# Milwaukee County 5-Year Financial Forecast

Milwaukee County Long Range Strategic Planning Steering Committee

May 10, 2011

# 5-Year Financial Forecast
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# 5-Year Financial Forecast
## Overview

- Model developed by Municast and recommended by GFOA
- Assumes Current Service Levels & Commitments
- Transparent Process/Assumptions
- Achieve Consensus on Baseline Scenario
- Reviewed by Workgroup
- "What if?" Analysis Capabilities
- 2011-13 State Budget & Repair Bill

# 5-Year Financial Forecast
## Workgroup

- Antioinette Thomas-Bailey, DAS-Fiscal
- Steve Cady, County Board Staff
- Josh Fudge, DAS-Fiscal
- Jerry Heer, Audit
- Rob Henken, Public Policy Forum
- Sarah Jankowski, DAS-Fiscal
- Alex Kotze, BHD/DHHS
- Scott Manske, DAS
- John Priebe, Office of the Sheriff
- John Ruggini, DAS-Fiscal/City of Wauwatosa

# 5-Year Financial Forecast
## Structure

- 1998-2009 CAFR Data
- 2010-11 Adopted Budgets
- Created 70+ Account Types
- Analyze Historical Trends
- Identify Predictive Variable When Available
- Apply Assumption to each Account Type
- Assumptions for Top Ten Revenues/Expenditures Included in Handout

# 5-Year Financial Forecast
## Structural Deficit

- Milwaukee County has a Structural Deficit
- Expenditures are Projected to Grow Faster than Revenues through 2016
  - Expenditures: 5.2%
  - Revenues: 4.2%
- Structural Deficit will Continue to Grow as a Percentage of Total Revenues
  - 1% in 2012
  - 5% in 2016

# 5-Year Financial Forecast
## Structural Deficit - Drivers

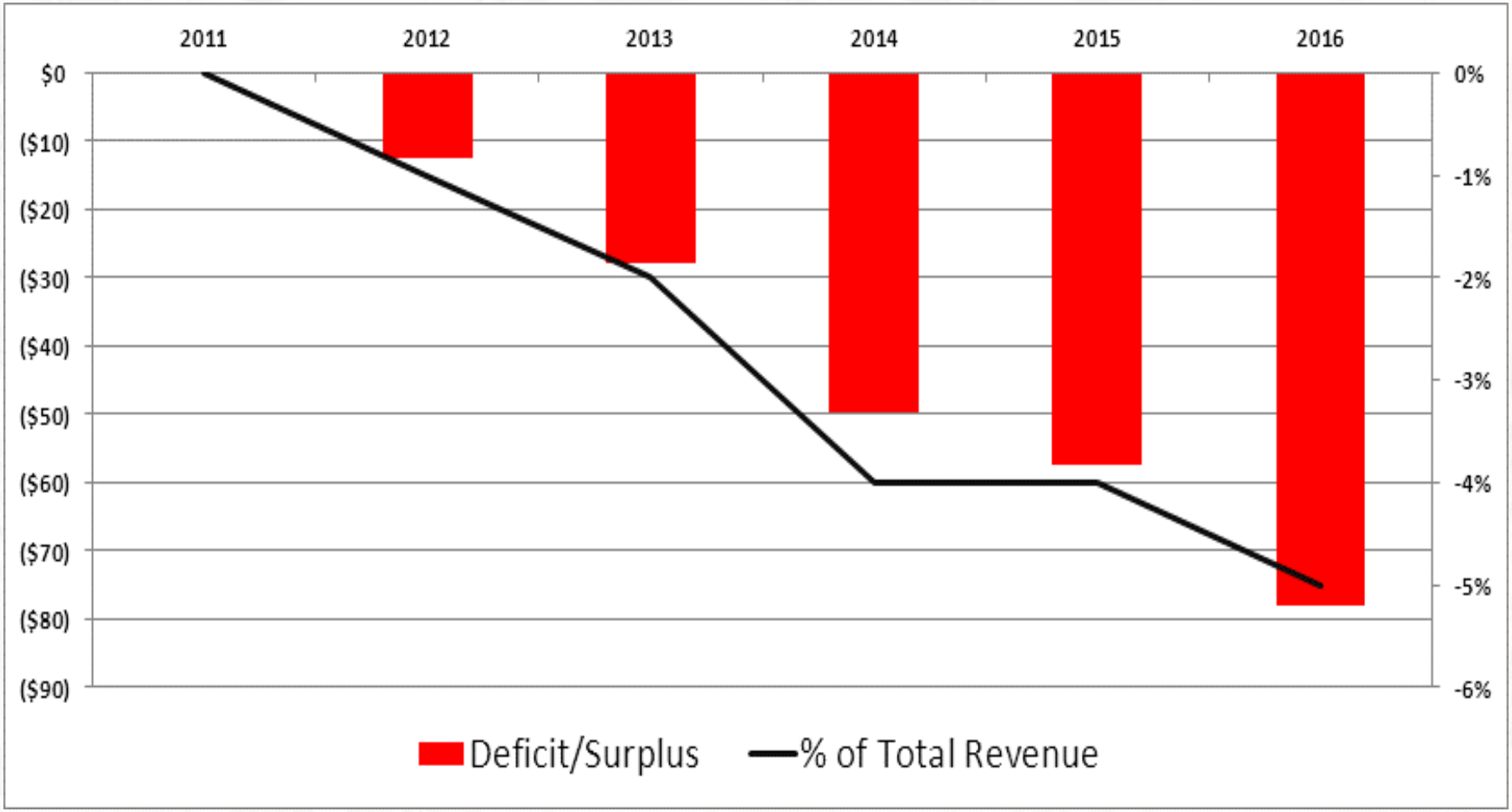
Projected Annual Growth through 2016:

- Personnel Costs: 5.4%
  - Fringe Benefits: 7.7%
- State & Federal Revenue: 1.2%
  - 2011-13 State Budget & Repair Bill Not Yet Included
- Discretionary Program Revenues: 1.5%
- Property Taxes: 3.1%

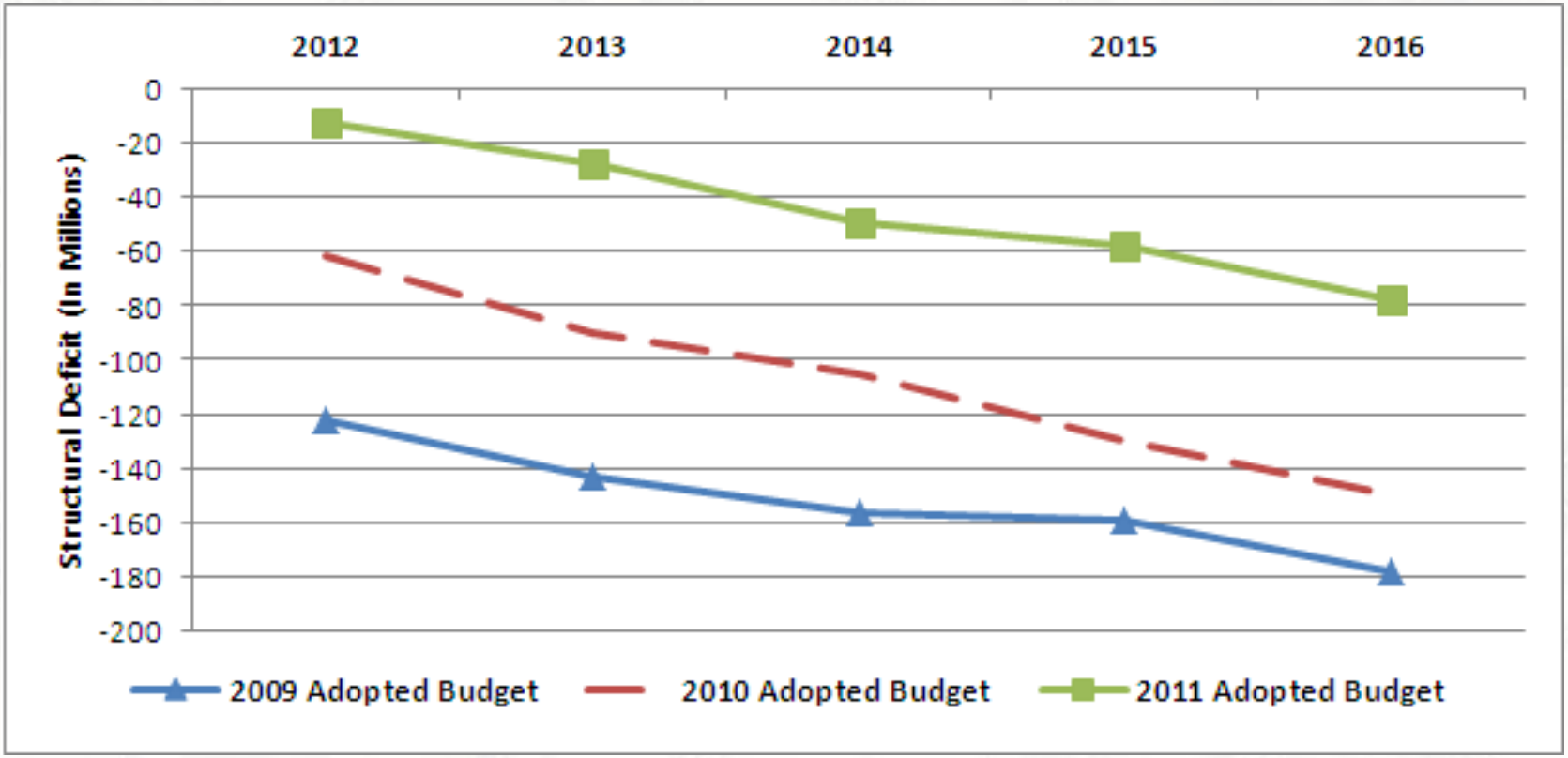
# 5-Year Financial Forecast
## Structural Deficit - Drivers

- County has Few Revenue Diversification Options
- Debt Service will fall from 4.5% to 3% of Total Expenditures
- County has Made Significant Progress in Last 2 Years

# 5-Year Financial Forecast
## Structural Deficit – 2011 Adopted Budget

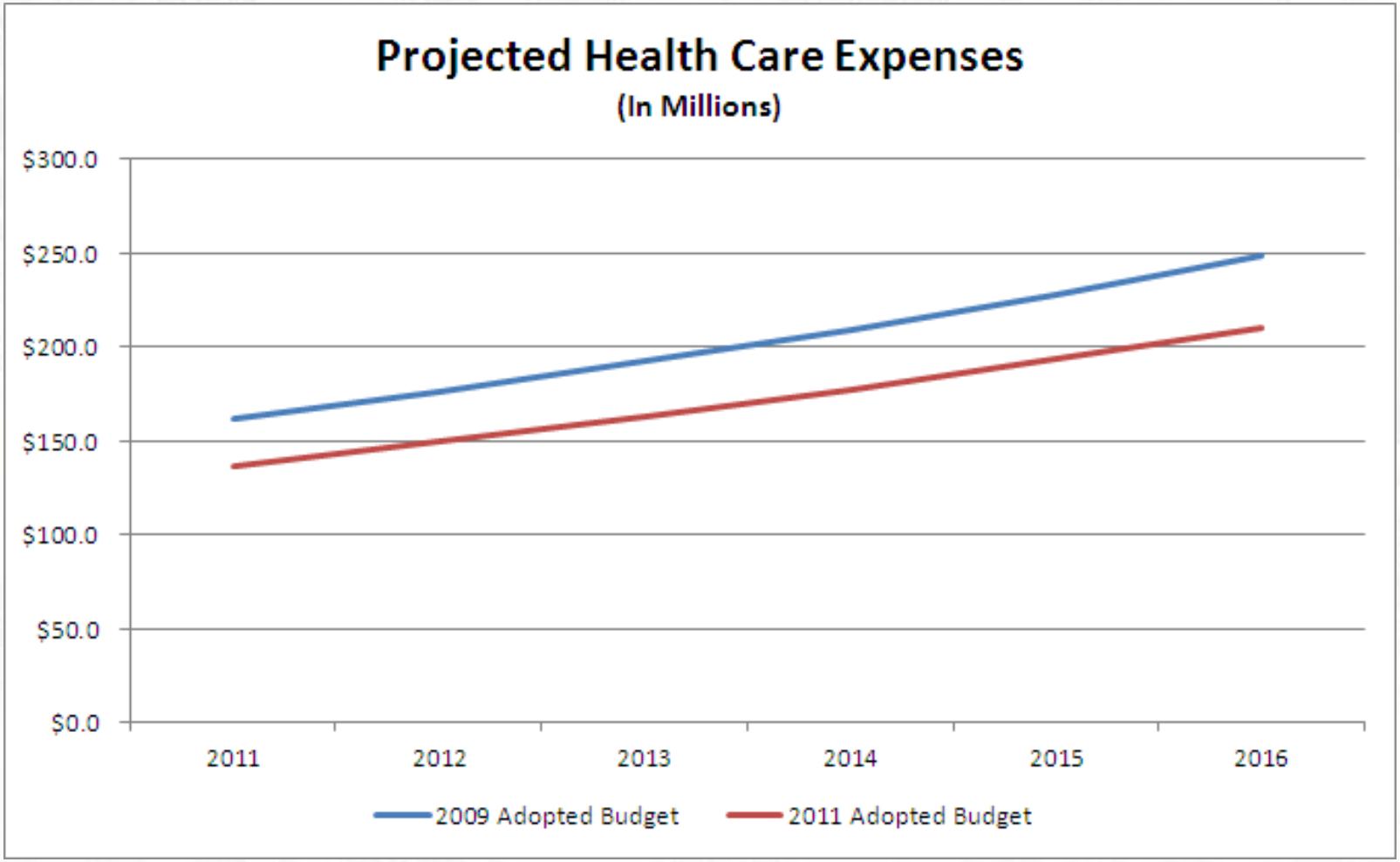


# 5-Year Financial Forecast
## Structural Deficit – History



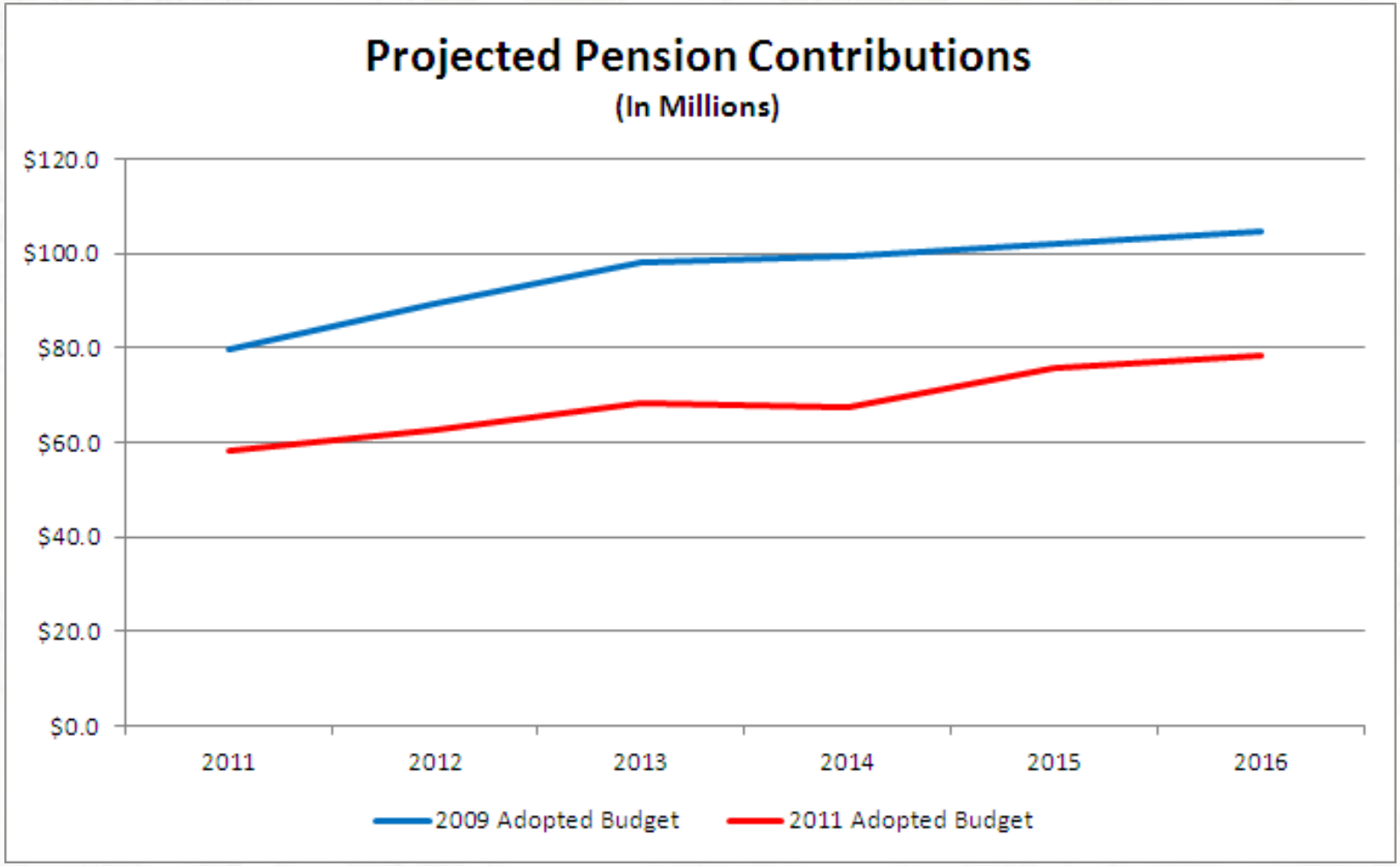
# 5-Year Financial Forecast

## Structural Deficit – History



# 5-Year Financial Forecast

## Structural Deficit – History



# 5-Year Financial Forecast
## Non-Rep Take-Home Pay Comparison

| Item | 2001 | 2011 |
|---|---|---|
| **Gross Salary (a)** | **$62,176** | **$67,314** |
| Federal & State Taxes (b) | ($13,679) | ($14,809) |
| Health Insurance Premiums (c) | ($612) | ($1,800) |
| Health Ins. Out-of-Pocket (d) | ($452) | ($846) |
| Pension Contribution (e) | $0 | ($2,019) |
| **NET PAY** | **$42,676** | **$44,036** |
| Net Pay in Current Dollars | **$52,580** | **$44,036** |

(a) 2011based on NR Avg. in BRASS, 2001 based on 2011 deflated for COLAs
(b) Includes 15% federal income, 7% state, 7.65% (2001) 5.65% (2011) FICA
(c) $51 Monthly 2001, $150 Monthly 2011 for Family Plans
(d) 2011 est. based on 2010 data not including increased deductible or County FSA
(e) Assumes 3% based on 2011 County Budget

# 5-Year Financial Forecast
## State Budget & Repair Bill

| Known Items | 2012 Impact(a) |
|---|---|
| State Shared Revenue | ($8,316,885) |
| Transit Operating Aids | ($6,858,300) |
| Child Support Base Funding | ($3,664,779) |
| Youth Aids | ($3,580,092) |
| Courts Programs/Victim Witness | ($1,348,872) |
| Mental Health/AODA | ($1,301,099) |
| General Transportation Aids | ($641,851) |
| TOTAL | ($25,711,878) |

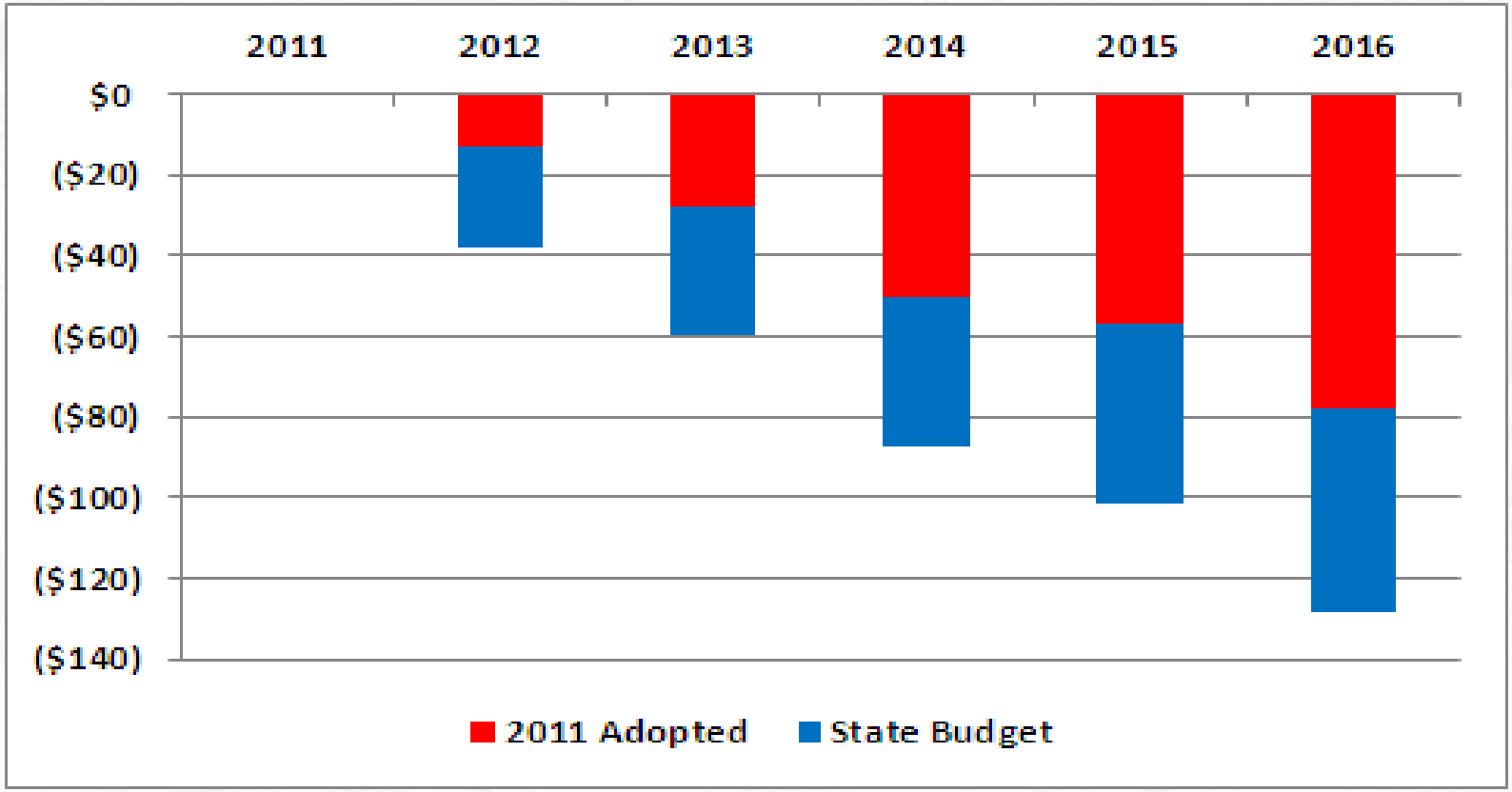
**(a) = Assumes Existing Operations Continue**

# 5-Year Financial Forecast
## State Budget & Repair Bill

| | | ***2012*** |
|---|---|---|
| Total Reductions in State Aid | $ | (25,711,878) |
| Non-base Wage and Benefit Reductions Achievable through Repair Bill (budgeted and unbudgeted) | $ | 23,644,747 |
| *Surplus/(Deficit)* | $ | (2,067,130) |
| | | |
| Non-base Wage and Benefit Reductions Achievable through Repair Bill (budgeted) | $ | 16,286,497 |
| *TOTAL 2012 Impact* | $ | (18,353,627) |

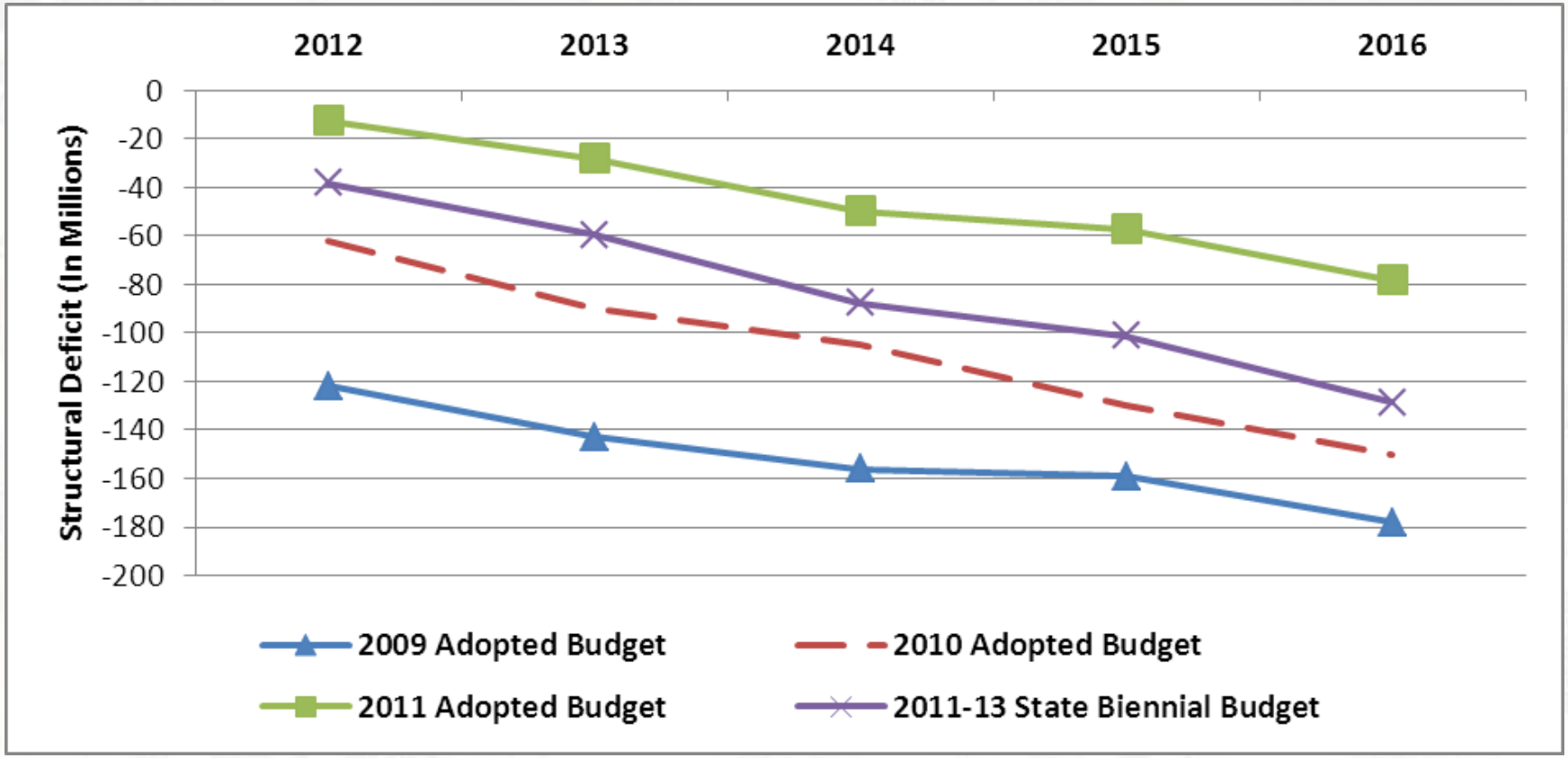
# 5-Year Financial Forecast
## State Budget & Repair Bill

### Effect on Structural Deficit – What If? Analysis



# 5-Year Financial Forecast
## State Budget & Repair Bill

### Effect on Structural Deficit



# 5-Year Financial Forecast
## State Budget & Repair Bill

Additional Concerns:

- $500MM in Medicaid Reductions TBD
- Income Maintenance Takeover
- Budget Repair Bill Legal Status
- Significant Employee Concessions Already Included in 2011 Adopted Budget
- New Construction Value Issued in August

# 5-Year Financial Forecast
## Summary

- Forecast is Always a Work in Progress
- Forecast is a Consensus-driven, Baseline Assumption
- Structural Deficit Persists
- County has made Significant Progress in Addressing
- 2011-13 Biennial Budget Impact still TBD

- Questions?