

A REVIEW

Milwaukee County

02-16

September 2002

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Appendix—Response from the Milwaukee County Executive



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September 19, 2002

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Leibham:

At the request of the Joint Legislative Audit Committee, we have completed a review of Milwaukee County government. Milwaukee County includes 19 cities and villages and is Wisconsin's largest county, with a population of 940,164. In 2002, it budgeted for 7,082.7 full-time equivalent positions to provide government services through 26 departments. Expenditures for 2002 are estimated to be \$1.1 billion.

Changes to retirement benefits for county employees that were enacted in November 2000 have raised questions about the adequacy of oversight for the Milwaukee County Employees' Retirement System. Enhanced retirement benefits are currently estimated to increase retirement benefit costs by \$53.5 million for the four-year period covered by the current wage and benefit package. We analyzed several options for improving control and accountability over decisions pertaining to pension benefits, including participation in the Wisconsin Retirement System, other restructuring options, increased state control, improvements to county activities such as the preparation of fiscal notes, and separating pension changes from other wage and benefit negotiations.

We also identified areas for improvement and efficiencies in county board procedures, the county's budgeting and hiring processes, and information technology. For example, Milwaukee County does not budget for its employees' accumulated sick leave payments, and from January 1 through August 9, 2002, it spent \$5.6 million for these payments because of a large number of retirements. We have included a recommendation for Milwaukee County to more accurately budget for the cost of accumulated employee sick leave at the time of retirement.

Finally, we have identified areas for potential consolidation of services within the Department of Parks, and we have suggested that the Sheriff's Department recover more of its costs for providing security and traffic control services at special events and that the county seek additional private support for the zoo and its arts and cultural facilities.

We appreciate the courtesy and cooperation extended to us by Milwaukee County staff and the assistance provided by the Milwaukee County Department of Audit. The response of the Milwaukee County Executive is in the appendix.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller
State Auditor

JM/DB/ss

Milwaukee County is Wisconsin's largest county, with a population of 940,164. In 2002, it had 7,082.7 full-time equivalent employees and a budget of \$1.1 billion. State and federal funds, including shared revenue, accounted for 40.8 percent of Milwaukee County's budgeted revenues in 2002; property taxes accounted for 20.6 percent. Other sources of funding include departmental revenues such as service charges and forfeitures, a 0.5 percent sales and use tax, and bond proceeds.

Milwaukee County government has been the subject of considerable controversy since January 2002, when changes to retirement benefits that were enacted by the Milwaukee County Board of Supervisors and signed by the former County Executive in November 2000 began to receive extensive media coverage. The former County Executive has since resigned, and seven members of the board of supervisors have been recalled. These events 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 establishing guidelines for the 2003 budget, the new County Executive has indicated he does not intend to increase property taxes above the 2002 levy. Therefore, if projections are accurate, additional areas of expenditure reductions or revenue enhancements, or some combination, will be necessary to balance the budget. County departments are currently attempting to find efficiencies to reduce their 2003 budget requests. We identified potential efficiencies in county board procedures and county governance that include:

- improvements to the budgeting process and budget management;
- more effective use of the board's professional staff;
- centralizing administrative functions; and
- streamlining administrative processes related to hiring and information technology.

In addition, we identified areas within the Department of Parks in which services could potentially be consolidated, financial management problems at the Sheriff's Department, and areas for which the county could pursue additional public-private partnerships.

The significant expansion of retirement benefits for county employees and elected officials has been a catalyst to recent concerns about the process for recommending and approving pension changes. As of December 31, 2001, 6,077 current employees were covered by the county's retirement system and an additional 7,859 individuals either were receiving benefits or will be eligible for benefits in the future. Some have proposed that active Milwaukee County employees be transferred to the Wisconsin Retirement System (WRS), which provides pension benefits for all public employees statewide except for those of the city and county of Milwaukee.

Although transferring participants from other retirement systems into the WRS is not unprecedented, a number of difficult contractual and legal issues would need to be addressed, including differences in benefits between the two systems, whether WRS coverage would apply only to future years of service or also to prior years, and the rights of vested and non-vested employees. Decisions regarding such issues would be influenced by contractual obligations and actuarial analyses of the relative benefits of each system. Further, for both 2001 and 2002, Milwaukee County's actuarially determined contribution obligation totaled \$17.1 million, but the county chose to contribute only \$5.3 million.

Alternatives to transferring all county employees to the WRS include transferring only individuals who have a role in developing, analyzing, and approving county retirement benefit provisions, or closing the county system to new participants and requiring all new county employees to become WRS participants. State action would be required to transfer some, but not all, employees to the WRS.

Transferring current or future Milwaukee County employees to the WRS would require extensive analysis and negotiation, as well as significant time to accomplish. A less-extreme option would be to maintain the current county retirement system and benefit provisions, but provide for some level of state oversight of future pension benefit changes. The level of oversight could range from requiring legislative approval of benefit changes proposed by the county to placing the entire responsibility for retirement policy and changes to the county system with the State.

Additional steps could also be taken to improve the county's process for making retirement benefit changes. For example, several county departments currently participate in developing and reviewing proposed changes to pension benefits, but no single department is responsible for developing the notes that analyze and describe fiscal implications of the proposed changes. In addition, the county does not have policy guidelines on how to draft effective fiscal notes. Therefore, we include recommendations for Milwaukee County to assign responsibility for drafting fiscal notes for proposed changes to the Milwaukee County Employees' Retirement System to its Department of Administration and

to require that fiscal notes include key assumptions, logic, calculations used in estimates, and one-time and ongoing costs. We also include a recommendation that Milwaukee County enact ordinances prohibiting action on proposed retirement changes until the Pension Study Commission has provided the required report addressing actuarial effects, cost implications, and desirability. Finally, because proposed pension changes are difficult to evaluate on their own merit when they are included as part of regular wage and benefit packages, we have suggested that at the end of current contracts, county officials consider moving to separate pension proposals from other wage and benefits proposals. Such a separation would be consistent with state law for state employees.

In the wake of public reaction to the pension changes approved in 2000, questions have also been raised about how the Milwaukee County Board of Supervisors conducts its business and about its size and the salaries of its members. The board has adopted some changes in its structure and practices so that it will become less involved in the day-to-day management of county departments. To further streamline operations and improve the information available to board members, we include a recommendation that Milwaukee County explicitly require details on costs, projected savings, anticipated revenues, and key assumptions to be included in fiscal notes to all proposals before the board. We also suggest that the county adopt a passive review process for contracts and grants that require the county board's approval outside of the budget process, and we include a recommendation that it 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.

Milwaukee County could also take advantage of recent state statutory changes and create a tax stabilization fund, and it could request expanded authority from the Wisconsin Legislature to streamline the process of transferring funds between budget lines. In addition, the county could change its budget development schedule to allow additional time for review by both the public and the county board.

We found that the 25-member Milwaukee County Board of Supervisors is smaller than the governing boards of most neighboring counties and other Wisconsin counties with county executives, but larger than those of five comparable counties in other midwestern states, which ranged in size from 3 to 25. The wide variations in board size in Wisconsin and in other midwestern states suggests that there may not be an optimal size for a county board from an operational standpoint, and that the size of a board is based on local circumstances and local tradition. In other midwestern states, county board members' salaries ranged from \$12,500 to \$86,000 annually, while Milwaukee County supervisors are paid \$52,227.

Another way for Milwaukee County to gain efficiencies may be by streamlining procedures and consolidating departments, divisions, and programs. For example, a new Department of Administrative Services has been proposed. Its creation is expected to save \$1.3 million annually by eliminating 20.0 full-time equivalent positions.

Our review suggests the county can also gain some efficiencies by streamlining its hiring process. Milwaukee County is the only Wisconsin county that is required by statute to establish and implement its own civil service rules, which currently affect 94.3 percent of the county's employees. When state and federal civil service reform occurred in the mid-1990s, Milwaukee County's process remained largely unchanged, so that hiring remains highly centralized and there are significant delays in the process. We include recommendations for Milwaukee County to keep eligibility lists for county jobs current, provide the names of all eligible candidates to hiring departments, permit walk-in testing, increase its use of electronic applications, and eliminate a residency requirement that applies to job applicants.

Milwaukee County residents have expressed strong support for the county parks system, but funding for it has not kept pace with other county activities: parks spending—which is funded by the property tax levy and revenue generated by the Department of Parks—increased by 10.9 percent from 1996 to 2002, compared to a 21.5 percent increase in total county spending during the same period. To reduce costs or increase revenues, the Milwaukee County Department of Parks could seek local government partners to maintain smaller parks and could address the significant and steady declines in attendance at county-operated golf courses and aquatic facilities.

Attendance at the county's golf courses and most of its aquatic facilities has been declining over the past 20 years, raising questions about overcapacity and the potential for some consolidation without restricting access. For example, rounds played at the county's six par 3 golf courses declined 51.0 percent between 1985 and 2001, while play at the ten major courses declined 32.6 percent. Closing some of the lesser-used courses would reduce operating costs and increase profitability of the remaining courses, as some play would be directed from the closed courses to the remaining ones.

Although it is not possible to project exact savings, we estimate that if three of the lesser-played par 3 courses were closed and only 50 percent of their rounds were redirected to other county courses, profitability would increase by \$207,000, based on play and costs in 2000. Similarly, profitability could potentially increase by \$302,000 if three major courses were closed.

In 2000, concession stands at nine of the county's golf courses operated at a loss, and total concession stand expenditures exceeded revenue by \$193,623. Golf course concession stands could also be limited or closed, and discounts on green fees could be targeted to periods of low demand in order to increase revenues. In 2000, over 40 percent of rounds played on county golf courses were discounted, and discounts reduced revenues by \$1.6 million.

Pool expenditures exceeded revenues by \$704,000 in 2001, and the Department of Parks' five-year master plan calls for closing six pools with low usage and high maintenance or upgrade costs. Accelerating the planned closings to 2003 could save approximately \$162,000 annually. If the department negotiated cooperative arrangements for its 81 neighborhood parks, it could save more than \$600,000 in operating and maintenance costs annually; however, it may be difficult for the department to find local partners, given the other demands on financial resources of the City of Milwaukee and other municipalities in the county.

The Milwaukee County Sheriff is a state constitutional officer. In addition to providing law enforcement and protecting the safety and security of citizens and property throughout Milwaukee County, the Sheriff's Department staffs the county jail, provides security and traffic control for special events, and patrols county expressways. Sheriff's Department staffing levels increased by 34.4 percent from 1996 to 2002, and the department's budget—which is funded by departmental revenues and the tax levy—increased by 31.5 percent, to \$61.7 million for 2002. However, the department's expenditures have exceeded its budget in each year since 1996. Deficits ranging from \$3.3 to \$5.6 million have been funded by the county's contingency fund, which might otherwise be used to reduce the tax levy in subsequent years, and by funds from other Milwaukee County departments.

In September 2001, the Milwaukee County Department of Audit found that the deficits were caused by over-budgeting for revenues and under-budgeting expenditures such as staff overtime and inmates' medical and prescription drug costs. Sheriff's Department officials told Milwaukee County auditors that budgets were purposely unrealistic so that they would meet budget expectations. We concur with recommendations of the county audit department for improved budgeting in the Sheriff's Department. Through June 2002, the Sheriff's Department has already spent \$1.2 million, or \$289,848 more than its entire 2002 budget for prescription drugs.

It also appears that the Sheriff's Department is not recovering all of its costs associated with providing security and traffic-control services for special events such as local festivals, company picnics, celebrity visits, and Milwaukee Brewers baseball games. The department received \$818,405 for these services in 2001, which is more than double its collections in 2000. However, it did not seek reimbursement for salaried

officers under a contract that permitted it to do so, and it does not consistently bill for vehicle and equipment costs, administrative costs, and some fringe benefit costs. We include a recommendation for the county to adopt a rate-setting policy similar to the Wisconsin Department of Transportation's policy for the State Patrol, so that the Sheriff's Department can recover all costs associated with providing security and traffic control services.

Milwaukee County could also realize tax levy savings if state statutes were amended to make the State Patrol, rather than Milwaukee County, responsible for patrolling expressways in the county. Milwaukee County is the only Wisconsin county in which the sheriff, rather than the State Patrol, is responsible for patrolling the expressways and receives state aid for doing so. Milwaukee County spent \$6.5 million patrolling its expressways in 2001. The largest source of support for these patrols was \$2.7 million in forfeiture revenue retained by the Sheriff's Department.

If Milwaukee County had not been responsible for expressway patrols in 2000, we estimate it could have saved \$2.9 million. However, shifting this responsibility to the State Patrol would shift costs from one level of government to another. Wisconsin State Patrol officials conservatively estimate that an additional 40 troopers would be required to patrol Milwaukee County expressways, at an annual cost to the State of \$3.1 million. In addition, the State Patrol estimates it would have one-time costs of \$1.4 million for recruitment, training, and equipment, as well as ongoing annual costs that far exceed the state aid currently provided to Milwaukee County for expressway patrols.

Creation of an independent airport authority to govern the county's two airports would not reduce the tax levy, but it would reduce both the Milwaukee County Board of Supervisors' responsibilities and, if approximately 200 county airport employees were instead employed by the independent airport authority, the size of county government.

In the 1990s, both the Milwaukee County Commission for the 21st Century and the Wisconsin Department of Transportation suggested that an independent airport authority be created to more fully recognize and reflect the regional economic importance of the airports and provide a single-purpose board of directors to address routine business decisions. The governing body of such an authority would likely consist of appointed and elected county and regional officials. Before an independent airport authority could be created, state and county policymakers would need to address a number of labor issues, as well as ownership of the facility.

Milwaukee County could also seek additional private support for the zoo and its arts and cultural facilities. It has already entered into agreements with the Milwaukee Public Museum Corporation, the Zoological Society of Milwaukee County, and the nonprofit Milwaukee County War Memorial, Inc., to enhance operations of the Milwaukee Public Museum, the Milwaukee County Zoo, and the War Memorial Center, as well as to manage the Marcus Center for the Performing Arts, the Charles Allis Arts Museum, and the Villa Terrace Decorative Arts Museum. Tax levy support for all these activities was \$10.5 million in 2001. As both visitor attendance and tax levy support for the Milwaukee County Zoo are declining, the county may wish to pursue additional private support in the future.

The cost and scope of Milwaukee County government are a public concern.

Milwaukee County government has been the subject of considerable controversy since January 2002, when significantly expanded retirement benefits for county employees and elected officials began to receive extensive media coverage. The former County Executive has since resigned, and seven members of the Milwaukee County Board of Supervisors have been recalled. These events have been accompanied by wide-ranging public debate about the cost and scope of county government.

In May 2002, the Joint Legislative Audit Committee directed the Legislative Audit Bureau to review the management of Milwaukee County government. In response to requests from legislators and the new County Executive, we analyzed:

- the county's process for approving changes to retirement benefits, as well as options for merging part or all of the county's retirement system with the Wisconsin Retirement System (WRS);
- the county's budget management, including budgeting for accumulated sick leave, creation of a tax stabilization fund, and authority to transfer funds between budget lines;
- the size of the county board and its oversight of contracts and grants;
- potential efficiency gains, including a proposal to create a centralized Department of Administrative Services and ways to improve the hiring process and the use of information technology;
- the county parks system, including its revenue and fees for golf courses and pools;
- the Sheriff's Department, including its budgeting process, special event services, and expressway patrolling; and
- areas of county government that could be modified, including airport operations and the zoo.

In conducting this review, we spoke with Milwaukee County officials, affiliated organizations, and other interested parties. We reviewed county information, including operating and capital budgets, accounting records, procedural and operating manuals, county board meeting journals, contracts, and program-specific materials. We also consulted with others conducting reviews at the request of the county board, including the Milwaukee County Department of Audit and the Greater Milwaukee Committee.

County Organization

Milwaukee County includes 19 cities and villages with a total population of 940,164, the largest of any Wisconsin county. Its legislative and executive branches of government include the 25-member Milwaukee County Board of Supervisors, the County Executive, and six other elected officials: the sheriff, the clerk of court, the county clerk, the county treasurer, the district attorney, and the register of deeds. In 2002, Milwaukee County budgeted for 7,082.7 full-time equivalent (FTE) positions in 26 departments to provide governmental services such as law enforcement, human services, public works, parks, and courts, as well as some services that enhance residents' quality of life, such as a zoo, golf courses, and a marina.

The number of functions performed by the county has declined in the past decade.

The number of functions performed by Milwaukee County has declined in the last decade because of privatization and the elimination of services. For example, the county sold its hospital in 1995, reducing the number of county employees by 1,521.5 FTE positions, or 17.3 percent. Operation of the Milwaukee Public Museum was turned over to a private, nonprofit corporation in 1992. In addition, the county no longer operates the Aid to Families with Dependent Children (AFDC) program, which was turned over to private companies with the implementation of Wisconsin Works (W-2) in 1996, and administration of child welfare programs was taken over by the State and partially privatized in 2002.

County Finances

Milwaukee County received unqualified opinions from its independent auditor on its annual financial statements from 1996 through 2001. In addition, the county has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) from 1995 through 2000. This award is given to governmental units that publish an annual financial report that meets GFOA standards for governmental accounting and financial reporting.

Budgeted revenues increased 21.5 percent from 1996 to 2002.

Milwaukee County has numerous revenue sources, including property taxes, a 0.5 percent sales and use tax, federal and state grants, state shared revenue, bond proceeds, and departmental revenue. As shown in Table 1, budgeted revenues increased from \$875.7 million in 1996 to \$1.1 billion in 2002, or by 21.5 percent. The largest increase was in departmental revenues, which include departmental service charges, fines and forfeitures, and interest earnings: revenues from these sources increased 56.6 percent, from \$195.3 million to \$305.9 million. In 2002, state and federal funds, including shared revenue, accounted for 40.8 percent of the county's total budgeted revenues.

Table 1

Budgeted County Revenues

<u>Source</u>	<u>1996</u>	<u>2002</u>	<u>Percentage change</u>
Departmental revenues*	\$195,308,071	\$ 305,912,274	56.6%
Property tax	167,858,937	218,734,713	30.3
Sales and use tax revenues	49,139,100	58,621,600	19.3
State and federal funds	359,117,818	394,622,682	9.9
Other**	6,532,977	6,320,430	(3.3)
Bond proceeds	46,657,300	40,783,083	(12.6)
Shared revenue	<u>51,076,039</u>	<u>39,195,537</u> ***	(23.3)
	\$875,690,242	\$1,064,190,319	21.5

* Departmental revenues include charges for services, fine and forfeitures, and interest earnings.

** Other revenues include prior year surplus and airport reserve funds.

*** The State withholds an additional \$20.1 million in shared revenue to fund child welfare programs in the county. This amount is not reflected in the table.

The property tax levy increased 30.3 percent from 1996 to 2002.

One area of particular interest to citizens and elected officials is the property taxes that support county government. Milwaukee County's budgeted property tax levy increased 30.3 percent in the past seven years, from \$167.9 million in 1996 to \$218.7 million in 2002. In 2002, property taxes represented 20.6 percent of total budgeted revenues.

Table 2 compares property taxes reported to the Wisconsin Department of Revenue from 1996 to 2002. As shown in Table 2, Milwaukee County had the fourth-lowest percentage property tax increase among 13 Wisconsin counties with more than 100,000 residents.

Table 2

**Property Tax Levy in Counties with
Populations over 100,000***

<u>County</u>	<u>1996</u>	<u>2002</u>	<u>Percentage Increase</u>
Sheboygan	\$ 21,354,890	\$ 35,822,251	67.7%
Kenosha	26,208,860	41,319,169	57.7
La Crosse	11,525,284	17,838,876	54.8
Marathon	25,111,275	38,061,958	51.6
Winnebago	29,000,456	42,679,278	47.2
Brown	40,306,943	59,092,279	46.6
Outagamie	29,788,087	42,202,608	41.7
Washington	22,039,665	30,701,694	39.3
Rock	29,320,528	40,406,860	37.8
Milwaukee**	168,512,438	219,595,888	30.3
Waukesha	60,744,251	75,253,233	23.9
Dane	71,112,014	84,314,765	18.6
Racine	32,624,162	37,696,522	15.5
Statewide median			49.3

* Year the property tax levy was payable.

** Property tax levy reported to the Department of Revenue varies slightly from the budgeted tax levy because of reporting differences.

The property tax is generally used to fund expenditures that are not supported by other revenue sources, and it is the revenue source that can be most influenced by county policymakers. However, the State has limited the rate at which counties can, without a referendum, increase property taxes to fund their operations. The increase is limited to the annual increase in the equalized value of property within the county. This limit has restricted Milwaukee County's ability to raise revenue, because from 1996 to 2002 it ranked 69th in equalized value growth among the 72 Wisconsin counties.

Milwaukee County's operating tax levy has been close to the county's levy limit in each year since 1996. For example, in 2002 the county is only \$3.0 million below its operating levy limit. The county's property tax levy for funding debt service is also limited, and in 2002 Milwaukee County was \$58.1 million below its debt levy limit.

Milwaukee County has a favorable bond rating.

Milwaukee County is one of 54 Wisconsin counties that have implemented a 0.5 percent sales and use tax. Its sales and use tax collections increased from \$49.1 million in 1996 to \$58.6 million in 2002, an increase of 19.3 percent. The county also anticipates receiving \$40.8 million in bond proceeds in 2002, a decrease of 12.6 percent from the \$46.7 million issued in 1996. Milwaukee County's bonds are rated by all three major rating agencies, and its bond ratings have improved slightly since 1996. Currently its bonds are rated "Aa3" by Moody's Investor Service, "AA" by Standard and Poor's, and "AA" by Fitch Investors Service. Bonds with these ratings are generally considered to be of high quality and desirable to investors. Of the 45 Wisconsin counties rated by Moody's Investor Service, 16 have a higher bond rating than Milwaukee County, while 7 have the same bond rating and 21 have a lower rating.

Milwaukee County expenditures for 2002 are budgeted to be \$1.1 billion.

As shown in Table 3, which highlights the ten largest departments within the county, budgeted expenditures increased from \$875.7 million in 1996 to \$1.1 billion in 2002, or by 21.5 percent. However, some departments' budgets increased at a greater rate. For example, the Department on Aging had the largest increase, 136.0 percent, while the Department of Human Services had a decline of 10.9 percent, due largely to the transfer of AFDC and the child welfare program to the State. The two largest departments—Public Works and Human Services—represent 45.3 percent of budgeted 2002 expenditures.

Table 3

Budgeted County Expenditures
(Ten Largest Departments)

<u>Department</u>	<u>1996</u>	<u>2002</u>	<u>Percentage Change</u>
Aging	\$ 34,169,174	\$ 80,647,041	136.0%
House of Correction	19,106,524	39,231,770	105.3
Child Support Enforcement	10,954,437	15,462,489	41.2
Sheriff	46,942,170	61,715,795	31.5
Public Works	156,145,245	198,912,548	27.4
Administration	91,038,279	107,784,031	18.4
Zoo	15,594,712	18,467,666	18.4
Courts	30,101,011	34,495,179	14.6
Parks	39,539,332	43,867,975	10.9
Human Services	318,123,279	283,405,892	(10.9)
All others*	<u>113,976,079</u>	<u>180,199,933</u>	58.1
Total	\$875,690,242	\$1,064,190,319	21.5

* Includes the offices of the County Executive, the county board, the personnel review board, the corporation counsel, the county treasurer, the county clerk, the register of deeds, the district attorney, and the medical examiner, as well as the Department of Human Resources, the Civil Service Commission, the Election Commission, the Milwaukee Public Museum, the university extension service, and debt service.

Another area of interest is the amount of general obligation bonds outstanding. As shown in Table 4, outstanding general obligation bonds have increased from \$479.9 million in 1996 to \$490.6 million in 2001, or by 2.2 percent. Under Wisconsin statutes, a county cannot have outstanding general obligation bonds in excess of 5.0 percent of the equalized value of all real estate within that county. In 2001, Milwaukee County's outstanding general obligation bonds were 1.2 percent of its equalized value, and well below the statutory limit.

Table 4

General Obligation Bonds Outstanding

<u>Year</u>	<u>Amount</u>	<u>Percentage Change</u>
1996	\$479,855,675	–
1997	483,945,664	0.9%
1998	489,600,664	1.2
1999	497,028,076	1.5
2000	495,766,028	(0.3)
2001	490,578,626	(1.0)

County Staffing

**Staffing levels increased
5.2 percent from 1996 to
2002.**

As shown in Table 5, which highlights staffing levels in the county's ten largest departments, staffing levels have increased from 6,730.1 FTE positions in 1996 to 7,082.7 in 2002, an increase of 5.2 percent. The largest percentage increase was in the Department of Child Support Enforcement, which increased by 93.6 positions, or 75.0 percent. The Department of Human Services had the largest percentage decrease, at 21.5 percent, largely because 340.0 positions were eliminated when the State terminated its contract for the county to provide child welfare services.

Table 5

Full Time Equivalent Positions
(Ten Largest Departments)

<u>Department</u>	<u>1996</u> <u>(Actual)</u>	<u>2002</u> <u>(Budgeted)</u>	<u>Percentage</u> <u>Change</u>
Child Support Enforcement	124.8	218.4	75.0%
House of Correction	372.4	638.1	71.3
Aging	125.6	196.7	56.6
Administration	217.7	300.5	38.0
Sheriff	837.5	1,125.3	34.4
Zoo	227.4	265.0	16.5
Courts	307.1	338.4	10.2
Public Works	747.5	779.3	4.3
Parks	863.3	802.0**	(7.1)
Human Services	2,470.0	1,939.1	(21.5)
All others*	<u>436.8</u>	<u>479.9</u>	9.9
Total	6,730.1	7,082.7	5.2

* Includes the offices of the County Executive, the county board, the personnel review board, the corporation counsel, the county treasurer, the county clerk, the register of deeds, the district attorney, and the medical examiner, as well as the Department of Human Resources, the Civil Service Commission, the Election Commission, the Milwaukee Public Museum, the university extension service, and debt service.

** 24.6 FTE positions were eliminated due to the transfer of three senior centers and some recreational programs to other departments in 2002.

Salary and fringe benefit costs increased 20.2 percent from 1996 to 2002.

As shown in Table 6, the budgeted cost of the county's personnel salaries and fringe benefits has increased from \$310.3 million in 1996 to \$373.0 million in 2002, or by 20.2 percent. The House of Correction had the largest percentage increase, 85.4 percent. The Department of Human Services had the largest percentage decline, 13.4 percent. The county's 2002 fringe benefits percentage rate is 36.0 percent, which is consistent with rates in state government that generally range from 30.9 percent to 41.1 percent.

Table 6

Staff Salary and Fringe Benefits
(Ten Largest Departments)

<u>Department</u>	<u>1996 (Actual)</u>	<u>2002 (Budgeted)</u>	<u>Percentage Change</u>
House of Correction	\$ 16,720,845	\$ 30,994,341	85.4%
Aging	6,525,356	11,487,646	76.0
Administration	11,391,243	20,008,463	75.6
District Attorney	6,108,531	10,570,380	73.0
Child Support Enforcement	6,561,163	10,853,783	65.4
Courts	12,722,732	19,266,221	51.4
Sheriff	47,681,798	63,942,644	34.1
Public Works	33,771,474	43,703,970	29.4
Parks	26,495,698	29,992,304	13.2
Human Services	119,234,705	103,295,943	(13.4)
All others*	<u>23,040,310</u>	<u>28,864,969</u>	25.3
Total	\$310,253,855	\$372,980,664	20.2

* Includes the offices of the County Executive, the county board, the personnel review board, the corporation counsel, the county treasurer, the county clerk, the register of deeds, and the medical examiner, as well as the Department of Human Resources, the Civil Service Commission, the Election Commission, the Milwaukee Public Museum, the zoo, the university extension service, and debt service.

Budget Challenges

The County Executive currently projects a \$51.4 million deficit for 2003.

In establishing guidelines for the county's 2003 budget, the County Executive has indicated that he will not request an increase in property taxes above the 2002 levy. However, because of inflation, approved salary increases, and large pension contributions that are required as a result of poor investment performance and increased pension benefits, 2003 expenditures are expected to exceed those of 2002. The County Executive projects a \$51.4 million budget shortfall for 2003, which he believes will consist primarily of a few large elements that are unlikely to change significantly: pension contributions, health care costs, and wages. Therefore, if current projections are accurate, additional areas of expenditure reduction or revenue enhancement, or some combination, will be necessary to balance the budget.

County departments are attempting to find efficiencies to reduce their 2003 budget requests, which will be decided by the county board in November 2002. The need for cost savings provides the opportunity for county government to reassess long-standing practices and services. Such reassessments are often controversial, as various interest groups seek to protect their interests. Nevertheless, they also provide the opportunity for debate over what services the public desires from county government. We have attempted to identify various current practices and services that would benefit from being part of this debate.

Changes to retirement benefits are an area of continuing concern.

Changes to retirement benefits enacted by the Milwaukee County Board of Supervisors and signed by the former County Executive in November 2000 have been a catalyst to recent questions and concerns about the process for recommending and approving changes to retirement benefits under the Milwaukee County Employees' Retirement System, as well as the adequacy of system oversight. Some have suggested that one alternative to address concerns would be to transfer some or all of Milwaukee County's employees to the WRS, which provides pension benefits for state and local government employees. Although transferring participants from other retirement systems into the WRS is not unprecedented, a number of difficult issues would need to be addressed. Therefore, we also offer steps Milwaukee County could take to improve its process for considering future changes to employee retirement benefits.

Pension Controversy

The wage and benefit package enacted in November 2000 for 2001 through 2004 affected most county employees, including elected officials. As part of the wage and benefit package, several changes were made to retirement benefit provisions, including:

- reducing the vesting period, which gives employees first rights to retirement benefits, from ten to five years;
- increasing the multiplier used in the pension formula from 1.5 percent to 2.0 percent for employees hired on or after January 1, 1982;
- adding bonuses to the final average salary used in the pension formula for employees hired before January 1, 1982; and
- providing employees an option of receiving a lump-sum payment for a portion of their pension payout, while receiving reduced monthly pension payments thereafter (also referred to as the Deferred Retirement Option Program or DROP benefit).

Retirement benefit costs are expected to increase by \$53.5 million over four years.

The county now estimates that the enhanced retirement benefits will increase costs by \$53.5 million for the four-year period covered by the wage and benefit package. In addition, the enhanced pension benefits may have significantly increased the number of retirements during 2002. As shown in Table 7, there were 260 retirements during the first six months of 2002, compared to 237 retirements in all of 2001, and 212 in 2000.

Table 7

Milwaukee County Retirements

<u>Year</u>	<u>Number of Retirements</u>
2002*	260
2001	237
2000	212
1999	192
1998	120
1997	84
1996	85

* Through June 30, 2002.

Beginning in January 2002, Milwaukee media provided extensive coverage of the potential payouts to certain long-term employees and elected officials under the expanded benefit provisions. Questions were raised about the extent to which the provisions' fiscal effect had been analyzed, the extent of public debate before the provisions were approved, and the overall cost of the improved pension benefits. As noted, public concern about the expanded retirement benefits and their costs to the county resulted in the resignation of the County Executive in February 2002, and the recall of seven county board members.

The events leading up to the controversial pension decisions have been reviewed by several different parties, including the Milwaukee County Department of Audit. In an April 2002 report to the board, the county audit department provided a detailed time line of specific events that led to the controversial decisions and concluded that:

- significant pieces of information were omitted, inaccurately presented, or unsubstantiated by administrators in the executive branch of Milwaukee County government responsible for developing the overall strategy and supporting fiscal details for the wage and benefit package;
- the public record did not reflect a substantive questioning or scrutiny of the proposal by the legislative branch of Milwaukee County government; and
- the procedures for the development of fiscal notes were inadequate and understated the full fiscal effect of the wage and benefit package.

The county audit department’s report offered several recommendations to address these issues. Building on the county audit department’s work, we analyzed additional changes to further improve control and accountability over decisions pertaining to pension benefits for Milwaukee County employees, including options to increase state control over the system.

Restructuring Options

All counties but Milwaukee are required to participate in the Wisconsin Retirement System (WRS).

The Milwaukee County Employee’s Retirement System was created by Chapter 201, Wisconsin Laws of 1937. However, it was subject to state oversight until the Legislature granted Milwaukee County complete authority for administration, management, and funding of its retirement system in 1965. All other counties are required to participate in the WRS.

In light of the pension controversy, some have suggested that Milwaukee County taxpayers might be better served if the State again controlled the pension system for Milwaukee County. As of December 31, 2001, 6,077 current employees were covered by the county’s retirement system and an additional 7,859 individuals either were receiving benefits or will be eligible for benefits in the future. Various options could be considered to provide increased state control, ranging from requiring Milwaukee County to participate in the WRS to transferring oversight of the county system to the State. Proponents of these options suggest such a move would allow for a more thorough and public analysis of pension changes. However, increased state control may be challenged by Milwaukee County government officials and employees, both because of their desire to maintain local control over the retirement system and because of concerns pertaining to the differences between the two systems.

Participation in the WRS

Incorporating Milwaukee County into the WRS is the most complex option under consideration. It would make county employees' pension benefits more comparable to those of most other public employees in Wisconsin; however, ensuring the equitable treatment of county employees, limiting legal challenges, and ensuring that the financial effects on the county are understood will require a comprehensive analysis of the legal, financial, and administrative implications of this option.

Procedurally, participation in the WRS could be accomplished if the county board approved a resolution electing to become a WRS employer, or if the Legislature mandated WRS participation, as it does for all the other counties. Both the Wisconsin Department of Employee Trust Funds, which administers the WRS, and the State of Wisconsin Investment Board, which manages WRS investments, indicate that adding Milwaukee County as an employer in the WRS would most likely not pose any major administrative difficulties, although additional staffing and funding needs would have to be assessed.

County and WRS pension benefits differ.

However, before Milwaukee County could join the WRS, several issues would first need to be addressed. The most significant of these is differences in benefits offered by the two systems, such as those shown in Table 8. If county employees view their benefits under the county retirement system as more beneficial than those offered through the WRS, they may assert either a contractual or a property right to the benefits offered by the county and legally challenge a transfer to the WRS. In addition, because wage and benefit negotiations have included retirement benefit provisions, differences in benefits could affect the status of current and future collective bargaining agreements with 20 different county employee unions.

Table 8

Benefits Comparison between the WRS and Milwaukee County*
(2002)

<u>Characteristics</u>	<u>WRS</u>	<u>Milwaukee County</u>
Type of benefit	Defined benefit based on employee's final average earnings, years of creditable service, and a formula factor. The employee can opt for a money purchase benefit if contributions and investment earnings exceed the value of the formula benefit.	Defined benefit based on employee's final average earnings, years of creditable service, and a formula factor.
Normal retirement age	65	60
Early retirement age	55	55 with 15 years service
Employee contribution	5.2 percent (Paid by the State and many other participating employers.)**	Non-contributory
Vesting period	Immediate	5 years
Benefit formula percentage	1.6 percent (1.765 percent for pre-2000 service)	2.0 percent
Benefit limitation	70 percent of final average earnings	80 percent of final average earnings
Deferred Retirement Option Program (DROP) benefit	Not provided	Provides option of obtaining lump-sum payment for a portion of pension payout, with reduced monthly pension payments thereafter.
Post-retirement increases	Based on investment earnings (The average annual increase for the past ten years has been 5.6 percent.)	Automatic 2.0 percent
Separation benefit	Participants terminating covered employment prior to eligibility for an annuity may leave contributions on deposit until they are eligible to receive an annuity or may receive employee-required contributions plus interest as a separation benefit.	No separation benefit available, since plan does not require employee contributions.

* Includes provisions for general employees participating in the WRS and the Milwaukee County Employees' Retirement System.

** Includes statutorily required 5.0 percent contribution and an additional 0.2 percent contribution for benefit adjustments.

Comparing the relative value of the county benefits to WRS benefits would require an actuarial analysis, and values likely would vary among different groups of employees based on factors such as job classification and years of service. Initial benefits under the county system would likely be greater for a large portion of county employees, because the county system uses a higher factor in its pension formula than the WRS formula factor for general employees and teachers. However, the WRS provision for post-retirement increases based on investment performance, rather than the county's set increase of 2.0 percent, may provide for greater pension benefits over the long term. For example, the WRS has provided its annuitants an average annual increase of 5.6 percent over the past ten years, which exceeds the 2.5 percent average annual increase in the consumer price index. In contrast, the county's annual 2.0 percent increases have not kept pace with inflation. An actuarial analysis could help assess whether county employees would fare better with initial higher benefits or the potential for higher post-retirement benefit increases.

A second significant issue to address is whether WRS coverage would apply only to future years of service or also to prior years of service. WRS employers can elect to cover employee service only from the point the employer becomes a member of the WRS, or to also cover prior service. Providing coverage for future years requires monthly employee and employer contributions. For general employees and teachers, who represent 92.0 percent of active employees in the WRS, the 2002 employer contribution rate is 3.8 percent, and the employee contribution rate is 5.2 percent. Currently, the State and many other participating employers pay the employee contribution.

Based on payroll of approximately \$238.4 million, Milwaukee County's 2002 contribution to the WRS would be an estimated \$21.5 million if the county paid both the employer and employee contributions, or \$9.1 million if the county paid only the required employer contribution. Similar contributions would have been required for 2001. As shown in Table 9, Milwaukee County's contributions to its retirement system decreased from 1995 to 1996 and each year thereafter through 2001. The decrease in contributions is related, at least in part, to a 1996 change in the actuarial methods that allowed for immediate recognition of investment gains that Milwaukee County's retirement system realized during the late 1990s.

Table 9

County Contributions to the Milwaukee County Employees' Retirement System

<u>Year</u>	<u>Contribution Amount</u>
2002*	\$ 2,694,000
2001*	2,646,523
2000	629,279
1999	2,756,636
1998	10,816,807
1997	12,942,084
1996	18,442,468
1995	20,309,361
1994	17,681,251
1993	17,403,247
1992	17,487,506

* In 2001, Milwaukee County contributed only 30.8 percent of the actuarially determined annual required contribution of \$8,586,443. For 2002, the county contributed only 31.6 percent of the actuarially determined annual required contribution of \$8,528,477.

Source: Milwaukee County Employees' Retirement System annual reports and actuarial reports.

The county contributed less than one-third of the actuarially determined pension obligation for 2001 and 2002.

Beginning with 2001, Milwaukee County's contribution obligation began to increase as the result of the recent retirement benefit changes and a downturn in the markets that resulted in investment losses. For 2001 and 2002, the county's contribution obligation totaled \$17.1 million, but the county contributed only \$5.3 million, or less than one-third of its actuarially determined obligation. The county anticipates paying the deficiency for each of these years over a five-year period. The amount it will pay toward the actuarially determined contribution obligation of \$20.5 million for 2003 will be an item in the county's upcoming budget.

If coverage for prior years' service is provided under the WRS, Milwaukee County would owe the WRS an actuarially determined amount to be paid up-front or to be established as a liability and paid over a period of time, with interest. Alternatively, the county could provide benefits for prior years' service from the county retirement system, which may help to address some employee rights concerns. However, such an arrangement likely would be complex and confusing to county participants because of the different benefit provisions.

The rights of vested and non-vested employees will have to be considered in any retirement system transfer alternative.

A third significant issue is the disposition of county retirement funds accrued for the benefit of retirees and current employees. Any plan to use funds from the county system to pay for benefits provided under the WRS would need to be carefully evaluated to ensure that it considers the rights of retirees and employees who are vested in the county system and the rights of employees who have not yet accumulated sufficient years of service to vest. For example, in 1995 the State Supreme Court ruled it unconstitutional for Milwaukee County's retirement system to pay for prior years of service for non-vested assistant district attorneys who became state employees. As a result, the State funded the prior years of service for the non-vested employees with general purpose revenue.

Various alternatives to transferring all county employees to the WRS have been offered. One would be to transfer only individuals who have a role in developing, analyzing, and approving county retirement benefit provisions, such as elected officials and employees in the executive compensation package, with the expectation that doing so would help to address inherent conflicts within the current system. Because these individuals are non-represented, some of the legal challenges regarding contractual rights relating to collective bargaining agreements may be reduced, although concerns with property rights and benefit differences may still exist and need to be analyzed and addressed.

State action would be required to transfer some, but not all, employees to the WRS.

Another alternative would be closing the county system to new participants and requiring all new county employees to become WRS participants. The legality of this alternative may be less likely to be challenged, but the alternative would make negotiating collective bargaining contracts and managing personnel issues more complex for the county. Again, if current county benefits were perceived as preferable to those available under the WRS, labor unions may object. Either of these alternatives would require state legislative action to allow Milwaukee County to transfer some, but not all, of its employees to the WRS and to exclude the transferred employees from coverage under the county system at a specified date.

Although there may be many obstacles to eliminating the county retirement system, doing so is not without precedent. For example, in 1947 the Legislature required most non-teacher local retirement plans, except those of Milwaukee County and the City of Milwaukee, to be closed to new participants and required all new participants to become members of a new consolidated retirement system called the Wisconsin Retirement Fund, which also included most state employees at the time. The Wisconsin Retirement Fund, the State Teachers Retirement System, and the Milwaukee Teachers Retirement System were later merged to create the current WRS in 1975. Upon enactment of the merger,

90 percent of all Wisconsin public employees became participants under one unified pension system. The primary public employers currently not in the WRS are employees of Milwaukee County and the City of Milwaukee. However, while a precedent exists, the complexity and difficulty of the issues related to transferring all or a group of Milwaukee County employees into the WRS would require extensive analysis and negotiation, and the transfer would likely take significant time to accomplish.

State Oversight of the County Retirement System

Maintaining the current retirement system but providing state oversight is another option.

A less complex option to increase state involvement with the county retirement system would be to maintain the current county retirement system and benefit provisions, but to provide for some level of state oversight of future pension benefit changes. The level of oversight could range from requiring legislative approval of benefit changes proposed by the county to placing the entire responsibility for retirement policy and changes to the county system with the State.

The Legislature's Joint Survey Committee on Retirement Systems is currently responsible for making recommendations on all legislation that affects retirement plans for public officials and employees covered by the WRS. If the State assumed oversight responsibility for the Milwaukee County system, the Legislature could establish whatever role it deemed most appropriate for its Committee on Retirement Systems. For example, the Committee on Retirement Systems could serve in a monitoring role to ensure that Milwaukee County completed appropriate analyses of proposed benefit changes, that changes represent good public policy, and that adequate public debate had been afforded Milwaukee County citizens. Alternatively, the Legislature could transfer the county's authority for making benefit changes to the State and give the Committee on Retirement Systems responsibility for analyzing and making recommendations to the entire Legislature regarding proposed changes to the county retirement system.

Even with increased oversight by the State, administration of the county retirement system could remain with Milwaukee County, or the system could be administered under an arrangement with the State or an external employee benefits firm. The State Department of Employee Trust Funds and the State of Wisconsin Investment Board indicated that before they assumed responsibility for administering the Milwaukee County system, safeguards would need to be in place to ensure that such a responsibility did not interfere with their fiduciary responsibility for the WRS, and that WRS funds were not subsidizing costs to administer the county system. For example, sufficient staffing and funding would need to be provided to each agency to administer the county system and its investments.

Before changing administration, an analysis of costs and investment performance would be warranted.

Before instituting any changes in administration, a comprehensive analysis of the relative costs and investment performance under different options would be warranted. For example, the county system appears to have been relatively successful in its investment performance. As shown in Table 10, it exceeded its annual investment benchmarks in four of the last five years. Furthermore, it exceeded the annual investment performance of the State of Wisconsin Investment Board's Fixed Fund, which provides the defined benefits available under the WRS, in three of the last five years, although some caution is needed in evaluating the comparison because of different reporting periods. To more fully compare the performance of the county retirement system to that of the State of Wisconsin Investment Board, longer-term data would need to be evaluated, such as average annual five- and ten-year returns. A comparison would also need to factor in differences between the systems, such as actuarial assumptions and risk-tolerance levels.

Table 10

Investment Performance
1997 - 2001

Year	Milwaukee County Employees' Retirement System		WRS Fixed Fund	
	Investment Benchmark	One-Year Rate of Return (as of 12/31)	One-Year Rate of Return (as of 6/30)	
1997	18.4%	19.8%	18.9%	
1998	12.6	8.5	17.6	
1999	13.7	15.9	9.8	
2000	(2.2)	(0.8)	12.5	
2001	(2.8)	(1.9)	(5.4)	

Improvements to the Current Retirement System

Changes that affect current pension benefits or Milwaukee County's authority over the county pension system would likely involve extensive debate and significant time to make. If less sweeping or more immediate changes are desired, additional steps could be taken to improve the county's process for making retirement benefit changes. Various assessments of the process by which recent changes were made have

concluded that there was confusion about the roles and responsibilities of parties in the process. Some of the confusion could be addressed if the county provided more specific direction for the development of fiscal notes for proposed retirement changes and ensured that the role and responsibilities of the Pension Study Commission are performed. In addition, county officials may wish to reconsider the role of retirement benefits as part of wage and benefit negotiations in collective bargaining.

Fiscal Notes

County fiscal note requirements could be improved further.

Part of the scrutiny of the recent retirement changes has focused on the adequacy of the fiscal notes prepared by executive branch officials. Milwaukee County ordinances require that any resolution, ordinance, or communication from county officials, boards, or commissions for consideration by the county board should include a fiscal note that provides a reasonable estimate of the related fiscal effects. Since February 2002, new requirements have provided more structure to the process of developing and reviewing fiscal notes for proposed changes to retirement benefits. Nevertheless, we believe that the requirements could be more specific about the information required in fiscal notes and that the entity responsible for developing fiscal notes for retirement changes could be more clearly established.

The county board passed a resolution in January 2002, which the County Executive signed in February 2002, requiring the fiscal soundness of proposed benefit changes to be reviewed by the directors of Milwaukee County's Department of Administration and Department of Audit, as well as by both the county board's staff and its finance and audit committee. A second resolution, passed by the board in July 2002 and signed by the County Executive in September 2002, also requires county employees drafting fiscal notes for wage and benefit changes to "include as much information as is practicable under the circumstances about the fiscal impact upon each department affected by the action" and to detail the projected annual fiscal impact for both represented and non-represented employees. However, these new requirements provide a significant level of discretion and may not ensure that all relevant information is included.

Current requirements may not ensure the fiscal notes include all relevant information.

At a minimum, fiscal notes should explain key assumptions, logic, and calculations used in preparing a fiscal estimate, and they should address one-time costs as well as ongoing costs. Further, as the county audit department noted in a review, fiscal notes should show the full cost of a change over a specified period of time, rather than just the incremental cost for each year. Fiscal notes that report no fiscal effect associated with a proposal should also clearly explain assumptions and logic used to arrive at that conclusion.

Because several county departments are involved in the process to propose changes to retirement benefits, we also believe the county board needs to clearly establish the entity responsible for drafting fiscal notes for retirement changes. Currently, the Department of Labor Relations negotiates retirement benefits for represented employees, while the Department of Human Resources develops retirement benefits for non-represented employees. According to county officials, both departments rely on the Milwaukee County Department of Administration for data required to negotiate and develop retirement packages, and on the county's corporation counsel to provide legal advice during negotiations. As described by county officials, analysis of the fiscal effect was a fluid process among the different departments, with no one entity exclusively responsible for drafting fiscal notes that showed the estimated fiscal effect.

If responsibility for the notes had been assigned to one entity, a more consistent and sound approach would likely have developed along with accountability. The Milwaukee County Department of Administration currently provides data to other departments in negotiating and developing retirement proposals, and its division of fiscal affairs is already required to provide fiscal notes on demand. Therefore, to improve usefulness and accountability over fiscal notes, *we recommend Milwaukee County amend its current county ordinance regarding fiscal notes to:*

- *assign the Milwaukee County Department of Administration responsibility for drafting fiscal notes for proposed changes to the Milwaukee County Employees' Retirement System; and*
- *establish specific requirements for the contents of a fiscal note, including key assumptions, logic, calculations used in estimates, and one-time and ongoing costs.*

Pension Study Commission

The Pension Study Commission is responsible for analyzing proposed changes to retirement benefits.

The Pension Study Commission, established by the Wisconsin Legislature in 1965, when Milwaukee County was given the authority to oversee its retirement system, is responsible for ensuring that proposed changes to retirement benefits are adequately analyzed and represent sound public policy. The commission consists of three county board supervisors and two citizens who are residents, but not employees, of Milwaukee County. The laws of 1965 and Milwaukee County ordinances require the commission to provide the county board with a

written report on the actuarial effect, cost implications, and desirability of any proposed retirement benefit changes. These requirements parallel those required for changes to the WRS: legislation affecting WRS benefits cannot be considered until the Legislature's Joint Survey Committee on Retirement Systems has analyzed and reported on the cost and desirability of proposed changes.

In general, it appears the Pension Study Commission may not have provided adequate analyses and reports on previous pension benefit changes. Instead, it has forwarded to the county board compilations of proposed ordinance changes and the attached fiscal notes prepared by executive branch departments. The reasons for its failure to provide adequate analysis or for the county board's failure to delay action until such information was provided are unclear and have been under review by other parties. It should be noted, however, that the Pension Study Commission's ability to adequately analyze the cost implications and desirability of proposed retirement changes requires independent access to an actuary. Until recently, direct access to an actuary was not available to the Pension Study Commission, which relied on the actuary for the entity that oversees administration of the county's retirement system. In September 2002, the County Executive signed a resolution allowing the Pension Study Commission direct access to information, analysis, and consultation from the actuary. The county board could also consider enacting an ordinance clarifying whether or not the Pension Study Commission has authority to independently contract with an actuary, or if the commission must use the county's retirement system actuary.

In addition, the county board's chair, who appoints Pension Study Commission members with the full board's confirmation, may wish to consider appointing public members who have professional experience in financial or pension issues. Individuals with backgrounds in finance, pensions, and actuarial analysis could help to strengthen the commission's understanding of complex pension and actuarial issues. County officials could also consider whether broader representation than was required by the Legislature would help the Pension Study Commission to better fulfill its responsibilities, although changes to the commission's composition would need to be enacted by the Legislature.

In addition to these steps designed to enhance fiscal analysis, we recommend Milwaukee County take steps to ensure that county board action is not taken on proposed retirement changes until the Pension Study Commission has provided the required reports—addressing actuarial effects, cost implications, and desirability—to the board.

Negotiation of Retirement Benefits

Retirement benefits could be considered apart from other wage and benefit offerings.

As noted, Milwaukee County includes proposed modifications to retirement benefits as part of negotiated wage and benefit packages. When retirement benefits are part of an interrelated package, a separate, comprehensive review of the costs and merits of retirement benefit proposals can be difficult to complete. In addition, full review and debate on proposed retirement changes may be hindered by concern that the county board's rejection of the changes could require reopening of negotiations on other portions of the wage and benefit package. For these reasons, considering retirement benefit changes apart from other wage and benefit offerings may be desirable for Milwaukee County.

Unlike Milwaukee County, the State considers retirement benefit proposals under the WRS separately. Section 111.91(2), Wis. Stats., makes changes to retirement benefits that would result in changes to contribution rates in the WRS prohibited subjects of collective bargaining. The separation of retirement benefit proposals from other wage and benefit proposals allows for more complete understanding, analysis, and public debate of proposed retirement benefit changes.

Because retirement benefit changes have been part of the county's wage and benefit package, excluding them could change the nature of future collective bargaining with the 20 county employee unions. However, the potential long-term fiscal effects of retirement changes suggest decisions would benefit from more independent and thorough review.

Current collective bargaining agreements for represented Milwaukee County employees will expire on December 31, 2004. Therefore, if county officials or the Legislature believe that separating retirement benefit change from collective bargaining has merit, they would need to take steps to initiate such a change in the near future, to ensure it is in place before the current agreements expire.

In the wake of public reaction to the pension changes approved by the Milwaukee County Board of Supervisors, questions have been raised about the board, including how it conducts business, its size, and the salaries of its members. The board has responded to some calls for change subsequent to the latest pension revisions, as well as to a 1996 review by the Milwaukee County Commission for the 21st Century that concluded it was overly involved in the day-to-day management of county departments. We have identified additional changes that could further streamline operations and improve the information available to board members. We also compared the board's size to governing bodies in other Wisconsin counties and comparable midwestern counties, and we reviewed arguments for and against having full-time supervisors.

Changes Adopted by the Board

The board has adopted some changes in its structure and practices.

In response to both the Commission's recommendations and calls for change after the latest pension increases, the Milwaukee County Board of Supervisors has:

- reduced the number of its committees that review government operations from 13 to 8;
- reduced its review of non-capital professional service contracts;
- reduced the requirement that it review applications for all state and federal grants, as well as the acceptance of grant funds;
- increased the County Executive's flexibility in making immediate budget adjustments when departments experience deficits of more than \$75,000, although full county board approval is still necessary at a later date; and
- established additional requirements for the preparation of fiscal notes for proposed changes to wages, benefits, and pension plans.

The eight board committees are Health and Human Needs; Parks, Energy, and Environment; Transportation, Public Works, and Transit; Judiciary, Safety, and General Services; Personnel; Economic and

Community Development; Intergovernmental Relations; and Finance and Audit. Each committee meets monthly, before the meeting of the entire board, with the exception of the Committee on Intergovernmental Relations, which meets at the call of the chair. In addition, at the request of a majority of committee members, supplementary meetings may be called at any time.

Recently, the board approved a resolution that limits its review of non-capital professional service contracts to contracts greater than \$50,000 that are not included in the annual county budget, and any contract amendments or extensions that increase a contract's full value to \$50,000 or more. Previously, the board had approved all professional service contracts greater than \$20,000, regardless of whether the funding for those contracts had already been approved in the annual county budget. Until April 1999, the threshold had been \$5,000. Examples of non-capital professional services contracts include contracts for legal services, employee training, medical services for inmates, and computer support services.

The board now reviews applications for state and federal grant funds that were not anticipated in the budget, rather than all grant applications, and it no longer reviews the acceptance of grant funds. Examples of grants that are currently reviewed include a state Recreational Boating Facilities Program grant, a state Bureau of Mental Health grant, a Mental Health block grant, the Wisconsin ADA Partnership grant, and a Wisconsin Technical College Board grant for the Adult Education and Family Literacy Act.

Potential Areas for Further Efficiencies

The steps taken by the board to reduce involvement in day-to-day management decisions should contribute to increased efficiency and provide more time to address policy issues. However, there are additional areas for improvement, especially in the development of fiscal notes and in contract and grant review, budget management, and effective use of the board's staff.

Fiscal Notes

The importance of accurate and complete fiscal notes is exemplified by the recent pension changes. Current and former county board members have indicated they had believed the changes were fiscally neutral. Several county staff indicated to us that the county's existing requirements for fiscal notes are unknown by some and not followed by others who believe them to be too rigid.

Milwaukee County does not have policy guidelines on how to draft an effective fiscal note.

As noted, Milwaukee County ordinances require all resolutions, ordinances, or other communications before the county board to have a fiscal note attached. The note is to be drafted on a form that has been pre-approved by the board's finance and audit committee. However, according to Milwaukee County records, the form has not been revised since it was issued in February 1974. Furthermore, unlike the State of Wisconsin, Milwaukee County does not produce or distribute general policy guidelines on how to draft an effective fiscal note.

The changes to fiscal note requirements that were enacted earlier in September 2002 apply only to proposed changes in wages and benefits, not to all actions that may have a fiscal effect. In addition, existing requirements lack specificity concerning the assumptions used in drafting fiscal notes and are rarely used. Therefore, *we recommend Milwaukee County require all fiscal notes to include detail on costs, any projected savings, anticipated revenues, any one-time costs, and any assumptions on which it could be concluded that the proposal would have no fiscal effect.*

Contract and Grant Review

Our review of county board meeting journals for 2001 showed that, within the course of that year, the board reviewed and approved approximately 75 contract executions, 45 amendments to existing contracts, and 68 grant applications and acceptances of funding. At the time, all non-capital professional service contracts greater than \$20,000, and all grant applications and acceptances, were required to be approved by one of the board's committees, as well as the full board.

When we surveyed the committee chairs about the contract-review process, we found little consistency in the types of reviews they conducted or the types of questions they posed. In addition, none indicated they requested supporting or explanatory material from the departments. Both the absence of any standardized review process by the committees and a 100 percent approval rate by the full board raise questions about the usefulness of the review process.

The county board could adopt a passive review process for approving contracts and grants.

One alternative to the current process would be to adopt a passive review process for both contracts and grants that require board approval outside of the budget process. Under such a passive review, departments would notify the appropriate committee of the proposed contract or grant, and committee members would have 14 days to pose questions or request additional information. If written replies by the department were considered inadequate by the requestor, the committee chair could schedule the item for a committee meeting. If no questions were raised or no information was requested during the 14-day passive review period, the department could move forward with the contract. The county board could also exercise its contract oversight function by

directing the Milwaukee County Department of Audit to annually audit a sample of contracts to determine compliance with county purchasing procedures. Departments not in compliance could be required to appear before the board's finance and audit committee, the appropriate standing committee, or both.

Budget Management

We identified a number of actions that could improve county budget management, including budgeting for accumulated sick leave compensation, creating a tax stabilization fund, and simplifying intradepartmental budget transfer authority.

Compensation for Accumulated Sick Leave - County employees who became participants in the Milwaukee County Employees Retirement System before January 1, 1994, are provided with a full lump-sum payment of accrued sick leave upon retirement. That is, their hours of sick leave are multiplied by their pay rate at the time of retirement to determine the amount that they receive as a lump sum. Retiring county employees who entered the system after January 1, 1994, are credited with the full value of their accumulated sick leave, calculated in the same manner, for use in paying post-retirement health insurance costs.

The county does not budget for its employees' accumulated sick leave payments.

The payments come from county departments' operating budgets. However, no attempt is made to estimate and include the cost of sick leave payments in departmental budgets. As a result, the departments can face large deficits in years with a large number of retirements. For example, through August 9, 2002, the county spent \$5.6 million in accumulated sick leave payments, including \$1.2 million in the Department of Parks alone. The county spent only \$1.7 million in accumulated sick leave payments for all of 2001.

The State of Wisconsin also allows employees' unused sick leave to be credited for use in paying post-retirement health insurance premiums. However, in contrast to Milwaukee County, the State has established a fund within its employee trust fund that is supported by an actuarially determined percentage of payroll deposited by each agency.

Establishing a separate account to fund accumulated sick leave payments would eliminate the problem of having to absorb unbudgeted accrued sick leave costs in operating budgets when retirements occur. Therefore, we recommend Milwaukee County establish a system to more accurately budget for the cost of accumulated sick leave at the time of retirement.

In 2002, the county has a contingency fund totaling \$5.4 million for unbudgeted expenditures.

Tax Stabilization Fund - The county has a contingency fund that is used to pay for unbudgeted needs in any county department. Withdrawals from this fund require a two-thirds majority vote by the full board. Unused contingency funds are used to reduce the subsequent year's tax levy. As shown in Table 11, Milwaukee County's contingency fund increased from \$4.0 million in 1999 to \$5.4 million in 2002. The largest single use of the contingency fund from 1999 through August 19, 2002, was a \$2.4 million payment in 2001 to fund the Sheriff's Department's inmate prescription drug deficit.

Table 11

Milwaukee County Contingency Appropriation

<u>Year</u>	<u>Budgeted*</u>	<u>Funds Used</u>	<u>Percentage Used</u>
1999	\$4,000,000	\$3,914,027	97.9%
2000	4,576,194	3,830,770	83.7
2001	5,500,000	3,821,779	69.5
2002	5,417,022	1,312,246**	—

* Amounts in the contingency fund are increased throughout the year by unexpected revenues or other transfers into the fund that are added to the budgeted amount.

** Amount used in 2002 is through August 19.

State statutes now permit Milwaukee County to establish a tax stabilization fund.

Although the contingency fund may assist the county with unexpected costs in any given year, it does not provide for long-term reserves. As part of the State's 2001-2003 biennial budget, Milwaukee County was permitted to create a tax stabilization fund under s. 59.60(13), Wis. Stats. If it were to do so, the county would be required to deposit its entire year-end surplus into the fund, and it could appropriate additional dollars directly to the fund through its annual budget. Withdrawals from the tax stabilization fund would typically occur as part of the annual budget adoption process for use in stabilizing the property tax levy for an upcoming year. A three-fourths majority vote of the county board is required to authorize the use of these funds, unless the county's tax levy is projected to increase by more than 3 percent over the prior fiscal year, at which point only a simple majority is required.

Milwaukee County has not established a tax stabilization fund. However, the Milwaukee County Department of Administration, county board research staff, and the Milwaukee County Department of Audit have recommended that the county do so. It appears that the creation of a tax stabilization fund would provide the county with another mechanism to fund any future deficits. While it is unlikely that the county's current fiscal situation will allow for significant contributions to such a fund in the near future, *we recommend Milwaukee County create a tax stabilization fund under s. 59.60, Wis. Stats.*

State statutes require county board approval of all transfers between budget lines.

Budget Transfer Authority - Milwaukee County is the only county required by s. 59.60(8), Wis. Stats., to have its county board approve all departmental requests to transfer funds between budget lines during a fiscal year. In July 2002, the county board requested that board research staff and the county audit department investigate necessary changes to statutes in order to create greater efficiency in the fund transfer process. The board believes efficiency could be gained by permitting departments, subject to the County Executive's approval, to submit proposed intradepartmental transfers to the board's finance and audit committee for passive review. Under such a passive review process, the transfer would be implicitly approved after a specified period of time (for example, 14 days) if the transferring department had sufficient funds and the transfer met other pre-established criteria.

Eliminating the requirement that the board review all intradepartmental budget line transfers would provide departments flexibility to address unforeseen expenditures before requesting assistance from the county's contingency fund. In addition, it is likely to reduce the amount of time spent by administrators and the county board on small intradepartmental transfers that have no policy implications. Therefore, *we recommend the Milwaukee County Board request authority from the State Legislature to implement a passive review process for certain intradepartmental fund transfers.* The State and the county board may wish to set threshold amounts under which formal board approval is unnecessary.

Budget Schedule - Section 59.60, Wis. Stats., requires Milwaukee County to match its fiscal year to the calendar year and establishes the budget process summarized in Table 12.

Table 12

Milwaukee County Budget Time Line

<u>Date</u>	<u>Action</u>
June 15	Departments submit budget proposals to the Milwaukee County Department of Administration
August 15	Department of Administration compiles budgets and calculates debt service needs, anticipated bond issuances, and property tax levy estimates
August–September	County Executive holds public hearings and revises departmental requests
October 1	County Executive submits proposed budget to the county board
October–November	The board’s finance committee holds budget hearings and submits changes to the full board, whose passage of the budget establishes the tax levy
November–3 rd week	County Executive vetoes or approves the budget

Under the current time line, the county board typically has approximately six weeks to review the budget proposal, move the budget through its finance and audit committee, hold public hearings, gain additional information from county departments, and approve the budget. Typically, the budget contains an array of proposed initiatives that may result in contracts with vendors, large purchases, and the need for future capital improvements. Arguably, the budget is the single most important policymaking activity that the board undertakes during the year. County policymakers may therefore wish to consider extending the time available to the board for review and approval of the county budget, so the board can better exercise its policymaking authority through budget-line control, rather than the day-to-day operation of departments.

More Effective Use of Professional Staff

The county board has nine research staff, including the director of research. Currently, any board member may directly request an individual researcher to initiate a project or to research a particular item: requests are not channeled through the director of research. While this may appear to allow all board members access to professional research, it may actually disenfranchise some members, as research staff receive large numbers of requests from others. In addition, workload may not be distributed equally among researchers, causing delays for some

requestors. The effectiveness of the research staff unit could be improved by developing a standardized process for initiating research projects. For example, the county board could adopt a policy that all research requests should be submitted to the director of research, who could then consult with the county board chair and the committee chairs to establish priorities and make assignments.

Size and Full-Time Status of the County Board

In addition to questions about how the county board conducts its business, there have also been questions about its size and full-time status. Some have suggested that having 25 full-time board members contributes unnecessarily to the cost of county government. Therefore, we compared the Milwaukee County Board of Supervisors to governing bodies in surrounding Wisconsin counties, other counties with an elected county executive, and similar-sized counties in the Midwest.

Section 59.10(3), Wis. Stats., limits the size of most Wisconsin county boards based on county population, as shown in Table 13. However, Milwaukee County is exempt from these limitations.

Table 13

Statutory Limitations on County Board Size

<u>County Population</u>	<u>Maximum Number of Board Members</u>
Greater than 500,000	Not specified
100,000 to less than 500,000	47
50,000 to less than 100,000	39
25,000 to less than 50,000	31
Less than 25,000 but more than one town in the county	21

Note: Statutes allow counties within 2 percent of the minimum population for the next grouping to use the next grouping maximum as a guide.

The Milwaukee County Board is smaller than most other comparable Wisconsin county boards.

As shown in Table 14, the Milwaukee County Board is smaller than those of most neighboring counties and of other Wisconsin counties with county executives. However, Milwaukee County is the only county in the state to have full-time supervisors. A survey conducted by the University of Wisconsin (UW)-Milwaukee's Center for Urban Initiatives and Research in 2002 found that 67.8 percent of people surveyed in a four-county region, including Milwaukee County, believed their county boards of supervisors were too large. Milwaukee County residents indicated a preference for an average of 11 individuals to serve on the board.

Table 14

**Size of Wisconsin County Boards
(2002)**

<u>County</u>	<u>Board Members</u>
Winnebago*	38
Dane*	37
Fond du Lac*	36
Outagamie*	36
Waukesha*	35
Ozaukee	31
Washington	30
Kenosha*	27
Milwaukee*	25
Walworth	25
Brown*	24
Racine*	23

* Wisconsin counties with a county executive are marked with an asterisk. Others are located near Milwaukee County.

The Milwaukee County Board is larger than most midwestern counties we surveyed.

Because Milwaukee County is considerably larger than other Wisconsin counties, we also compared the size of its board to the governing bodies of other midwestern counties of a similar size. As shown in Table 15, Milwaukee and two other counties had the largest number of board members among the eight counties that were compared. The wide variations in board size in Wisconsin and in other midwestern states suggests that there may not be an optimal size for a county board from an operational standpoint, and that the size of a board is based on local circumstances and local tradition.

Table 15

Size of County Boards in Midwestern Counties

<u>County</u>	<u>Population</u>	<u>Board Members</u>
Macomb County, MI	788,149	25
Milwaukee County, WI	940,164	25
Oakland County, MI	1,194,156	25
Du Page County, IL	904,161	19
Wayne County, MI	2,061,162	15
Hennepin County, MN	1,082,560	7
St. Louis County, MO	1,016,315	7
Franklin County, OH	1,068,978	3

Eleven county board supervisors have proposed reducing the number of supervisors from 25 to 17.

In July 2002, eleven county board supervisors proposed an amendment to county ordinances that would reduce the number of supervisors from the current 25 to 17. Each supervisor would continue to have one personal assistant, in addition to access to professional research and support staff, so the number of personal assistants would also be reduced from 25 to 17. Annual cost savings from this proposal are estimated at \$670,000.

Reducing the number of county board supervisors before 2010 would require a statutory change.

Under state statutes, a county is permitted to modify the size of its county board only during the redistricting process that happens immediately after the decennial census. Milwaukee County has already completed its redistricting process following the 2000 census and, therefore, cannot reduce the size of its board until after the next census in 2010. During the 2001-2002 legislative session, AB 872 was proposed to enable Milwaukee County to reduce the size of the county board before the next census, but it was not enacted by the Legislature.

Legal action may be taken if the number of county board supervisors is reduced.

Those who argue for a smaller board assert that as the scope of Milwaukee County government has been reduced by actions such as the sale of the county hospital and the relinquishment of responsibility for administering AFDC and the child welfare program, the responsibilities of the county board have also decreased and should be reflected in its size. Opponents of reducing the size of the county board argue that a larger board provides the opportunity for greater minority representation in the racially diverse county and allows for greater communication between board supervisors and their constituents. Groups that fear a reduction in the county board's size would compromise minority representation have threatened legal action if a reduction is made, and some are concerned that the only Hispanic majority district, created in the last redistricting process, would be lost if the number of districts were reduced.

Along with the debate over the size of the board is a debate over the full-time or part-time status of supervisors. Supervisors' full-time status has been used to justify their current annual salary of \$52,227, and some contend that the salaries of a part-time board could be reduced.

Historically, county board members throughout the state have been paid on a part-time basis. In Milwaukee County, however, salaries gradually increased to a level some supervisors would consider full-time. During the 1992 Milwaukee County supervisory election races, the issue of part-time versus full-time status became a campaign issue as some candidates argued that full-time supervisors would provide better representation, and a growing number of Milwaukee County supervisors have been committed to their positions full-time. Annual salary rates since 1991 are shown in Table 16.

Table 16

Milwaukee County Board of Supervisor Salaries

<u>Year</u>	<u>Annual Salary</u>	<u>Percentage Change</u>
1991	\$35,479	–
1992	36,554	3.0%
1993	37,651	3.0
1994	38,780	3.0
1995	39,944	3.0
1996	41,153	3.0
1997	42,388	3.0
1998	43,493	2.6
1999	44,797	3.0
2000	50,644	13.1
2001	52,227	3.1
2002	52,227	0.0

In February 2002, the county board passed a resolution that would reduce supervisors' salaries to approximately \$50,700 beginning in 2004. The County Executive has indicated that his 2003 budget will include a proposal to reduce the salaries of county supervisors and the board's chair by 70 percent beginning in 2003. Under this proposal, the chair's annual salary would be reduced from \$72,960 to \$21,888, and other supervisors' salaries would be reduced from \$52,227 to \$15,668. The change would generate close to \$1.0 million in annual cost savings for the county.

Milwaukee County supervisors' salaries are in the mid-range for eight midwestern counties.

As with the question of the appropriate number of supervisors on the board, there may be no answer from a purely operational standpoint to the question of whether county supervisors should be considered full-time or part-time. As shown in Table 17, Milwaukee County is one of only two similar-sized counties in the Midwest with a full-time governing body. Its supervisors' salaries are in the mid-range for the eight counties in our comparison. Based on the wide variation in salaries among these counties, it would appear that like board size, salary is based on local circumstances.

Table 17

Supervisor Salaries in Midwestern Counties

<u>County</u>	<u>Salaries</u>	<u>Part-Time or Full-Time</u>
Du Page County, IL	\$86,004	Part-time
Hennepin County, MN	81,816	Full-time
Franklin County, OH	80,925	Part-time
Wayne County, MI	66,735	Part-time
Milwaukee County, WI	52,227	Full-time
Macomb County, MI	30,491	Part-time
Oakland County, MI	28,615	Part-time
St. Louis County, MO	12,500	Part-time

Whether the Milwaukee County Board of Supervisors is reduced in size, becomes part-time, or remains the same, additional cost savings could be realized from a reduction in the number of supervisor assistants. As noted, in addition to professional research and other support staff, each supervisor is authorized one personal assistant. As part of the 2003 budget discussions, the board is considering reducing personal assistants to half-time status. Elimination of personal staff would save approximately \$656,000 annually in salaries and fringe benefits. However, opponents to this proposal may argue that constituent services would be diminished if these positions were reduced.

Milwaukee County may be able to gain efficiencies by streamlining procedures and consolidating departments, divisions, and programs. Its preliminary plan to consolidate administrative departments and functions within a central Department of Administrative Services suggest such a consolidation could improve coordination among several functions and produce some cost savings by eliminating 20.0 FTE positions. Our review indicates additional efficiencies may be gained by modernizing some administrative policies and procedures, especially in the areas of hiring and information technology.

Centralizing Administrative Functions

A new Department of Administrative Services has been proposed.

In response to suggestions by the Milwaukee County Department of Audit that the organizational structure of several county departments could be improved, the county board directed county audit staff, board research staff, and Milwaukee County Department of Administration staff to develop recommendations for potential consolidations. In July 2002, these staff recommended the creation of a new Department of Administrative Services, which would include human resources, risk management, budgeting, accounting, procurement, disadvantaged business development, and information management services functions, as well as an office of persons with disabilities. Under this proposal, two existing departments—the Department of Human Resources and the Department of Administration—would be eliminated.

Currently, the Milwaukee County Department of Administration provides fiscal management, risk management, purchasing, budget and financial planning, and information technology services to most of the county's other departments, as well as disadvantaged business development. Its mission also includes affordable housing and community development, improving residents' access to health-related services, and enhancing the county's tax base through business growth and development.

Creating a Department of Administrative Services may result in cost savings, but it also raises concerns.

The advantages of a consolidated Department of Administrative Services include a reduction in the number of top-level managers and associated support staff. The staff report on the consolidation recommended a net reduction of 20.0 FTE positions, for a tax levy savings of approximately \$1.3 million per year, and indicated the proposed consolidation could lead to streamlined processes and a more

efficient decision-making process. However, a centralized department also raises some concerns that the county would need to address through an implementation plan, including:

- the possibility of consolidating too much authority within a single department;
- the potential for developing unclear lines of authority through a decentralized model, which places administrative services staff directly under departmental directors; and
- the need to again reorganize county board committees to prevent overlapping jurisdictions.

A proposal to create the department is expected to be included in the County Executive's 2003 budget proposal.

Streamlining Administrative Processes

Our review suggests that the county can also gain some efficiencies by streamlining practices and procedures, independent of any changes to its organizational structure. For example, cumbersome and outmoded hiring procedures could be streamlined, and additional efficiencies may be possible through increased coordination and standardization of information technology.

The Hiring Process

Milwaukee County is the only Wisconsin county that is required by statute to establish and implement its own civil service rules. As of July 2002, approximately 94.3 percent of the county's employees were in "classified" positions and therefore subject to civil service rules, including hiring procedures. While each department head or designee makes the final hiring decision for classified employees, the Milwaukee County Department of Human Resources is responsible for recruiting candidates and determining their eligibility.

Civil service reform occurred at both the state and the federal level in the mid-1990s, but Milwaukee County's process was largely unchanged. State and federal reforms have focused on allowing managers more discretion in the hiring process and on using new technology to increase efficiency. In Milwaukee County, however, the process remains highly centralized, with only limited use of technology. This has led to significant delays in the hiring process, and frustrations among applicants, hiring departments, and central human resources personnel.

There are significant delays in the county's current hiring process.

The Milwaukee County Department of Audit found that several months can elapse between the time a vacancy is announced and a position is filled. Its June 2002 report indicated that, depending on the type of position, filling a vacant position could take between 33.2 and 196.0 calendar days. Positions filled the fastest were appointments of current county employees to alternate positions. When an examination was required before an eligibility list could be developed, the process took more than six months, on average. Reasons for these hiring delays include outdated eligibility lists, the examination process, and pre-application residency requirements.

Eligibility Lists - Currently, once a department receives approval to fill a vacancy, it requests a list of eligible candidates from the Department of Human Resources. Lists of eligible candidates remain in effect until the director of the Department of Human Resources determines they have expired. The director's current policy is that lists remain open indefinitely. They can be updated by adding new applicants or removing individuals who have either accepted or declined the position or have stated they are no longer interested. However, the Department of Human Resources does not survey persons on a list to determine continued interest or more current personal information. In addition, applicants are not permitted to update any information that may change their examination score or rank on an eligibility list, such as an additional degree. Instead, applicants must reapply for the position in order to include updated information.

Eligibility lists are open indefinitely and often contain outdated information.

Many Milwaukee County department directors have indicated that the certified lists of eligible candidates they receive from the Department of Human Services contain both outdated information and many candidates who are no longer interested in positions. This causes delays as departments attempt to contact individuals who are no longer interested or cannot be reached, and wait for additional lists to supplement the limited number of viable candidates on the original list. As part of its study of the county hiring process, the Milwaukee County Department of Audit reviewed 1,206 candidates on 101 certified lists; it found that 48.8 percent of the candidates were no longer interested in the position and 6.3 percent could not be reached, indicating that contact information had not been kept current.

Other midwestern counties and the State allow eligibility lists to expire.

Furthermore, our survey of comparable midwestern counties found that, with the exception of Oakland County, Michigan, all imposed limited lifetimes on eligibility lists, as shown in Table 18. Similarly, to increase the probability that individuals on its lists have continued interest in the position, the State provides that all eligibility lists expire in six months, and the Department of Employment Relations (DER) has the authority to allow employment registers to expire in as little as three months.

Table 18

Eligibility List Comparison

<u>County</u>	<u>Time on Eligibility List</u>
DuPage County, IL	Applications remain active for three months, after which applicants may request to be re-entered
Franklin County, OH	Lists are retained only until position is filled
Hennepin County, MN	Until position is filled, or for three to six months if the list will be used to fill another position; never maintained for longer than one year
Macomb County, MI	Applications remain active for one year following submittal
Milwaukee County, WI	Indefinite
Oakland County, MI	At least 6 months
St. Louis County, MO	2 years
Wayne County, MI	6 months

In addition, while Milwaukee County civil service rules limit the number of names given to hiring departments to ten, the State moved to a system of expanded certification which permits DER to determine the number of names it certifies to the hiring department. The current DER policy is to provide as many names on a list as the hiring department desires. With expanded certified lists, state managers looking to hire are provided with a larger number of qualified applicants from whom to choose.

To improve the efficiency and effectiveness of its hiring process, we recommend Milwaukee County maintain eligibility lists for a maximum of one year and provide the entire list of eligible candidates to the hiring department. However, for positions that are open to continuous recruitment, such as information technology or nurses, the county may wish to consider removing candidates from a list after one year, rather than ending the entire list.

Resources are devoted to verifying eligibility for candidates who fail to appear for examinations.

The Examination Process - The Milwaukee County Department of Human Resources requires applicants to complete an application at least five days in advance of taking an examination so that it can conduct initial screenings. However, county records indicate that over the past five years, 11.0 percent of all applicants failed to report for an

examination. Accordingly, time and effort were expended by human resources staff to verify eligibility for persons who did not take examinations.

In response to similar concerns, the State implemented walk-in testing in 1992, which allows applications to be completed immediately before taking an examination. According to DER reports, the State's new system has eliminated problems with late applications, individuals failing to report for scheduled examinations, long waiting periods, and thousands of mailed applications to review. DER concluded that as a result, the State's hiring process was reduced by at least four weeks. To increase the efficiency and effectiveness of its hiring process, we recommend Milwaukee County create and implement a testing on demand program and eliminate the requirement that applicants apply at least five days before an examination.

Electronic applications could be convenient for applicants and cost-effective for the county.

Use of Technology - The Milwaukee County Department of Human Resources could streamline the hiring process through increased use of technology. For example, allowing job applicants to complete applications on line at the department's Web site could significantly increase convenience for applicants and would reduce the county's costs for printing, mailing, and manually processing paper applications. As of August 2002, the department had implemented plans for making job applications available on line so applicants could print them, complete them manually, and mail them to the Milwaukee County Department of Human Resources. However, the department has not established a timetable for developing the capability for on-line submittal of applications.

The Department of Human Resources could also use technology to remove the names of candidates who are no longer interested in a position. Currently, several departments may use the same eligibility list for common positions, such as clerical positions. However, there is no process for updating the master eligibility list at the Department of Human Resources to remove candidates who are no longer interested. As a result, more than one department may be contacting the same uninterested candidate. Department of Human Resources staff indicate they are in the process of developing a centralized applicant database that would allow departments to determine whether another department had already eliminated an individual from consideration and for what reason, but no timetable for implementation has been established.

Finally, the Department of Human Resources could also employ its existing software to allow hiring departments direct access to eligibility lists. This would streamline the process by eliminating both the hiring departments' need to request a list and the Department of Human Resources' need to create a list.

To increase the efficiency and effectiveness of its hiring process, we recommend Milwaukee County allow applicants to submit applications electronically, allow hiring departments to update centralized eligibility lists when they learn of applicants who are no longer interested, and provide hiring departments electronic access to centralized eligibility lists of qualified candidates.

Residency Requirements - While residency upon accepting a position is not unusual, requiring residency prior to application may be limiting opportunities for Milwaukee County to recruit and secure a qualified and diverse work force. Milwaukee County generally requires applicants to have been county residents for at least 30 days, and residents of Wisconsin for at least one year, before taking an examination.

In contrast, in 1997 the State allowed for broader recruitment and an increased base for minority recruitment by repealing its requirement that all applicants for classified service positions be residents of Wisconsin. The State's change was made in response to findings that the residency requirement reduced the number of qualified applicants and discouraged those who wished to move to Wisconsin from applying.

To improve its potential for attracting more qualified candidates, we recommend Milwaukee County eliminate the residency requirements for submitting an employment application.

Information Technology

The county plans to spend \$18.6 million in 2002 for information technology staff and services.

The information management services division of the Milwaukee County Department of Administration is responsible for developing and managing the county's technology systems, software applications, and database systems and for providing technical and administrative support. Since 2000, Milwaukee County has undertaken a number of efforts to modernize its information technology systems, and it is moving toward standardization of information technology under a five-year strategic plan. In addition, the county has begun centralizing information technology staff in the information management services division, rather than maintaining information technology staff within each department. Between 1996 and 2001, 37 positions were transferred from other departments into the division, which is currently authorized 117.2 FTE positions. The division has a budget of \$18.6 million for 2002, including \$5.5 million for all contracts for professional services.

In 2001, the county board created the Information Technology Council to review the county's use of information technology, identify key needs, and recommend strategies for delivering information technology services in a cost-effective manner. The council consists of the chief information technology managers of 11 major departments, a representative of the county board, and four individuals from outside government who are appointed by the county board and the County Executive. In its 2001 report, the council recommended that it continue to provide the county with advice and direction on information technology matters and further cooperation among the various departments. Specifically, the council recommended that it be charged with the following duties:

- developing information technology plans and cost estimates;
- setting countywide information technology priorities;
- addressing staffing and contractual services requirements;
- developing policies for the design and use of information technology systems;
- developing policies for standardizing purchases of information technology; and
- proposing and authorizing information technology projects that benefit the county as a whole.

In response to the report, the county board moved to retain the council but did not provide it with a specific charge. Currently, the council meets at the call of the administrator of the information management services division and serves an advisory function.

The Information Technology Council could potentially provide useful leadership and direction.

We identified additional areas in which the council could potentially provide useful leadership and direction. First, the council could more explicitly set countywide computing standards. While some standards have been set, especially for personal computers, the standards for implementing large systems could be further refined. Second, the council could review and approve changes to the county's information technology strategic plan on a regular basis. Finally, the council could provide leadership and standardization in the use of geographic information systems (GIS) technology, which has a wide range of potential uses at the county level.

GIS is used in maintaining land information such as parcel boundaries, ownership, and tax information; land-use planning; parks and facilities management; public works and transportation projects; and providing Internet-based mapping applications to make data available to county employees and to the public. Currently, GIS users are located in several departments, including the Department of Public Works, the Office of the Register of Deeds, and the Department of Parks. The Department of Public Works has adopted an informal role as the lead GIS agency in Milwaukee County government. The county has also developed a plan to implement GIS countywide, but officials acknowledge that this plan has not been fully implemented. In addition, there are currently no countywide GIS standards, methods to facilitate data sharing, or plans to maintain the physical infrastructure of systems and provide basic support for users or departments that lack GIS capabilities.

The Information Technology Council could provide guidance on whether to centralize GIS functions or use the same model proposed for the other information technology functions: centralization with strategic deployment of personnel to allow the operating departments to accomplish their missions. Such a model would allow departments to continue to develop their GIS capabilities while permitting other departments to train users within a standardized operating environment compatible with existing data, software, and personnel. Furthermore, the council enables countywide communication and knowledge sharing, provides a forum for developing standards, and establishes a mechanism for implementing countywide initiatives. Therefore, *we recommend Milwaukee County formalize the role of the Information Technology Council and specify its responsibilities in establishing countywide information technology standards.*

The final 1996 report of the Milwaukee County Commission for the 21st Century referred to the county parks system as one of the community's greatest natural assets, and surveys conducted in 1995 and 2000 by the UW-Milwaukee Center for Urban Initiatives and Research found strong support for it among county residents. However, funding for the parks system has not kept pace with other county activities: spending on parks increased by 10.9 percent from 1996 to 2002, compared to a 21.5 percent increase in total county spending. During the same period, the parks system reduced its authorized staffing levels by 7.1 percent, whereas county staffing increased by 5.2 percent.

The Department of Parks, which administers and operates the county parks system, is considering consolidating some functions—such as vehicle maintenance—with the Department of Public Works in order to reduce costs. However, we believe more can be done to further reduce costs and increase revenues.

Parks Revenue

The Milwaukee County parks system includes more than 140 parks and parkways totaling approximately 15,000 acres, as well as the McKinley Marina, Boerner Botanical Gardens, Wehr Nature Center, Mitchell Park Horticulture Conservatory (the Domes), and greenhouse operations. As shown in Table 19, the system includes 200 athletic fields, 170 picnic areas, 130 tennis courts, 12 swimming pools, 16 golf courses, and other recreational offerings.

Table 19

Parks System Holdings

Golf courses	16
Recreation centers	3
Picnic areas	170
Athletic fields	200
Tennis courts	130
Rental pavilions	23
Multipurpose trails (<i>miles</i>)	100
Aquatic centers	2
Swimming pools	12
Neighborhood wading pools	36
Beaches on Lake Michigan	5

The parks system is funded by \$43.9 million in property taxes and program revenue.

The parks system is funded through two sources: the property tax levy, and program revenue generated by sources such as marina fees, golf course fees, concession stand revenue, and swimming pool admission fees. As shown in Table 20, revenue from fees increased 15.6 percent from 1996 to 2002, while tax levy support increased 7.7 percent.

Table 20

Parks Funding

<u>Source</u>	<u>1996</u>	<u>2002</u>	<u>Percentage Change</u>
Program revenue	\$16,313,127	\$18,852,339	15.6%
Tax levy support	<u>23,226,205</u>	<u>25,015,636</u>	7.7
Total	\$39,539,332	\$43,867,975	10.9%

Cost-Control Efforts

Partnership agreements and consolidation could potentially increase savings and revenues.

As part of our review of Milwaukee County's parks system, we identified two areas for which savings or increased revenues could most likely be achieved: entering into additional local partnerships to share operating responsibilities for some parks, and addressing the declines in attendance at county-operated golf courses and pools. Long-term declines in usage may provide an opportunity for the Department of Parks to consolidate or reduce its operations while maintaining an adequate number of facilities to meet the demonstrated needs and interests of county residents.

Local Partnership Agreements

One strategy the department has sought to reduce its operating costs is making formal arrangements with various community groups to share responsibility for the cost of operating recreational or educational activities at parks properties, such as its agreement with the Urban Ecology Center to provide programming at Riverside Park. While the department maintains the sites, the cost of operating some recreational activities is provided by the participating organizations. Developing such arrangements with various community organizations is consistent with recommendations contained in the final report of the Milwaukee County Commission for the 21st Century.

The county could seek local government partners to maintain smaller parks.

A report prepared for the Department of Parks in 2001 by the UW-Milwaukee School for Architecture and Urban Planning suggested the county could attempt to partner with local municipalities for maintenance of smaller, neighborhood parks in a manner similar to efforts currently being attempted by Dane County. The UW-Milwaukee report estimated the annual cost of operating and maintaining a neighborhood park at \$10,000 annually. In the partnership proposal, the local community would develop neighborhood recreational facilities and assume operating and maintenance responsibility for them. The county, in turn, would maintain ownership of the land and provide the community with \$2,500 annually to help support the operating and maintenance costs. In addition to maintenance agreements, Dane County has also undertaken joint development projects with local municipalities, such as building soccer fields.

Milwaukee County has 81 parks that are 25 acres or less, which is the Southeast Wisconsin Regional Planning Commission's definition of a neighborhood park. As shown in Table 21, if the department negotiated cooperative arrangements for its 81 neighborhood parks, it could save more than \$600,000 in operating and maintenance costs annually, based on cost estimates from the UW-Milwaukee report. If such arrangements were made only for parks of less than 10 acres, the saving could be as

much as \$285,000 annually. However, there are obstacles to these agreements, including the willingness of the City of Milwaukee and other municipalities to agree to assume these costs given the other demands on their financial resources.

Table 21

Potential County Savings from Partnering with Local Municipalities for Maintenance of Neighborhood Parks

<u>Acreage</u>	<u>Number of Parks</u>	<u>Maintenance Costs</u>	<u>Costs under Cost Sharing</u>	<u>County Savings</u>
Under 25	81	\$810,000	\$202,500	\$607,500
Under 10	38	380,000	95,000	285,000

Golf Courses

The county owns and operates ten major and six par 3 golf courses.

The county operates 16 golf courses, including 10 full-length courses, known as major courses, and 6 par 3 courses. In 2000, the last year for which complete data are available, golf operations generated \$7.1 million in program revenue, or 44.0 percent of the program revenue generated from all parks operations. However, use of the county's golf courses has declined steadily over time, and all are currently operating substantially below their capacity. From 1985 through 2001, the number of rounds played on all county golf courses declined by 38.9 percent, including a 32.6 percent reduction for major courses and a 51.0 percent reduction for par 3 courses.

In 2000, the last year for which these data were available, profit from golf course operations totaled \$1.4 million, but all six of the par 3 courses operated at losses totaling \$248,559, as shown in Table 22.

Table 22

Profit/(Loss) from Golf Course Operations
2000

<u>Course</u>	<u>Profit/(Loss)</u>	<u>Rounds Played</u>
Major Courses		
Brown Deer	\$ 147,091	33,380
Dretzka	95,862	35,458
Oakwood	84,614	40,341
Whitnall	194,634	49,217
Currie	353,415	58,115
Grant	279,579	54,699
Greenfield	356,529	53,712
Lincoln	41,956	36,636
Hansen	100,861	37,599
Warnimont	<u>40,274</u>	<u>48,092</u>
Subtotal	1,694,815	447,249
Par 3 Courses		
Dineen	(54,076)	2,382
Doyne	(68,600)	15,111
Lake	(50,407)	16,827
Madison	(28,762)	20,616
Noyes	(29,071)	12,932
Zablocki	<u>(17,643)</u>	<u>25,052</u>
Subtotal	<u>(248,559)</u>	<u>92,920</u>
Total	\$1,446,256	540,169

The county could consider closing some par 3 courses that generate losses.

The reduction in golf course usage and the losses generated by the par 3 courses raise questions about whether all 16 golf courses are needed to meet the demands of county residents. Consequently, the county may wish to consider closing all or some of the courses that do not consistently generate a profit. This would benefit the county in two ways. First, total operating costs would be reduced. For example, if the three par 3 courses that were least used in 2000 had been closed in that year, \$262,589 in operating cost for those courses would have been avoided.

Second, although overall revenue would likely decline because some golfers would either use non-county courses or not play if the county course they used were closed, profitability could increase because some golfers would likely move to the remaining county courses. For example, if 75 percent of the rounds played on the three least-used county par 3 courses in 2000 would have moved to the remaining par 3s, the combination of increased rounds played at those courses and savings from the closed courses would have resulted in increased profitability of \$234,879. If only 50 percent of the rounds would have moved to other county owned par 3 courses, profitability would have increased \$207,169.

The county may be able to increase golf course profitability by closing some major courses.

Further, while none of the ten major courses operated at a loss, the overall decrease in rounds played at those courses suggests additional consolidation could be possible without decreasing public access. As with the par 3s, consolidation of major courses could increase overall profitability. For example, closing three major courses with relatively low numbers of rounds played and relatively low profit in 2000—Lincoln, Hansen, and Warnimont—could have saved as much as \$545,000 in that year, assuming 75 percent of the rounds moved to other county courses. If only 50 percent of the rounds moved to other county courses, savings of approximately \$302,000 could have been achieved.

Golf course concession stands lost \$193,623 in 2000.

Additional savings could also be gained by reviewing the costs of concession stand sales. In 2000, concession stands at nine of the county's golf courses operated at a loss, and total concession stand expenditures exceeded revenue by \$193,623. As shown in Table 23, the concession stand losses ranged from \$64,172 at Currie to \$7,347 at Hansen. Labor is the largest controllable cost of concession stands, which are staffed largely by seasonal employees. To reduce losses resulting from concession stand operations, the practice of selling prepared food could be discontinued, and the stands could instead rely exclusively on selling prepackaged foods, which would reduce staffing costs by eliminating the need for cooks. In addition, for courses that cannot generate a profit even with such reductions, the department could consider closing the concession stands and contracting with a vending machine operator to supply food and beverage machines.

Table 23

Profit/(Loss) at Golf Course Concessions*
(2000)

<u>Course</u>	<u>Profit/(Loss)</u>
Major Courses	
Brown Deer	\$ (40,911)
Dretzka	(14,278)
Oakwood	(12,337)
Whitnall	(32,624)
Currie	(64,172)
Grant	(19,400)
Greenfield	(27,003)
Lincoln	(9,839)
Hansen	(7,347)
Warnimont	22,554
Par 3 Courses	
Doyne	1,159
Lake	1,621
Madison	1,637
Noyes	3,357
Zablocki	<u>3,960</u>
Total Profit/(Loss)	\$ (193,623)

* Dineen does not have concessions.

Over 40 percent of rounds played on county golf courses were discounted.

In addition to reducing costs, the department could also attempt to increase revenues from its golf courses. Department of Parks staff indicate they review golf fees annually by comparing county greens fees with those of similar courses throughout the Milwaukee area, including other publicly owned courses and private courses open to the public. That comparison suggests the county's courses, although somewhat at the lower end, are reasonably priced. However, the department's comparison was made using the full listed prices for county courses, while over 40 percent of rounds played on county golf courses are discounted rounds available to those who purchase discount cards. Consequently, using the full price of the greens fees for comparison purposes may not be appropriate.

The cards provide discounts from published greens fees that vary by golf course. The cost of a card varies depending on whether it is a new purchase or a renewal, as well as whether the card is valid for one, two, or three years. Golfers can generally recover the cost of a card with the discounts received from two or three uses. Assuming the behavior of golfers would not have changed in 2000, additional revenue totaling \$1.6 million would have been generated if the discounts had not been provided.

The amount of some current discounts could be reduced.

Providing a discount system for golfers is common for publicly owned courses and many privately owned courses that are open to the public. Nevertheless, some of the discounts provided by the county may be excessive. For example, the Brown Deer golf course, which provides the largest discount of any parks system course, discounts its \$77.25 greens fees for 18 holes on a weekend by 55 percent, to \$34.75. One way for the county to increase golf course revenue would be to maintain a discount program but decrease the amount of the discount. For example, reducing the discount by half would increase net revenue by approximately \$967,000 annually, assuming golfers' behavior would not change, while still providing a discount comparable to what is available on other public courses.

Another option to increase revenue would be to increase the fee for the popular discount cards. As currently structured, a one-year resident card costs \$15 when purchased for the first time, and \$10 at renewal. The discount for 18 holes on a weekend, which is normally the period of highest demand, is \$8 on the county's gold courses, which are designed for the low-handicap golfer, and ranges from \$42.50 to \$2.00 on courses with other classifications. Increasing the cost of the resident discount card by, for example, 50 percent could increase revenues by as much as \$146,600 based on golf activity in 2000. However, actual savings could be less if golfers' behavior changed.

Discounts could be targeted to certain times to increase rounds played and revenues.

Other changes to the program may have more significant fiscal effects. For example, the department's discount system for greens fees appears to run contrary to typical market pricing strategies in the private sector, although it is similar to systems at some other publicly owned courses. Most privately operated golf courses offer discounts in order to increase the number of rounds played during periods of low demand, such as late in the afternoon on weekdays. To maximize revenue, private courses charge full price during periods of high demand, such as weekends and weekday mornings. In contrast, discounts offered by the Department of Parks are greater on weekends, when demand is greatest, than on weekdays, when demand is typically lower.

Modifying the current discount program to be more consistent with those of private courses open to the public would likely increase revenue. To minimize negative effects on those who may be less able to pay, Milwaukee County could retain the current discount system for

juniors, seniors, and people with disabilities but convert the system for all other golfers to a market demand system. Published greens fees could remain the same, as they already compare favorably to those of other courses in the area. During periods of low demand, individual course managers could be allowed to offer discounts as a way of increasing the number of rounds played during those periods. The discounts could be standardized for all courses within a category or set on a course-by-course basis. Because such pricing is common at other courses open to the public, golfers are already familiar with it.

Pools

In 2001, the department proposed a five-year aquatic master plan that was developed with the help of consultants and is intended to guide future activities, including capital projects, at 10 full-size outdoor and 2 full-size indoor pools, 2 aquatic centers, 1 water playground, 1 splash pad, 36 wading pools, and 5 beaches. The consultants identified two trends in pool use they believed accounted for declining attendance. First, a large number of other pools have been built and opened to the public in the last two decades, such as those operated by public schools, YMCAs, Boys and Girls Clubs, and other organizations. Second, the development of large, family-oriented waterparks as a new type of swimming opportunity has caused a shift away from traditional deep-water pools that are best suited strictly for swimming. In the past decade, attendance at the county's indoor and outdoor pools declined from a high of 601,450 in 1991 to 467,212 in 2001, or by 22.3 percent. It should be noted, however, that attendance fluctuated throughout the period and grew by 26.1 percent from 2000 to 2001.

Pool expenditures exceeded revenues by \$704,000 in 2001.

Pools operated by the county are not necessarily expected to operate at a profit, because they are considered to be a public service. Not surprisingly, we found that in 2001, only the Cool Waters aquatic park generated revenues in excess of expenditures; for all other pools, expenditures were greater than revenues. Overall, pool expenditures exceeded revenues by \$704,000 in 2001, and that figure does not take into account the department's indirect costs, the central county departments' indirect costs for services such as payroll, accounting, budgeting, and human resources, or the cost of debt service.

The Department of Parks' aquatic master plan calls for closing seven pools with low usage and high maintenance or upgrade costs over a five-year period. Three of these pools have already been closed, and the department recommends closing one more in 2003. As shown in Table 24, if the department instead closed the remaining three pools identified in the aquatic master plan in 2003, it could save an additional \$162,160. Because operating losses must be subsidized by the tax levy, a reduction in losses is a direct cost savings.

Table 24

**Projected Savings from Closing Remaining Pools Identified in
Aquatic Master Plan in 2003
(2001)**

<u>Facility</u>	<u>Net Cost</u>
Lincoln	\$ 82,160
Holler	36,642
Wilson	<u>43,358</u>
Total	\$162,160

Governance and Funding Options

Alternative governance and funding structures for parks have been discussed.

Because the Department of Parks' funding is increasing at a slower rate than that of other county programs, there have been increasing numbers of discussions among county officials about the possibility of alternative governance and funding structures for parks. For example, the county board's Parks, Recreation and Culture Funding Task Force recently discussed the creation of a parks district independent of county government, which could levy its own property tax. Similarly, a review of the Department of Parks issued by the Milwaukee County Department of Audit in 2002 included an option for the creation of a separate parks district.

As noted by the county audit department, creation of a separate parks district—either following Milwaukee County's boundaries or on a broader regional basis—could have several advantages. First, parks operations would not have to compete directly for available county funding with mandated programs. In addition, creation of a separate parks district could provide more direct public accountability for parks operations and allow more direct public comment about the amount of tax support the public is willing to provide to the parks system.

The county board's Parks, Recreation and Culture Funding Task Force has also been exploring various alternative funding options, including a wheel tax, a dedicated portion of the property tax levy, a dedicated sales tax, and other options. Without regard to whether any of these options are chosen, if golf courses or pools are closed in the future, the county will have to decide whether to retain the land from closed courses as green space, use it for another purpose, or sell it.

The Milwaukee County Sheriff is a state constitutional officer who is statutorily responsible for law enforcement and protecting the safety and security of citizens and property throughout Milwaukee County. The Sheriff's Department staffs the county jail, provides bailiff services for circuit courts, patrols expressways in Milwaukee County, and provides security and traffic control for special events. Sheriff's Department staffing levels increased by 34.4 percent from 1996 to 2002, and the department's budget—which is funded by departmental revenues and the tax levy—increased by 31.5 percent during that period. However, in each year since 1996, budgeted revenues have not been sufficient to support the department's expenditures.

We concur with the Milwaukee County Department of Audit's recent recommendations for improving the department's budgeting process. Milwaukee County could realize tax levy savings if the Sheriff's Department recovered more of its costs for providing security and traffic control services at special events and if state statutes were amended to make the State Patrol, rather than Milwaukee County, responsible for expressway patrols in the county. However, such a change could mean significant additional costs for the State.

Budget Issues

The Sheriff's Department has been substantially over budget each year since 1996.

The 34.4 percent increase in Sheriff's Department's staffing represents 287.8 additional FTE positions, or an increase from 837.5 positions in 1996 to 1,125.3 in 2002. As was shown in Table 3, the department's 31.5 percent increase in budgeted expenditures is the fourth-largest percentage increase among the county's ten largest departments. In 2002, budgeted expenditures of \$61.7 million are expected to be supported by \$17.4 million in departmental revenues and a tax levy of \$44.3 million. However, the department has had an operating deficit of at least \$3.3 million in each of the past six years. As shown in Table 25, its largest deficit to date was \$5.6 million in 2001. Deficits in the Sheriff's Department budget are funded by the county's contingency fund, which might otherwise be used to reduce the tax levy in subsequent years, and by funds from other Milwaukee County departments.

Table 25

Sheriff's Department Operating Budget Deficits

<u>Year</u>	<u>Deficit</u>
1996	\$3,675,919
1997	3,703,702
1998	3,627,632
1999	3,327,746
2000	4,087,402
2001	5,566,586

In September 2001, the Milwaukee County Department of Audit found that the deficits resulted primarily from the Sheriff's Department over-budgeting for revenues and under-budgeting certain expenditures, including staff overtime and medical and prescription drug costs for inmates at the county jail and the House of Correction. Milwaukee County auditors also noted that Sheriff's Department officials told them budgets were purposely unrealistic in order to meet budget expectations.

The Sheriff's Department has substantially under budgeted for prescription drugs each year since 1998.

In January 2001, the county agreed to provide additional health services to inmates based on the settlement of a lawsuit filed on behalf of inmates in the jail and the House of Correction that alleged the county was not providing adequate health care. As shown in Table 26, the Sheriff's Department has consistently budgeted less for prescription drugs than its actual expenditures for the previous year. Through June 2002, it has already spent \$1.2 million, or \$289,848 more than its entire 2002 budget for prescription drugs. If its current level of spending continues, the Sheriff's Department will spend nearly \$2.5 million on prescription drugs in 2002, or 2.6 times its budget of \$950,000.

Table 26

Prescription Drug Deficits
County Jail and House of Correction

<u>Year</u>	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Difference</u>
1998	\$ 550,000	\$1,170,388	\$ 620,388
1999	875,000	1,700,000	825,000
2000	1,325,000	1,800,000	475,000
2001	1,625,000	2,630,858	1,005,858
2002*	950,000	1,239,848	289,848

* Through June 2002.

In July 2002, the Milwaukee County Department of Audit recommended that the Sheriff's Department reduce its expenditures for prescription drugs by joining contracts with other county departments that purchase drugs or investigating the possibility of forming a drug-purchasing consortium with the City of Milwaukee and other surrounding counties. We agree with the county audit department's recommendations and suggest that the Sheriff's Department take steps to implement one of these cost-saving measures immediately. In addition, based on the recurring large deficits that prescription drug expenditures have caused in the Sheriff's Department budget, we recommend Milwaukee County take steps to more accurately budget for prescription drug costs in the future.

Special Event Services

The Sheriff's Department provides security and traffic control services for special events such as New Year's Eve fireworks, local festivals, company picnics, celebrity visits, and Milwaukee Brewers baseball games. Costs associated with providing these services are typically billed to the sponsoring organization. As shown in Table 27, the department collected \$818,405 for providing these services in 2001, which is more than twice the amount collected in 2000, and significantly more than its collections in 1998 and 1999.

Table 27

Amounts Collected for Sheriff Services at Special Events

<u>Year</u>	<u>Total</u>
1998	\$ 447,297
1999	420,883
2000	402,724
2001	<u>818,405</u>
Total	\$2,089,309

To determine whether the Sheriff's Department is recovering all appropriate special event costs, we reviewed its current contract with the Milwaukee Brewers baseball club and its contract billing for 2001. The current two-year contract requires the department to provide the staff and equipment necessary for traffic control and for parking lot and interior stadium patrols. It began with the 2000 baseball season and includes the possibility of three one-year extensions.

The contract specifies that the Brewers will reimburse the department for salary, overtime, and applicable fringe benefit costs, but it does not permit the Sheriff's Department to bill for costs associated with vehicles or other equipment or for administrative costs. In 2001, the Sheriff's Department billed the Brewers \$682,775 for services under the contract. The services of staff with the rank of captain—whose presence is called for in the contract—were not included in the billing, although the contract does not appear to prohibit billing for their time. The department believes that because these staff are salaried rather than paid on an hourly basis, it incurs no additional costs for their time. However, if captains for whom the department did not seek reimbursement had not been working at Brewers games, they could presumably have been performing some other public safety function.

While the contract prohibits the department from billing for administrative costs, the department's records indicate that \$62,591 was allocated, but not billed, for administrative costs for Brewers games between 1996 and 2001. We were unable to determine the costs associated with vehicle use in patrolling Brewers games, as the department does not keep mileage records for these patrols.

Similarly, the Sheriff's Department provides escorts for visiting celebrities at the request of promoters, but while it bills for wages and some benefits, it does not bill for mileage or overhead costs. Further, when overtime is involved, it charges for overtime wages and social security, but not for other fringe benefits.

The Wisconsin State Patrol provides similar services throughout the state. Administrative rules of the Wisconsin Department of Transportation (Trans 320) set forth formulas that the department uses for determining fees for both special events and escort services. These formulas include such factors as hours (including travel time), rate of pay (including fringe benefits), mileage, meals, and lodging.

Because it appears that Milwaukee County is not recovering all of its costs associated with providing security services at special events and for escort services, *we recommend Milwaukee County develop a rate-setting policy similar to that of the Wisconsin Department of Transportation, which would allow the Sheriff's Department to recover all costs associated with providing security and escort services, including administrative overhead.*

It should also be noted that during the course of our review, we became concerned about discrepancies in the department's accounting records for personnel costs for special events. Sheriff's Department officials stated that the amounts shown in their financial records were inaccurate because adjustments had been done incorrectly. The Milwaukee County Department of Audit also raised concerns about discrepancies in the Sheriff's Department accounting records in reports issued in September 2001 and July 2002. Because it is important that county policymakers have accurate information regarding Sheriff's Department finances, we suggest the Milwaukee County Department of Administration closely review the accounting practices of the Sheriff's Department.

Expressway Patrols

Section 59.84(10)(b) Wis. Stats., directs that expressways—which include state and federal highways—in Milwaukee County “shall be policed by the sheriff.” Milwaukee County is the only county in which the sheriff, rather than the State Patrol, is responsible for patrolling the expressways and receives state aid for doing so. However, the county could realize significant savings if the State assumed this responsibility. The county's savings would come at the expense of the State, which would incur the costs of providing this service.

Forfeiture revenue funded 42.1 percent of expressway patrol expenditures in 2001.

Revenue from a number of sources is used to fund expressway patrols, including fines and forfeitures, state aids, and federal grants. As shown in Table 28, forfeiture revenue was the largest source of funding for expressway patrols in Milwaukee County in 2001, making up 42.1 percent of total revenue. State general transportation aids and expressway policing aids made up 26.1 percent and 16.0 percent, respectively.

Table 28

Expressway Patrol Support

	<u>2001</u>	<u>Percentage of Total Revenue</u>
Forfeiture revenue	\$2,737,016	42.1%
General transportation aids	1,701,363	26.1
Expressway policing aids	1,040,800	16.0
Other state grants	408,255	6.3
Tax levy	370,658	5.7
Federal grants	247,128	3.8
Other	<u>2,444</u>	<u><0.1</u>
Total	\$6,507,664	100.0%

Salaries and fringe benefits were nearly three-quarters of 2001 expressway patrol expenditures.

As shown in Table 29, salaries and fringe benefits accounted for nearly three-quarters of expressway patrol expenditures in 2001, and together with vehicle maintenance costs they made up 92.7 percent of 2001 expenditures.

Table 29

Expressway Patrol Expenditures

<u>Expenditures</u>	<u>2001</u>	<u>Percentage of Total Expenditures</u>
Salaries and fringe benefits	\$4,858,947	74.7%
Vehicle maintenance	1,170,707	18.0
Supplies and services	286,490	4.4
Other*	<u>191,520</u>	<u>2.9</u>
Total	\$6,507,664	100.0%

* Includes cross-charges from other county departments.

The county could have saved \$2.9 million by giving up expressway patrols.

As shown in Table 30, we estimate that the Sheriff's Department could have realized savings of \$2.9 million in 2000 if it had not been responsible for expressway patrols in Milwaukee County. This is because the county would generally receive 50 percent of the forfeiture revenue from tickets written in the county by the State Patrol, but would have none of the expenditures associated with patrolling the expressways. Additional savings may be realized by reassigning the deputies from expressway patrols to other divisions that have vacancies or experience a high level of overtime, thus reducing overtime costs.

In July 2002, the sheriff reduced the number of deputies assigned to patrolling the expressways from 65 to 57, in part to begin patrolling city streets within Milwaukee County communities. The department's 2003 budget request estimates that this change will reduce expressway patrol personnel costs by \$551,677, reduce forfeiture revenue by \$300,000, and reduce tax levy support to \$155,776.

Table 30

Savings from Eliminating Expressway Patrols
(Using 2000 Information)

Expenditures eliminated	\$6,188,717
Revenue lost:	
General transportation aids	(813,216)
Expressway policing aids	(1,040,800)
State and federal grants	(619,933)
Forfeiture revenue	<u>(850,194)</u>
Total	<u>(3,324,143)</u>
Savings	\$2,864,574

To formally transfer responsibility for expressway patrols from the Milwaukee County Sheriff's Department to the State Patrol, the Legislature would have to both repeal s. 59.84(10)(b), Wis. Stats., which directs that expressways in Milwaukee County be policed by the sheriff, and increase the statutory cap on the number of state troopers listed under s. 110.07(1)(a), Wis. Stats.

Wisconsin State Patrol officials conservatively estimate that an additional 40 troopers would be required to patrol Milwaukee County expressways, at an annual cost of \$3.1 million. In addition, the State Patrol estimates it would have one-time costs of \$1.4 million for recruiting, training, and equipment, as well as ongoing annual costs for at least one lieutenant, five sergeants, four communications officers, one inspector, clerical staff, and a radio technician. Together, the annual costs will far exceed the state aid that is currently provided to Milwaukee County for expressway patrols by the Department of Transportation. While both the Sheriff's Department and the State are facing financial constraints, it may be an appropriate time for the county and the State to assess who should be responsible for patrolling Milwaukee area expressways and how the costs of these patrols should be funded.

The size of Milwaukee County government has declined in the last decade because of the elimination of some services and through increased use of public-private partnerships. However, additional opportunities to reduce the size of county government and improve efficiency by eliminating some functions may still exist. For example, creation of an independent airport authority to govern the county's two airports—General Mitchell International and Timmerman Field—might be considered by county and state lawmakers. Because the airports are funded entirely from program revenue such as parking, concessions, and airlines leases, such a change would not reduce the county's tax levy. However, governance of the airport by an independent authority would reduce the Milwaukee County Board of Supervisors' responsibilities, and if approximately 200 airport workers were instead employed by the authority, the size of county government would be reduced.

Milwaukee County has had success with privatization of the Milwaukee County Public Museum, and it currently participates in several long-term partnerships that support the operations of its zoo, the War Memorial Center, two smaller art museums, and a center for the performing arts. However, given the county's current fiscal constraints, it may need to seek additional private support for the zoo and its arts and cultural facilities in the future.

County Airports

Milwaukee County currently owns and operates two airports.

Milwaukee County currently owns and operates two airports: Mitchell International, which serves a broad area of Wisconsin for travelers and freight, and Timmerman Field, a general aviation airport. Together, these two are considered an airport system by the Federal Aviation Administration (FAA), because Timmerman Field relieves pressure from the larger facility. In 2000, 3.1 million passengers and 595 million pounds of cargo passed through Mitchell International, making it the 54th largest airport in the United States in terms of passengers, and 59th in terms of gross cargo weight.

Mitchell International is the only commercial passenger facility in southeastern Wisconsin, and it plays an important role in the regional and state economy. In 1996, the Milwaukee County Commission for the 21st Century noted that the current governance structure of the airports led to slow decision-making, and some county policies and procedures negatively affected the airports' ability to operate efficiently. For example, both county board committees and the board as a whole

review and approve changes to fees and parking rates, contracts with concessionaires, and master terminal leases for airlines. In addition, the airports are required to follow county hiring and purchasing procedures. The effect of this county oversight on airport costs, as well the effect of delays in contract approvals, procurement, and filling positions on airport operations, has been difficult to quantify. In general, however, most Milwaukee County officials believe that the county board has done an adequate job of overseeing the airports.

Governance and Operations

The airports' operational budget for 2002 is \$36.8 million, which is 3.7 percent more than 2001 expenditures of \$35.5 million. Expenditures are supported by revenue raised from leases with airlines, parking fees, concessions, and other miscellaneous earned revenue. As shown in Table 31, airport expenditures increased 10.4 percent from 1996 to 2001.

Table 31

Airport Expenditures

<u>Item</u>	<u>1996</u>	<u>2001</u>	<u>Percentage Change</u>
Salary and fringe benefits	\$ 8,430,534	\$10,655,827	26.4%
Supplies and services	8,875,336	10,871,199	22.5
Charges from other county departments	7,516,652	7,396,133	(1.6)
Depreciation expense	<u>7,379,884</u>	<u>6,613,120</u>	(10.4)
Total	\$32,202,406	\$35,536,279	10.4

FAA regulations limit the types of revenue that can be generated through airport activities, as well as the uses of this revenue. For example, the regulations prohibit the diversion of airport revenues to non-airport purposes, except in limited circumstances. Airports may, however, use revenues to pay indirect costs for general government services, as long as the indirect costs are allotted under a standard allocation plan consistent with federal accounting rules. In 2001, the airports paid \$7.4 million to other Milwaukee County departments for services including payroll, budgeting, accounting, information technology, risk management, fleet, and security.

Parking fees are the largest source of airport revenue.

As shown in Table 32, revenues at the airports have increased 21.4 percent, from \$32.7 million in 1996 to \$39.7 million in 2001. Parking fees are the largest source of airport revenue, representing 39.6 percent of total revenues in 2001. It should be noted that the decrease in 2001 revenues from airline terminal rental fees resulted from an agreement between the county and the airlines following September 11, 2001.

Table 32

Airport Revenues

<u>Item</u>	<u>1996</u>	<u>2001</u>	<u>Percentage Change</u>
Passenger facility charge	\$ 499,014	\$ 1,046,057	109.6%
Restaurant concessions	575,588	983,497	70.9
Other revenues*	6,415,546	9,044,463	41.0
Parking fees	11,531,406	15,695,925	36.1
Landing fees	6,264,121	7,878,311	25.8
Car rental concession	3,660,303	4,378,579	19.6
Airline terminal rental	<u>3,720,367</u>	<u>635,102</u>	(82.9)
Total	\$32,666,345	\$39,661,934	21.4

* Other revenues include state and federal aids, indirect revenue, fuel and oil charges, taxi cab permits, security charges, space rental, land rental, vending machines, and hangar rental.

Creation of an independent airport authority has been suggested.

Independent Airport Authority

The Milwaukee County Commission for the 21st Century noted that the current governance structure tended to minimize the airports' role in the economy of the region and the state as a whole, and it suggested that an independent airport authority be created to reflect the mix of regional interests in airport governance. This suggestion was not new: in 1991, the Legislature directed the Wisconsin Department of Transportation to complete an evaluation of the feasibility of an airport authority. The Department of Transportation report also suggested creation of an independent authority.

An independent authority could be advantageous in that it would:

- grant airport managers discretion and autonomy to manage the airports' finances and personnel;
- reflect a growing regional interest in airport management and the ability to fully recognize the regional economic importance of the airports; and
- provide a single-purpose board of directors that could more rapidly address routine business decisions.

A disadvantage of an airport authority would be that its governing body—which would likely be a mix of appointed and elected county and regional officials—may not be as directly accountable to the voters. As a result, an authority may not be responsive to the concerns of residents living near the airports.

Several additional issues would need to be addressed if county and state policymakers decide to pursue the creation of an airport authority. First, it would have to be determined whether current airport employees would become employees of the authority and whether the authority would be required to accept any labor agreements in effect at the time of its creation. In addition, policymakers would need to decide if employees of the airport authority could participate in the county's retirement system and employee benefit plan. One option to address these issues would be to create a separate organization, similar to the one created for the University of Wisconsin Hospital and Clinics Authority, to employ individuals but allow them to retain county benefits and collective bargaining agreements.

Finally, state and county policymakers would need to determine whether an authority would be given ownership of facilities and full control over all decisions related to the airports, or if the county board would retain ownership and certain responsibilities, such as reviewing master plans, land acquisitions, or enacting zoning ordinances related to the airports.

Table 33 shows the most recent data available on governance of the 50 largest airports in the United States. As noted, based on passengers, Mitchell International was ranked 54th among United States airports in 2000.

Table 33

Airport Governance of the 50 Largest U.S. Airports
November 2001

<u>Type of Governance</u>	<u>Number</u>	<u>Percentage</u>
Airport or port authority	22	44.0%
Municipality	17	34.0
County	6	12.0
State government	3	6.0
City/county	<u>2</u>	<u>4.0</u>
Total	50	100.0%

In a review of 18 airports governed by independent authorities that ranked from 4th to 129th in number of passengers, we found that 13, or 72.2 percent, had been previously owned and operated by a city. We also found that 13 of the 18 airport authorities oversee operations at more than one facility. Typically, they oversee both a commercial air service facility and at least one general aviation facility. The governing bodies of the airport authorities ranged from 5 to 15 members, with 7 being the most frequent size. In most of the 18 airport authorities we reviewed, governing boards were locally selected. Two of the boards consisted of locally elected members. Among those that were filled by appointment, 14 consisted primarily of local appointees.

Public-Private Partnerships

Milwaukee County has entered into agreements with private nonprofit entities to enhance operations at several of the county's arts and cultural facilities, including the zoo, the War Memorial Center, and museums. These agreements have allowed the facilities to grow while minimizing the effect of public tax levy support. Tax levy support for all these activities was \$10.5 million in 2001. Because long-term agreements provide a reliable source of private funds and allow the county to plan its budgets with greater certainty, county policymakers may wish to consider pursuing additional public-private partnerships for raising private revenue for Milwaukee County's cultural facilities in the future.

Milwaukee Public Museum

In 1992, the county created a nonprofit corporation to manage its museum.

Milwaukee County created the nonprofit Milwaukee Public Museum Corporation to manage and operate the museum facility in downtown Milwaukee that houses permanent and temporary exhibits on human and natural history, as well as the Humphrey IMAX Dome Theatre, an active research program, and collections in anthropology, botany, geology, history, zoology, and other areas. Beginning in 1992, county employees working at the museum were transferred to the corporation and were granted equivalent pay rates and substantially equivalent benefits and pensions. A 27-member board of directors governs the corporation: the county appoints 9 members, and the museum's board controls the other 18 appointments.

Although the county retains ownership of both the museum facility and its collections, the museum operates as an autonomous entity outside of county government. The corporation establishes its own policies and procedures pertaining to finances, budgeting, human resources, and procurement. However, it must submit an annual budget, including requested capital improvements, to the county board for approval. In addition, since the museum remains a county-owned facility, Milwaukee County can issue bonds for capital projects on its behalf.

Since 1993, the county has provided \$4.3 million in tax levy support annually for museum operations under consecutive funding agreements. The most recent agreement expires December 31, 2004, at which time the county and the corporation will renegotiate the level of county support.

As shown in Table 34, the corporation has been successful at raising substantial private support, which has increased from \$345,000 in 1993 to \$8.3 million in 2001. As a result, the percentage of operating revenue supported by county taxes dropped from 76.4 percent in 1993 to 20.1 percent in 2001. Museum officials stated that although the tax levy represents a declining share of the museum's operating income, the public dollars are an important catalyst in generating matching private support.

Table 34

Milwaukee Public Museum Revenues

<u>Source</u>	<u>1993</u>	<u>2001</u>	<u>Percentage Change</u>
Private support	\$ 345,000	\$ 8,270,000	2,297.1%
Earned revenue	869,000	7,335,000	744.1
Grants	114,000	1,443,000	1,165.8
Tax levy	<u>4,300,000</u>	<u>4,300,000</u>	0.0
Total	\$5,628,000	\$21,348,000	279.3

Milwaukee County may wish to continue its agreement with the Milwaukee Public Museum Corporation beyond 2004. Funding levels provided by the county could be renegotiated as needed to control the county's tax levy.

Milwaukee County Zoo

Unlike the museum, the Milwaukee County Zoo is operated as a separate department of county government. In 2001, the zoo employed 133 full-time employees and 367 part-time seasonal workers. In addition to its educational mission, the zoo is unique in county government because of its scientific and conservation mission. It is also one of the largest local and regional attractions in southeastern Wisconsin: over 60 percent of visitors come from outside Milwaukee County, and only the zoo, Potawatomi Bingo, and Miller Park draw more than one million visitors to Milwaukee County annually.

The county has partnered with the Zoological Society of Milwaukee County, a private, nonprofit organization, to provide support for zoo operations and to enhance and renovate existing exhibits. Although the relationship between the zoo and the zoological society dates back to 1910, the county first formalized the partnership in 1989, through a memorandum of understanding that was last renewed in 1997. Under the terms of the agreement, the county provides the zoological society office space on the zoo grounds, including utilities and custodial and maintenance services, in return for private support for the zoo. In addition, the county provides free zoo admission to society members.

As shown in Table 35, zoo expenditures increased only 1.0 percent from 1996 to 2001, or from \$15.5 million in 1996 to \$15.7 million in 2002. The largest increase was in salary and fringe benefits, which increased 21.3 percent. Charges from other county departments declined 68.7 percent.

Table 35

Milwaukee County Zoo Expenditures

<u>Item</u>	<u>1996</u>	<u>2001*</u>	<u>Percentage Change</u>
Salary and fringe benefits	\$ 7,068,180	\$ 8,570,855	21.3%
Supplies and services	6,756,685	6,564,628	(2.8)
Charges from other county departments	<u>1,680,649</u>	<u>526,778</u>	(68.7)
Total	\$15,505,514	\$15,662,261	1.0

* 2001 expenditures include \$1.26 million in fringe benefit costs that were not charged to the zoo.

As shown in Table 36, zoo revenue decreased 4.1 percent in the same period, from \$15.8 million in 1996 to \$15.1 million in 2001. The largest increase in revenue was from concessions and novelties, which increased 18.2 percent. The largest percentage decline was in the tax levy, which decreased 33.3 percent, to \$2.4 million. Private support is largely from the zoological society and increased 10.9 percent. In addition, the zoological society also provides in-kind support such as volunteer hours, internships, service agreements, and marketing.

Table 36

Milwaukee County Zoo Revenue*

<u>Item</u>	<u>1996</u>	<u>2001</u>	<u>Percentage Change</u>
Concessions and novelties	\$ 3,827,089	\$ 4,523,287	18.2%
Parking	1,086,876	1,279,160	17.7
Private support	930,463	1,032,002	10.9
Other**	1,827,861	1,926,941	5.4
Admissions	4,454,964	3,937,355	(11.6)
Tax levy	<u>3,669,151</u>	<u>2,446,326</u>	(33.3)
Total	\$15,796,404	\$15,145,071	(4.1)

* Totals exclude sales tax paid to the State, which was \$290,890 in 1996 and \$362,226 in 2002.

** Includes all other revenues, such as zoomobile, carousel, and other rides; grants; picnic permits; stroller rental; special shows; and catering.

In 1999, the zoo began a \$29.6 million capital improvement plan with the zoological society.

In 1999, the county board approved a five-year agreement with the zoological society in which the county pledged \$1.5 million annually for infrastructure improvements at the zoo. In addition, the county and the zoological society committed to equally sharing the cost of a nine-year, \$29.6 million capital improvement plan that includes renovation of several exhibits. Both zoo and zoological society officials expressed satisfaction with the current five-year fiscal plan, although they also expressed concerns regarding the zoo's ability to meet the attendance and revenue goals outlined in the plan.

Increasing visitor attendance—and revenue from admissions and parking fees—in order to reduce the zoo's reliance on the property tax levy is a key component of the five-year plan. Despite admissions fees that are comparable to those of other large zoos in the United States, Milwaukee County zoo attendance has declined from a high of 1.4 million in 1994 to 1.3 million in 2001, or by 13.2 percent over eight years. Declining admissions are cause for concern because the county anticipates revenue from 1.4 million visitors to meet its 2002 budget. Zoo officials have attributed the decline in admissions to the weather and competition from other attractions.

Nationwide, we note that a growing number of publicly owned zoos and aquariums are turning to private, nonprofit organizations to operate their facilities. According to the American Zoo and Aquarium Association, 42.0 percent of 195 accredited member institutions were owned and operated by a unit of government in 2000, while 42.6 percent were operated by a private, nonprofit corporation. The remainder were either operated for profit or by another arrangement. If Milwaukee County and the zoological society pursue privatization of the zoo in the future, as has been done successfully at the Milwaukee Public Museum, several issues would need to be addressed, including:

- an agreement on the structure, powers, and duties of a nonprofit corporation formed to take over management and operation of the zoo;
- a determination of how appointees to a board of directors for a nonprofit corporation should be selected, including the appropriate balance of county and zoological society appointees;
- the appropriate level of public tax levy support for the zoo, and the length of the agreement;
- a determination of the status of zoo employees;
- a resolution of the county's liability for retirement and benefits packages; and
- an assessment of needed infrastructure and capital repairs, and a plan to share the cost of such expenses.

War Memorial Corporation

The nonprofit Milwaukee County War Memorial, Inc., was established in 1957 under s. 45.058, Wis. Stats., to operate the county-owned War Memorial Center, which is home to the privately owned Milwaukee Art Museum, veterans organizations, and various civic groups. The corporation operates three other facilities: the Marcus Center for the Performing Arts, the Charles Allis Art Museum, and the Villa Terrace Decorative Arts Museum.

The organizational structure of the corporation is complex and consists of the independent boards of five member organizations. General management and operational control are vested in a 15-member board of trustees, including one member from each of the five member organizations, four county supervisors, four appointees of the County Executive who are approved by the county board, and two members from surrounding counties who are appointed by the trustees.

As shown in Table 37, Villa Terrace saw the largest percentage increase in attendance from 1996 to 2001, while the Marcus Center saw the smallest. Overall, attendance at all the facilities increased 17.1 percent, from 1.1 million in 1996 to 1.3 million in 2001.

Table 37

Attendance at War Memorial Facilities*

<u>Facility</u>	<u>1996</u>	<u>2001</u>	<u>Percentage Change</u>
Villa Terrace Decorative Arts Museum	15,659	27,612	76.3%
War Memorial Center	234,142	385,638	64.7
Charles Allis Art Museum	29,402	32,162	9.4
Marcus Center for the Performing Arts	<u>825,775</u>	<u>848,491</u>	2.8
Total	1,104,978	1,293,903	17.1

* Includes admissions; attendance at special events; and meetings and other private events held at the facility, such as weddings.

As shown in Table 38, expenditures for War Memorial facilities increased from \$6.3 million in 1996 to \$7.5 million in 2001, or by 19.4 percent. Villa Terrace had the largest percentage increase, at 75.1 percent, while the Marcus Center had the smallest.

Table 38

War Memorial Facilities Expenditures

<u>Facility</u>	<u>1996</u>	<u>2001</u>	<u>Percentage Change</u>
Villa Terrace Decorative Arts Museum	\$ 146,905	\$ 257,190	75.1%
Charles Allis Art Museum	200,909	261,939	30.4
War Memorial Center	1,881,538	2,380,062	26.5
Marcus Center for the Performing Arts	<u>4,054,216</u>	<u>4,606,412</u>	13.6
Total	\$6,283,568	\$7,505,603	19.4

Milwaukee County provides tax levy support to these organizations under public-private agreements. As shown in Table 39, total tax levy support increased 17.4 percent from 1996 to 2001, from \$3.2 million to \$3.7 million. The War Memorial Center had the largest percentage increase, while the Marcus Center had the smallest.

Table 39

Tax Levy Support for the War Memorial Facilities

<u>Facility</u>	<u>1996</u>	<u>2001</u>	<u>Percentage Change</u>
War Memorial Center*	\$1,400,000	\$1,800,572	28.6%
Villa Terrace Decorative Arts Museum	104,893	127,178	21.2
Charles Allis Art Museum	156,211	181,942	16.5
Marcus Center for the Performing Arts	<u>1,500,000</u>	<u>1,600,000</u>	6.7
Total	\$3,161,104	\$3,709,692	17.4

* Includes \$615,814 and \$627,325 given to the privately owned Milwaukee Art Museum in 1996 and 2001, respectively.

The War Memorial facilities are cultural assets that contribute to the quality of life in Milwaukee County, but given its current fiscal constraints, the county may need to seek additional private support to ensure that these facilities can remain viable. Therefore, it may wish to re-examine its agreements with the War Memorial corporation in an attempt to increase private sector funding for the operation of these facilities. In addition, the county and the War Memorial corporation may wish to review the organization's complex governance structure to simplify its membership.



Milwaukee County

SCOTT WALKER • COUNTY EXECUTIVE

September 16, 2002

Janice Mueller, State Auditor
Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, WI 53703

Dear Ms. Mueller:

Thank you for the opportunity to review and respond to the Legislative Audit Bureau's (LAB's) review of Milwaukee County government. I want to commend the excellent staff of the Legislative Audit Bureau for a very thorough audit completed on a very compressed time frame. I also want to thank the members of the Joint Legislative Audit Committee for approving this review of Milwaukee County government as requested by Senator Peggy Rosenzweig and myself. Finally, I want to thank our Milwaukee County employees. In May, I told our department and division heads to welcome the state auditors and provide them with as much information as requested by the staff. They were very responsive and it certainly helped prepare a comprehensive audit report.

Many of the items listed in the audit report have caught our attention since taking office in May. I appreciate the review. Your findings and recommendations, along with the excellent management reviews prepared by the Milwaukee County Department of Audit, will serve as a blue print for improvements in the budget and beyond.

I would like to highlight and respond to several significant recommendations contained in your audit report.

Retirement System

The public is generally aware of the fiscal burden created for the 2003 budget because of the pension benefits provided by the county in 2000. Most people, however, are surprised to learn that the county paid less than 32% of the actuarially determined required contribution in 2001 and in 2002. The audit legitimately raises the possibility of joining the Wisconsin Retirement System and provides some viable options for such a transition.

Many county retirees will raise concerns about initial higher benefits in the current system. Interestingly, however, the state system provided it annuitants an average increase of 5.6% over the past ten years while the county system only has a 2.0% annual increase.

The recommendations for improvements in the fiscal notes required for review by the board and improvements to strengthen the review done by the Pension Study Commission are welcomed by my new administration. In addition, my 2003 proposed budget will request the formation of a Blue Ribbon Commission to specifically study the possibility of the county entering the Wisconsin Retirement System.

County Board

While the audit does not take a position on the size or salary of the board, the report does make a strong recommendation for the passive review of contracts and grants. A similar proposal is given for intradepartmental fund transfers. I support these proposals.

Budget Management

Nearly as troubling as the past underfunding of contributions to the pension system is the lack of any budget item for employees' accumulated sick leave payments. Unlike the state, which established a fund that is supported by an actuarially determined percentage of payroll deposited by each agency for sick leave credits, Milwaukee County requires payments to come from the operating budgets of each department. This is a major problem for the 2003 budget.

It is also my hope that we can begin on several other budget reforms early in 2003, so that action on the 2004 budget can be completed sooner and presented to the board for review in early September.

Administrative Functions

The audit reviews plans for the new Department of Administrative Services and acknowledges cost savings in the proposal. It also notes concerns about implementation of the new department and we will be mindful of these issues during the transition.

The auditors raise some legitimate concerns about hiring practices and I am pleased that our new Director of the Department of Human Resources is already working to address many of these issues during his very short tenure at the county. As part of my 2003 budget, I will propose the formation of a commission to study and recommend changes to Milwaukee County's civil service system. It is my intention that their recommendations will be completed by June of 2003 and presented to the board for their review in early September.

Parks System

The report sites the work already being done to consolidate some of the functions of the parks system with the Department of Public Works and brings up some interesting ideas for future improvements. The audit correctly notes concerns about the fiscal subsidy needed to run most of the pools, the Par 3 golf courses and most of the golf concession stands. These are issues that will require both a fiscal and policy debate.

While these issues were discussed in the last couple of months, the concern raised over the loss of revenue from the golf discount card is a new item. Our Parks Department will spend time looking into the alternative methods of administering the program mentioned in the report.

Sheriff's Department

The audit correctly notes that the Sheriff's Department routinely over budgeted for revenues and under budgeted for many expenditures in the past. We are working with them on ways to address prescription drug costs and staff overtime in the 2003 budget. I like the recommendation for a change in the rates for special events.

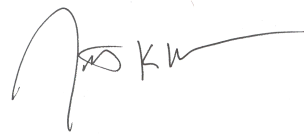
Also, I believe that a strong case can be made that the state should increase the reimbursement for patrols of the freeway system. Besides the need for a change in the state statutes, I believe that it will ultimately cost the state patrol more to take over the entire Milwaukee area freeway system than it would to cover the difference between the current funding and the current cost.

Airport and Public-Private Partnerships

The select committee created by the Greater Milwaukee Committee is also looking at the idea of an airport authority. I am open to this idea and the audit highlights some reasonable options. The current partnership with the Zoological Society of Milwaukee County allows the county to provide a stable level of funding for the zoo in the 2003 budget. The county should consider a way to strengthen that public/private partnership for the future.

I would like to thank you again for the thoughtful analysis provided by your staff. It will be extremely helpful to us as we seek new ways to improve services, gain efficiencies and continue to provide value to the citizens of Milwaukee County.

Yours truly,

A handwritten signature in black ink, appearing to read 'SK Walker', with a long horizontal flourish extending to the right.

Scott K. Walker
Milwaukee County Executive