Automated Mapping and Land Information System, which provides mapping and land information services utilizing GIS technology for a variety of customers. This service is funded, per State law, through a portion of the recording fee paid on most real estate transaction documents.

**Modified Accrual Basis of Accounting:** Basis of accounting in which (1) revenues are recognized in the accounting period when they become available and measurable, and (2) expenditures are recognized in the accounting period when the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt and certain similar accrued obligations, which are recognized when due.

**Non-Departmental Organization:** An organizational unit that accounts for services or items that do not fall under the jurisdiction of any single department. Examples include Employee Fringe Benefits, the Appropriation for Contingencies, and the Civil Air Patrol. The narratives for these organizations are included in the Cultural Contributions, Non-Departmental Revenues, and Non-Departmental Expenditures sections of the Operating narrative.

**Operation Costs:** An appropriation unit that includes services and commodities purchased by the County in order to operate.

**Passenger Facility Charge (PFC):** The Passenger Facility Charge (PFC) Program allows the collection of PFC fees up to \$4.50 for every boarded passenger at commercial airports controlled by public agencies. Airports use these fees to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise; or increase air carrier competition, including making payments for debt service on indebtedness incurred to carry out the project. Governed by: PFC Statute (49 U.S.C. Sec. 40117). General Mitchell International Airport is currently approved to collect a PFC charge of \$4.50 per enplaned passenger.

**Seas/Hourly/Pool Pos.:** The FTE equivalent of positions that are generally hourly or temporary in nature, such as park seasonal employees, hourly temporary clerical positions, interns, etc. These positions are generally not eligible for fringe benefits.