

ADOPTED 2011 BUDGET

DEPT: WAGE AND BENEFIT MODIFICATION ACCOUNT

UNIT NO. 1972
FUND: General - 0001

BUDGET SUMMARY				
	2009 Actual	2010 Budget	2011 Budget	2010/2011 Change
Expenditures	\$ 0	\$ (25,837,697)	\$ (11,599,615)	\$ 14,238,082
Revenues	\$ 0	\$ (5,735,443)	\$ (2,807,463)	\$ 2,927,980
Property Tax Levy	\$ 0	\$ (20,102,254)	\$ (8,792,152)	\$ 11,310,102

BUDGET HIGHLIGHTS

Milwaukee County faces severe fiscal challenges and a structural deficit due in large part to rising employee/retiree benefit costs and reduced state aids for mandated programs and services. The fiscal shortfall has been exacerbated by the ongoing economic recession that resulted in market losses in Pension Fund assets and has significantly reduced countywide revenues. To address these issues, the 2011 Recommended Budget maintains this non-departmental account to budget \$11,599,615 of expenditure savings associated with wage and benefit modifications that are dependent upon labor negotiations. Figures are presented here for illustrative purposes as the reductions are budgeted within each County department.

2010 Wage and Benefit Modifications

The 2010 Adopted Budget included modifications to healthcare, pension and overtime benefits. These changes were implemented for non-represented staff and agreed to by the Machinists, Attorneys and TEAMCO. Approved labor contracts with the Nurses and the Trades unions included components of these modifications. The savings associated with non-represented staff, retirees and these bargaining units are incorporated into the Fringe Benefits budget, org 1950.

The yet-to-be realized savings associated with employees represented by DC-48, the Deputy Sheriffs Association and the Firefighter bargaining units are included in this budget, org. 1972. Should a labor agreement not be reached by December 31, 2010, the County Executive is authorized to implement up to 26 furlough days for employees in these bargaining units in all departments including constitutional offices for non-public health and non-safety related positions in order to realize an equivalent amount of savings and prevent a budget deficit. Elected officials and members of boards and commissions are also exempted from furlough days. The DAS Director is also given the authority to grant exemptions in order to preserve public health and public safety.

Step Increases

- All step increases, as provided for in Chapter 17 of the Milwaukee County General Ordinances are suspended for 2011.

Pension Benefits

- Projected annual costs of the current pension benefit are not sustainable. To lower these costs while still providing an attractive pension benefit, the annual "multiplier" was reduced in the 2010 Adopted Budget for most employees (subject to bargaining). This change was not applied at that time to elected officials or members of the Nurses and Trades unions. The 2011 Recommended Budget reduces the multiplier to 1.6 for future years of pension service credit for elected officials and members of the Nurses and Trades unions. No diminishment of pension service credit already earned will occur. In addition, all new hires after 12/31/10 for these groups shall have a normal retirement age of 64 instead of 60. The changes are consistent with the modifications in the 2010 Budget that applied to non-represented positions.

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Based on the pension modifications outlined above, the annual pension service cost ("normal cost") is expected to trend down from the current 8.9% of salary to less than 8% as the changes are applied to more employees. In order to provide a valuable and sustainable retirement benefit, employees eligible for pension benefits (regardless of vesting status) will contribute two percent of their salary on a pre-tax basis to the County's pension system beginning January 1, 2011. The goal is to have employees eventually contribute 4 percent of their salary toward their pension, essentially paying 50% of the annual pension service cost.

Non-represented employees (except elected officials) shall be provided a one percent (1%) cost-of-living adjustment (COLA) beginning on June 12, 2011 (pay period 14) and another 1% increase on December 11, 2011 (pay period 1 of 2012). The non-represented employee (except elected officials) pension contribution shall increase to 3 percent and 4 percent, respectively, of salary beginning in these pay periods. Compensation for other bargaining units is subject to approved labor agreements or collective bargaining negotiations. Should the County be unable to fully implement this provision by January 1, 2011, corrective actions including, but not limited to, layoffs, furloughs, and program/service reductions may be necessary to mitigate the shortfall.

Pursuant to County Ordinance, ordinance amendments effectuating these changes shall be brought forward and reviewed by the Pension Study Commission and Pension Board and approved by the County Board prior to January 1, 2011.

The County Executive's 2011 Recommended Budget proposed initiatives related to pension and health care changes (wage and benefit concessions) designed to save approximately \$24.5 million in tax levy. This includes approximately \$4.2 million in unachieved savings in 2010 that is carried forward to 2011. An independent legal opinion received in 2002, as well as one provided by the Acting Corporation Counsel at the request of the Committee on Finance and Audit during 2011 budget deliberations, raises concerns on the ability to effectuate all of these initiatives. In light of potential litigation that may occur with the implementation of pension and health care changes included in the budget, Corporation Counsel will retain outside counsel, subject to approval by the County Board, to provide advice and guidance on these issues. Funding will be provided by funds included in Org. 1961 – Litigation Reserve Account.

Capping the Backdrop

The Employee Benefits Workgroup will study what steps must occur in order to cap the backdrop pension benefit at a future point in time. This includes legal guidance as to how best to proceed and an actuarial study of the impact of such an action. The Workgroup shall provide a report to the County Board for consideration in the June 2011 meeting cycle.

Contract Personal Services

The use of contract personal services – short term (temporary help) is reduced to reflect fiscal constraints. The savings of \$346,478 from this initiative, plus the additional \$653,522 is placed in Org. 1945 – Appropriation for Contingencies to mitigate potential shortfalls in 2011.

Removal of Department Heads

Each Departmental budget includes language specifying that department heads 'are required to operate within their expenditure appropriations and their overall budgets' and, that under Wis. Stats. 59.60(12), a county officer who violates the requirements of responsible budget administration 'may be removed for cause.' The County Board of Supervisors has frequently needed to correct, monitor, audit or otherwise confront operational difficulties in departments that are caused, at least in part, through the mismanagement or ineffective management of the director in charge of the department. However, the County Board is prohibited by law from formally reprimanding or removing department heads and division directors who demonstrably fail in their jobs. To make department heads more accountable to the taxpayers, Milwaukee County Intergovernmental Relations staff is authorized to

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pursue changes in Wisconsin State Law to permit the County Board of Supervisors to remove appointed department heads upon a two-thirds vote of the County Board of Supervisors.