

Reply to Common Council File No. 130784
From DOA-Budget and Management Division
Note: This reply refers to Substitute C

May 28, 2014

Ref: 14010

Common Council File Number 130784 contains a substitute charter ordinance relating to budget estimates and development. Adoption of this proposed charter ordinance will establish an improved and more transparent process regarding the inclusion of proposed revenues in the annual executive budget proposal.

State Statute provides first class cities with two alternatives regarding annual budget development. The first alternative is a Board of Estimates process. The second alternative is an executive budget process. In 1978 the Common Council enacted a Charter Ordinance (File 76-1428-a) that established an executive budget process for the City of Milwaukee.

State Statute provides that the executive budget process shall transfer all functions of the Board of Estimates, including revenue estimates, to the Mayor. This is consistent with the overall rationale for an executive budget process, which is to provide clear lines of accountability for management of the budget process. However, File 76-1428-a deviated from statutory provisions by assigning responsibility for revenue estimates to the City Comptroller. This has resulted in an executive budget process which contributes to unnecessary complexity, and also undermines the goal of establishing clear accountability for revenues and expenditures within the proposed budget.

This Charter Ordinance affects the existing revenue process as follows:

- Provides that the Comptroller include as “recognized revenues” in the Proposed Executive Budget modifications to the Solid Waste Charge, the Snow and Ice Removal Charge, and the extra garbage cart fee that the Mayor indicates he or she intends to propose. If this proposal is adopted it would take effect for the 2015 budget. Currently, the Comptroller has complete discretion over the recognition of revenues in the proposed budget.
- The Comptroller would remain as the third party responsible for making revenue estimates, including proposed executive budget changes to the three aforementioned charges.
- This proposed substitute version limits the revenue recognition requirement to three revenues. The Code of Ordinances requires the Common Council to adopt as part of the Budget process the annual Solid Waste Charge and the Snow and Ice Removal Charge. The Council also must take action on the extra garbage cart charge if the Mayor proposes a change.
- This process change does not affect the Common Council’s authority to accept, reject, or modify revenue changes included in the proposed budget, nor does it modify the Council’s authority to enact its own revenue changes. The Council would continue, per existing code provisions, to adopt resolutions establishing the municipal service charges.

This proposed change improves the executive budget process in the following ways:

- Allows for an executive budget that includes both proposed expenditures and proposed revenues for core municipal services. Inclusion of revenues and expenditures in the executive budget proposal clarifies priorities as well as tradeoffs between levels of service and the revenues needed to provide for them.
- Migrates policy authority to those who make budget decisions (Mayor and Common Council) from those who regulate the budget process. This proposal reinforces the Mayor and the Common Council's roles as the primary responsible parties for annual budget decisions.
- Provides for transparency and clear accountability for revenue proposals related to the municipal service charges. Attachment A illustrates that this proposal would enable complete clarity regarding what the Mayor has proposed regarding these three charges.
- Removes an incentive for executive budgets to over rely on reserve use or "one time" gimmicks to balance the proposed budget. Under the current procedure, the Mayor is exposed to political risk both for proposing increased revenues, and for proposing expenditure reductions that satisfy the expectation that proposed expenditures will match the revenues that the Comptroller chooses to recognize. The reliance on Comptroller recognition of proposed executive budget revenue conflicts with the principle of clear lines of accountability for executive budget proposals.

There are no additional costs associated with adoption of this Charter Ordinance.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER 130784,
SUBSTITUTE C**



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MN:dmr

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