



September 2002

MILWAUKEE COUNTY

Milwaukee County government has been the center of considerable controversy since January 2002, when significantly expanded retirement benefits for county employees and elected officials began to receive extensive media coverage. Subsequent resignations and recalls of elected officials have been accompanied by wide-ranging public debate about the cost and scope of county government, as well as how to address a projected \$51.4 million budget shortfall for 2003. In 2002, the county's expenditures are estimated to be \$1.1 billion.

Retirement System Oversight Should Be Improved

The controversial wage and benefit package, which was enacted in November 2000, is now expected to increase retirement benefit costs by \$53.5 million from 2001 to 2004. Some have suggested that Milwaukee County taxpayers might be better served if county employees participated in the Wisconsin Retirement System (WRS), which administers pension benefits for employees of the State, all other counties, and many local governments. If the county participated in the WRS, its required contribution for 2002 would range from an estimated \$9.1 million to \$21.5 million, depending on whether it paid only the employer's share or made both the employer and the employee contribution. A number of complex legal, financial, and administrative issues would need to be addressed to limit legal challenges and ensure that employees are treated equitably and fiscal effects are understood. A less-extreme alternative would be to maintain the current system but provide for some level of state oversight of future pension benefit changes.

We note that for 2001 and 2002, Milwaukee County chose to contribute only \$5.3 million to fund employee pensions, which is less than one-third of its actuarially determined obligation of \$17.1 million. The county anticipates paying the deficiency for each of these years over a five-year period.

If the county continues to administer its own pension system, we recommend that it improve oversight by providing more specific fiscal notes for proposed retirement changes and ensuring that the responsibilities of the County's Pension Study Commission are appropriately performed. In addition, we suggest that it consider separating retirement benefit proposals from other negotiations in future collective bargaining with the 20 county employee unions.

The Board of Supervisors Could Further Streamline Its Operations

The Milwaukee County Board of Supervisors has adopted some changes to become less involved in the day-to-day management of county departments. To further streamline operations and improve budget management, we recommend that the county improve its fiscal note process, adopt a passive review process for contracts and grants that require the board's approval, create a tax stabilization fund, and more accurately budget for the cost of employees' accumulated sick leave at the time of retirement. Through August 9, 2002, the county spent \$5.6 million in accumulated sick leave

payments, compared to \$1.7 million in all of 2001.

The board is smaller than most comparable Wisconsin county boards, but larger than those of comparable counties in other midwestern states. Both the size of county boards and their salaries appear to be based on local circumstances and local traditions. In other midwestern states we surveyed, members' salaries ranged from \$12,500 to \$86,000 annually, while Milwaukee County supervisors are paid \$52,227 annually.

The County's Hiring Process Is Outdated

Milwaukee County is the only Wisconsin county that is required by statute to establish and implement its own civil service rules, and its highly centralized hiring process did not change when civil service reform occurred elsewhere in the mid-1990s. As a result, there are significant delays in the current process, and the lists of eligible candidates available to hiring managers are frequently outdated. We recommend the county improve the efficiency of its hiring process by keeping eligibility lists current, permitting testing on demand, eliminating residency requirements for the submission of applications, and allowing applications to be submitted electronically.

The Parks System Could Reduce Costs and Increase Revenues

Attendance at county operated golf courses and pools has declined in recent years. For example, rounds played at the county's six par 3 golf courses declined 51.0 percent between 1985 and 2001, while play at ten major courses declined 32.6 percent. We suggest closing some of the lesser-used courses to reduce operating costs, limiting or closing golf course concession stands that operate with deficits, and modifying the current discount program to be more comparable with those of private courses.

The Sheriff's Department Is Substantially Over Its Budget

The Sheriff's Department has been substantially over budget each year since 1996, in part because it has consistently budgeted less for prescription drugs for inmates at the county jail and the House of Correction than its actual expenditures in the previous year. If current spending levels continue, the department will spend nearly \$2.5 million on drugs in 2002, or 2.6 times its budget of \$950,000.

To increase revenue, we recommend the Sheriff's Department recover more of its costs for providing security and traffic control services at special events. Currently, administrative costs and vehicle costs are not routinely recovered.
