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MEMORANDUM

To: Ald. José G. Pérez
From: Christopher Hillard, Legislative & Fiscal Services Specialist-Lead
Date: 9/8/2025
Subject: Milwaukee County 5-Year Financial Forecast

This memo is in response to your request for information on Milwaukee County's 5-Year Financial Forecasts. Specifically, you were interested in the forecast's history, the categories the County uses when developing the forecast, whether the County revisits these forecasts to evaluate their accuracy and whether it would be possible for the City to adopt a similar forecast.

Historical Context & Purpose

According to Rob Henken, former President of the Wisconsin Policy Forum, he was first made aware the software that is currently used for the forecast, Munisoft, during a 2010 Government Research Association conference. Mr. Henken felt that the software could have some utility as a fiscal responsibility tool and pitched the idea of using the software to County officials, who saw merit in the idea and formed a committee. The committee consisted of a number of key stakeholders across the county, including the Comptroller (at the time unelected), the Budget Office, as well as representatives from the Commissioner and Board of Supervisors. The idea, according to Mr. Henken, was to collectively establish the assumptions that would be put into the model to ensure that everyone was on the same page when it came to understanding the forecast and to generally increase buy-in from County officials. The reports from this period appear to have been somewhat less formal, with results presented as part of a brief PowerPoint but with no formal report. This changed in 2014 when the County Comptroller switched to an elected position and was tasked with continuing the forecasts, which is has done to the present day.

County Forecast Standard Categories

The following revenue and expenditure categories are used as part of the County's 5-Year Forecast. The categories were provided by the County Comptroller's Office.

County 5-Year Forecast Revenue Categories

1. Property taxes
2. Fees and permits
3. Airport revenue
4. Fines & forfeits
5. Earnings on investments-short-term
6. Earnings on investments-long-term
7. CMO revenue
8. State-shared taxes
9. State-property aid

10. General transportation aid
11. Highways reimbursement
12. Basic community aids
13. Human services state reimbursements
14. Long-term adult support
15. Youth aids
16. Income maintenance
17. Child support reimbursement
18. Other-state reimbursements
19. Other-federal revenue
20. Other-revenue
21. Sales tax
22. Court fees & revenues
23. Record & filing fees
24. Rental revenue
25. Other-health revenue
26. BHD health revenue
27. Internal services provided
28. Admission & rec revenue
29. Concession revenue
30. Other-contributions
31. Potawatomi revenue
32. Bond and note proceeds
33. Employee retiree health contribution
34. Employee pension contribution
35. Prior year surplus
36. Transit revenue
37. Vehicle registration fee
38. Unclaimed money
39. Sales tax pension liability

County 5-Year Forecast Expenditure Categories

1. Salaries & wages
2. Labor distribution
3. Overtime
4. Other-comp & benefits-direct
5. FICA-base
6. Healthcare
7. Unfunded pension liability
8. Pension
9. OPEB liability
10. Workers comp claims
11. County service charges
12. Employee travel/training/reimbursement
13. Data processing/tech
14. Temp help
15. Repair/maintenance
16. Services
17. Abatements-xc

18. Professional services
19. Utilities
20. Insurance liability & coverage
21. BHD expense
22. HHS services
23. Commodities
24. Gasoline
25. Other-purchase of service
26. Transit expenditures
27. Long term adult support
28. Cultural contributions
29. Depreciation
30. Debt service-principle
31. Debt service-genl-interest
32. Capital-contra outlay-airport
33. Debt service-airport-interest
34. Capital contra outlay
35. Debt service-other
36. Capital outlay
37. Other-uses
38. Contingencies
39. Capital cash contribution

Variance in County Forecasts

After speaking with members of the County Comptroller's Office it was communicated to me that the office does not compare the numbers derived from the forecasts with the actual numbers from subsequent years. The reason for this can be tied into how the Comptroller's Office views the purpose of the forecast, which is less about accurately predicting the future and more about identifying possible areas of concern in advance. The team at the Office works to release the report every March, with the intention of giving County officials a "heads up" on likely holes in upcoming budgets, which not only provides County officials with important context, but also shows how many of the fiscal holes the County faces are perennial, and therefore cannot be sustainably addressed with one-time solutions, like making withdrawals from reserve funds.

This approach, which emphasizes identifying broader areas of concern without focusing too closely on exact results, is also a product of how the assumptions that go into the model are structured. The Comptroller's Office makes very limited assumptions when it comes to the model's inputs. All assumptions are based on changes and grow from previous years, which, while methodologically defensible, does not account for major changes in policy that may be percolating at the state or county level. Unless a policy has been enacted before the forecast is tabulated, it is not included.

Possible City Adoption of Similar 5-Year Forecast

According to the City Comptroller, a 5-Year Forecast like that done by the County would be a useful best practice. However, there are a number of caveats that should be kept in mind:

1. **Who should do the analysis:** It is unclear which entity would be best, and one other important consideration is how to get buy-in from all quarters.

2. **Use Adopted Budgets:** Adopted budgets should be used to form the basis for the assumptions going into the model, not Annual Comprehensive Financial Report (ACFR). The biggest challenge with using actual expenditures from the ACFR is the timing. The ACFR for the preceding year is not complete until 7 months through the following year, so the 2024 ACFR isn't ready until late July 2025. So you would be using 2024 actuals, mid-way through 2025, as the base for your projections. The 2025 Budget at that point was adopted nearly 9 months before, and major spending/revenue/policy decisions may have been made in the 2025 Budget that would make basing projections off of 2024 actuals inappropriate.
3. **Make it comprehensive, but not too comprehensive:** The analysis should incorporate the following categories from the Budget Summary Table:
 - A. General City Purposes.
 - B. Employee's Retirement.
 - C. City Debt.
 - F. Contingent Fund.

In addition, the analysis should also incorporate the Property Tax levy-funded portion of the Capital Budget.

The rest should be skipped because they could complicate the analysis. An example would be since something like non-tax levy-funded parts of Capital Improvements, which allows for quite a bit more borrowing than we're currently doing, but the City is unlikely to radically depart from its current borrowing practices, so it's not helpful. Similarly, debt service is regular and scheduled out and therefore won't have much of an impact.

4. **Pension:** Use what the actuaries have come up with regards to the employer contribution.
5. **Revenues:** Use historical data to project out likely growth. Some sources, like shared revenue and the property tax are relatively stable, and will therefore be easier to estimate. Sales tax is a bit more variable. Finally, increases to municipal service fees, should use recent average growth (typically between 2-4%). The difficulty of projecting outward will increase with each subsequent year

In addition, the Comptroller recommends that the report:

1. Have a good executive summary that makes all the caveats very clear.
2. Uses charts to illustrate expenditures and revenues to show the gaps.
3. Does not use reserves as part of the analysis, but does include a discussion of them. Include recent history of use of key reserves in the budget, sources and prospects of regeneration/growth in those reserves, and be sure to discuss sustainability challenges of using finite reserves to fill ongoing budget gaps

Finally, an important caveat about year-to-year budget gaps is the City, like the County, must pass a balanced budget. Therefore, actions will be taken (increased revenues, decreases expenses) that will balance each year's budget. Because of this, the projects contained within the model, and any gaps they may show, will be less and less accurate the farther out you look.

Please let me know if you need any additional information.

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