

METHODOLOGY AND DATA

The main sources of data utilized in this report are Milwaukee County financial reports, budget documents, and financial records. We wish to thank officials from the county's Administrative Services, Employee Benefits and Audit departments for helping us gather this information.

The study also relies upon data obtained from Milwaukee County Employees' Retirement System reports and from conversations with staff and actuaries associated with that system, as well as reports and information collected from the City of Milwaukee and State of Wisconsin.

Finally, for **Section IV**, we utilized data collected from the Commonwealth of Massachusetts' official web site, its statutes, newspaper articles and interviews with knowledgeable individuals, including a Massachusetts state representative, a former governor and local policy researchers.

The breakdown of Milwaukee County functional budgets in **Section II** and the modeling of three governance reform models in **Section III** required certain selective use of data sets and numerous assumptions. The following summarizes key data sets and assumptions used in budget tables in **Section II**.

- All dollar figures are based on 2008 actual expenditure and revenue amounts reported in the county's electronic budget database, unless otherwise noted.
- Budget tables for each department include a column showing estimated legacy costs associated with the department per the county's existing methodology (which reflects each department's percentage of active full-time employees), as well as a column showing the costs if the methodology instead was based on each department's actual retirees. Retiree history is taken from a 2009 county working document that aimed to distinguish the number of retirees associated with each county department.
- Departmental debt is taken from a historical debt spreadsheet managed by county budget staff. Most debt has been identified by function; however, due to limited knowledge of all county capital projects, we were unable to discern the appropriate function for most projects in the categories of county grounds, courthouse complex, and other agency. Consequently, this debt is not reflected in functional tables, and it is assumed it would remain with the county under governance reform alternatives.
- Half of total 2008 county health care and life insurance costs are attributed to active employees and half to county retirees. This mirrors a fringe benefit rate calculation used by the county's budget staff during the 2009 budget process.
- One-third of 2008 county pension costs are attributed to retirees, and the remaining two-thirds to active employees. This mirrors a fringe benefit rate calculation used by the county's budget staff during the 2009 budget process.
- Budget tables apportion a share of the county's long-term pension debt and unfunded liability, the total of which is \$486,655,509, to each function based on that function's retiree

history. Of that estimated liability, pension obligation bonds total \$397,797,000 and the unfunded actuarial accrued liability totals the remaining \$88,858,509. These totals are as of January 1, 2009 and are taken from an actuarial report conducted by Buck Consultants.

- Budget tables apportion a share of the county's future OPEB liability, the total of which is \$1,546,458,000, to each function based on that function's retiree history. This total is as of January 1, 2008 and is taken from an actuarial valuation conducted by Cambridge Advisory Group.
- Central service charges are broken down as follows:
 - *Administration* – Audit, Disability Services, Employee Benefits, Labor Relations, Risk Management, Procurement, Fiscal Affairs, Accounting, Accounts Payable, Payroll, and HRIS
 - *Legal* – Corporation Counsel
 - *Information Technology* – Information Management Services Division (IMSD)
 - *Facilities* – Facilities Management and Architecture, Engineering, and Environmental
 - *Fleet* – Fleet Management
- Central service charges to departments include not only the direct cost of central services, but also legacy costs associated with central service departments. We attribute about 10% of central service charges to central service legacy costs. This percentage does not significantly change between the two legacy cost allocation methods used in the budget tables.

Key assumptions for the governance reform scenarios in **Section III** are described in the text of that section. The assumptions noted above for **Section II** also apply to that section unless otherwise noted. The following are some additional assumptions of a more technical nature used in **Section III** fiscal modeling.

- Estimates reflect 2008 legacy costs and General Obligation Bond debt while acknowledging that those amounts will vary in future years.
- It is assumed that roughly \$50 million (10%) of the county's debt could not be transferred to an alternative government body under any scenario because certain debt is associated with functions that no longer exist or that would not exist if county government was eliminated. This includes debt on the former Doyne Hospital (\$13.5 million), County Stadium (\$13.5 million), and another unidentified \$23 million in miscellaneous debt tied to central service functions or unidentifiable projects. The annual debt service to cover such debt is assumed to be approximately \$5 million.
- The county's annual debt service payment is assigned to each function based on its share of the county's overall long-term debt.
- The state's shared revenue payment is reduced at a rate equal to the percentage of total 2008 county expenditures that has been transferred with departing functions.

- Certain departments receive non-levy offsetting revenues from outside sources for each dollar of expenditure incurred. It is assumed that as functions move out of county government, any such “matching” revenues that previously supported legacy costs are lost.
- In the two scenarios in which county government is restructured but not eliminated, the following assumptions are used:
 - The county retains all \$67 million from its existing .5% sales tax.
 - Central service/overhead expenditures are reduced at a rate equal to the percentage of total 2008 central service/overhead expenditures that are transferred with departing functions. Positions within central servicing departments are reduced at that same rate.
- In each scenario, overall county expenditure and property tax levy amounts were developed using 2008 expenditure and property tax levy amounts and deducting the following:
 - Expenditure and levy amounts associated with GAMP (except for the remaining \$5.8 million county payment to the state for Badger Care Plus).
 - Expenditure and levy amounts associated with functions transferred out of county government.
 - Associated shared revenue and debt service per the description above.
- A similar process of deduction was used to develop full-time-equivalent position counts.