

# **2011 PROPOSED EXECUTIVE BUDGET**

**Finance and Personnel Committee**

**October 1, 2010**

**Prepared by Budget  
and Management Division**

# Presentation Outline

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- Summarize City Budget revenue and expense components
- Establish near-term and 6-year structural challenges
- Present 2011 Proposed Budget “Bottom Line”
- Discuss response to structural challenges
- Identify Proposed 2011 Priorities & Initiatives

# Revenue Components: Key Takeaways

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1. Milwaukee's total spending and revenues are low, compared to peer cities
2. City's local revenue structure relies on property taxes
3. Change in State Shared Revenue policy has made Milwaukee less competitive

# Comparative Analysis: City Revenue System

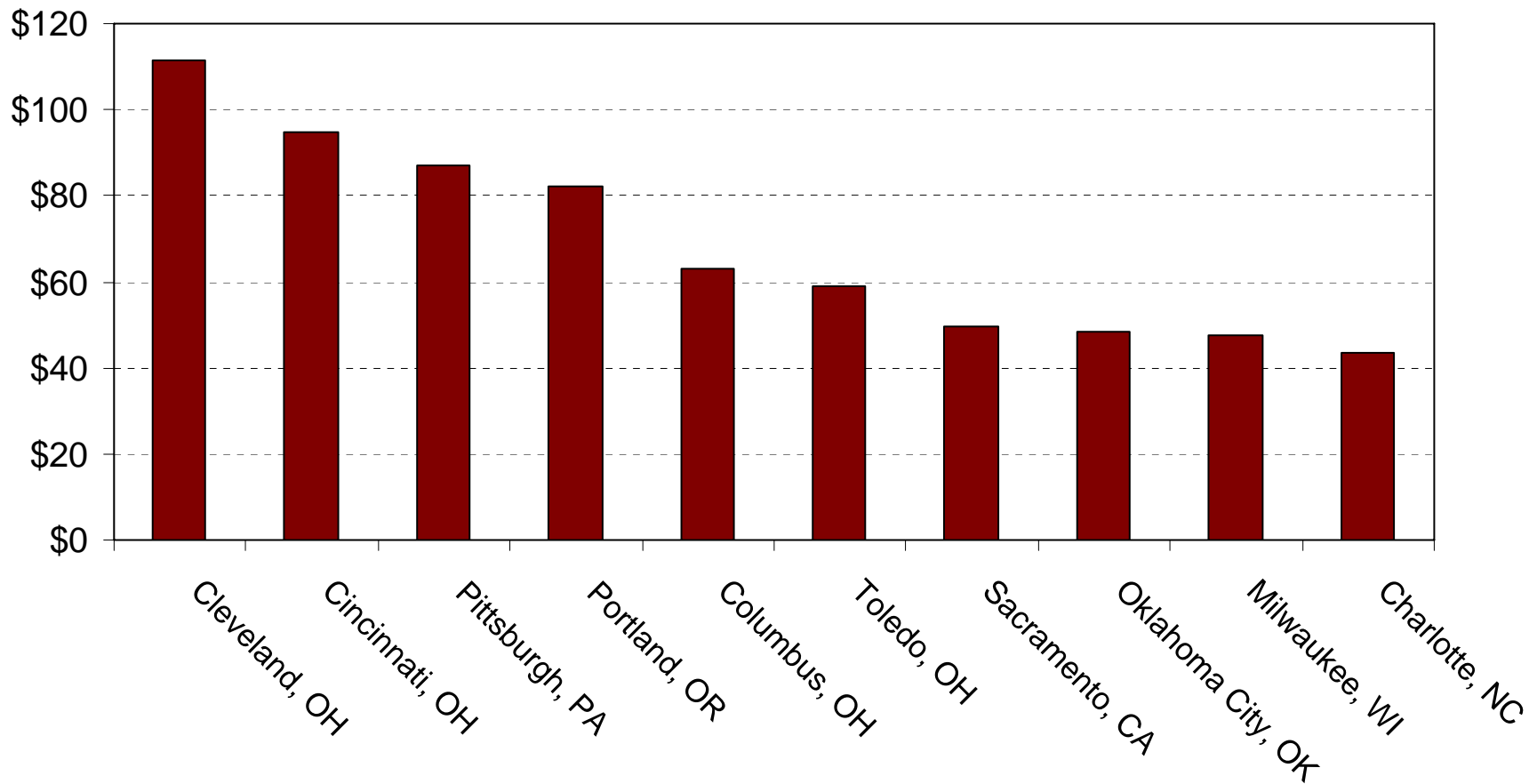
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## Comparative Revenue & Expenditure Report (2008)

1. Annual report from Comptroller's Office analyzes City government revenues and expenditures from 10 regional "lead cities", including Milwaukee.
2. Key findings include:
  - Milwaukee's **per capita total revenue is 23% less than the 10-city average**
  - Milwaukee's **per capita total expenditures are 17% less than the 10-city average** (8<sup>th</sup> highest of 10)
  - Milwaukee's per capita total local revenues are 49% less than the 10-city average (10<sup>th</sup> highest of 10)
  - Milwaukee's per capita property taxes are 32% higher than the 10-city average (4<sup>th</sup> highest of 10)
  - Milwaukee's per capita intergovernmental revenues are 31% higher than the 10-city average (3<sup>rd</sup> highest of 10)
  - The other cities in the 10-city sample average \$482 in per capita "other" local taxes (\$0 per capita for Milwaukee)

# Impacts on Per Capita Income from City Own Source Revenues

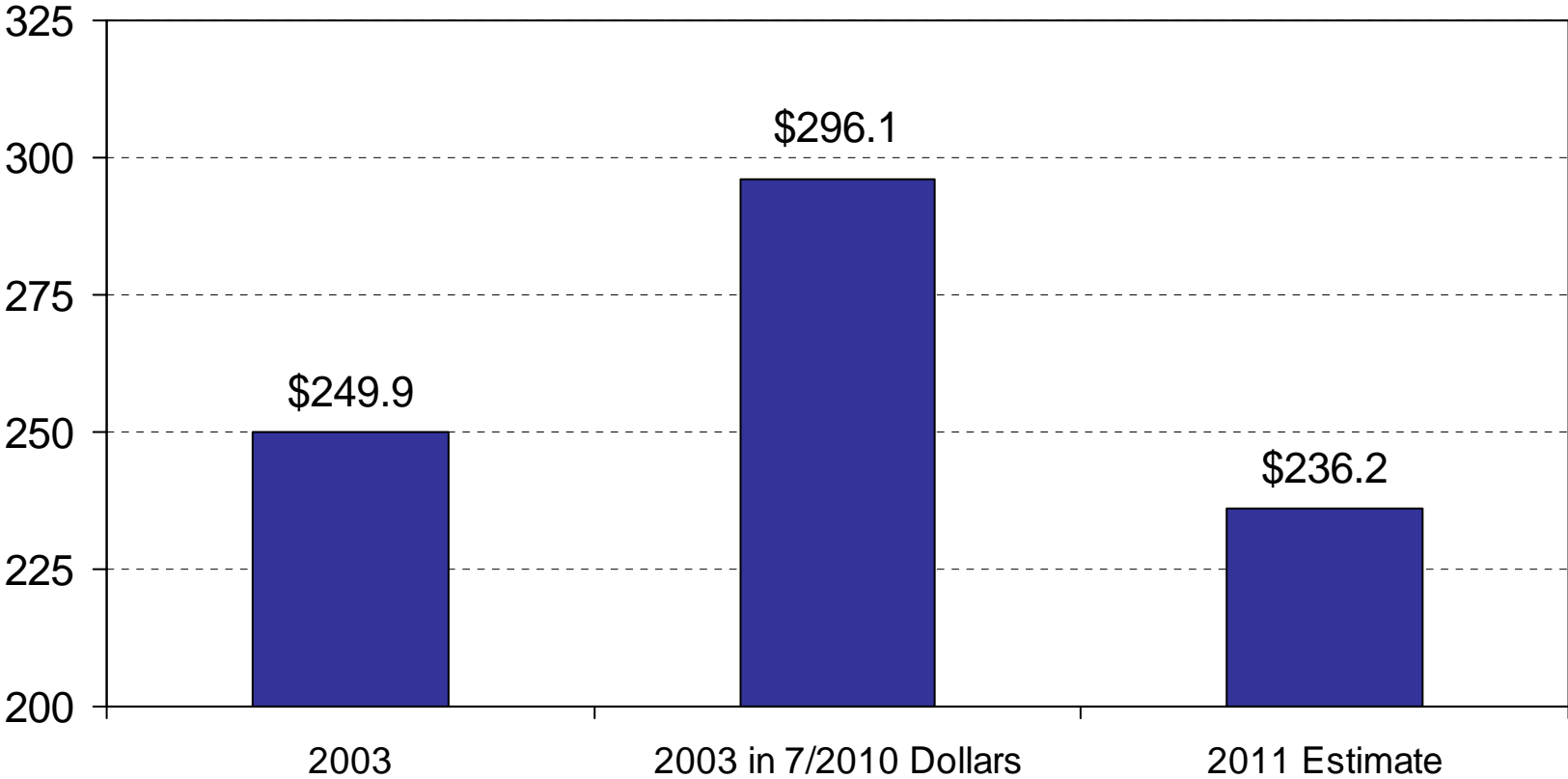
## Local Taxes & User Charges per \$1000 of Per Capita Income



Source: City of Milwaukee Comptroller 2008 "Comparative Revenue and Expenditure Report" adjusted with 2006 population and income data.

# State Shared Revenue Trend

**Decline in State Shared Revenue & Expenditure  
Restraint Program Payments to Milwaukee 2003-2011**



Inflation adjusted decline in Shared Revenue and ERP payments.

# Competitive Problems: City Revenue System

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## Comparative Report: Policy Implications

1. State-local government fiscal relationship no longer equalizes fiscal capacity:
  - Fiscal capacity results from the interaction of state aids and the local revenue system
2. Milwaukee's local revenue relies heavily on the property tax and property-based user charges.
3. Milwaukee's local revenue portfolio lacks a component to distribute public safety and infrastructure costs to tax exempt property.
4. State income tax and sales tax revenue growth is being applied to the other 4 major State GPR programs—not to Shared Revenue.
5. Interaction of a stagnant state shared revenue component combined with a poorly diversified local revenue structure => uncompetitive fiscal capacity.

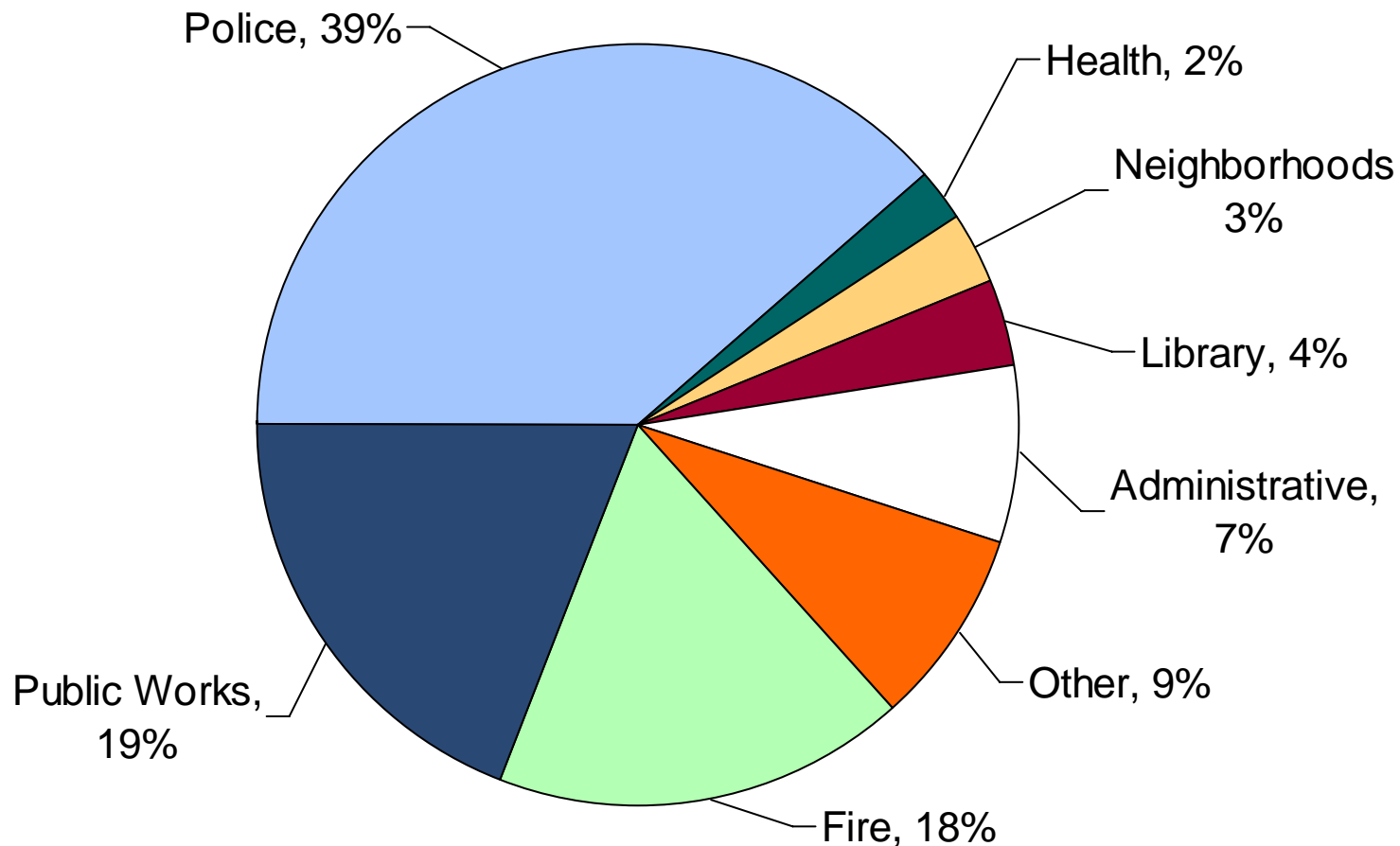
# Expenditure Components: Key Takeaways

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1. Police and Fire Departments drive operating expenditures
2. Pension and Health Benefit expenses drive future sustainability challenge
3. Non-discretionary expenses limit Budget flexibility
  - Limited-time improvement in 2011
4. Debt service levy is stabilizing
5. Sustainability issue reemerges in 2012 and creates major challenges going forward

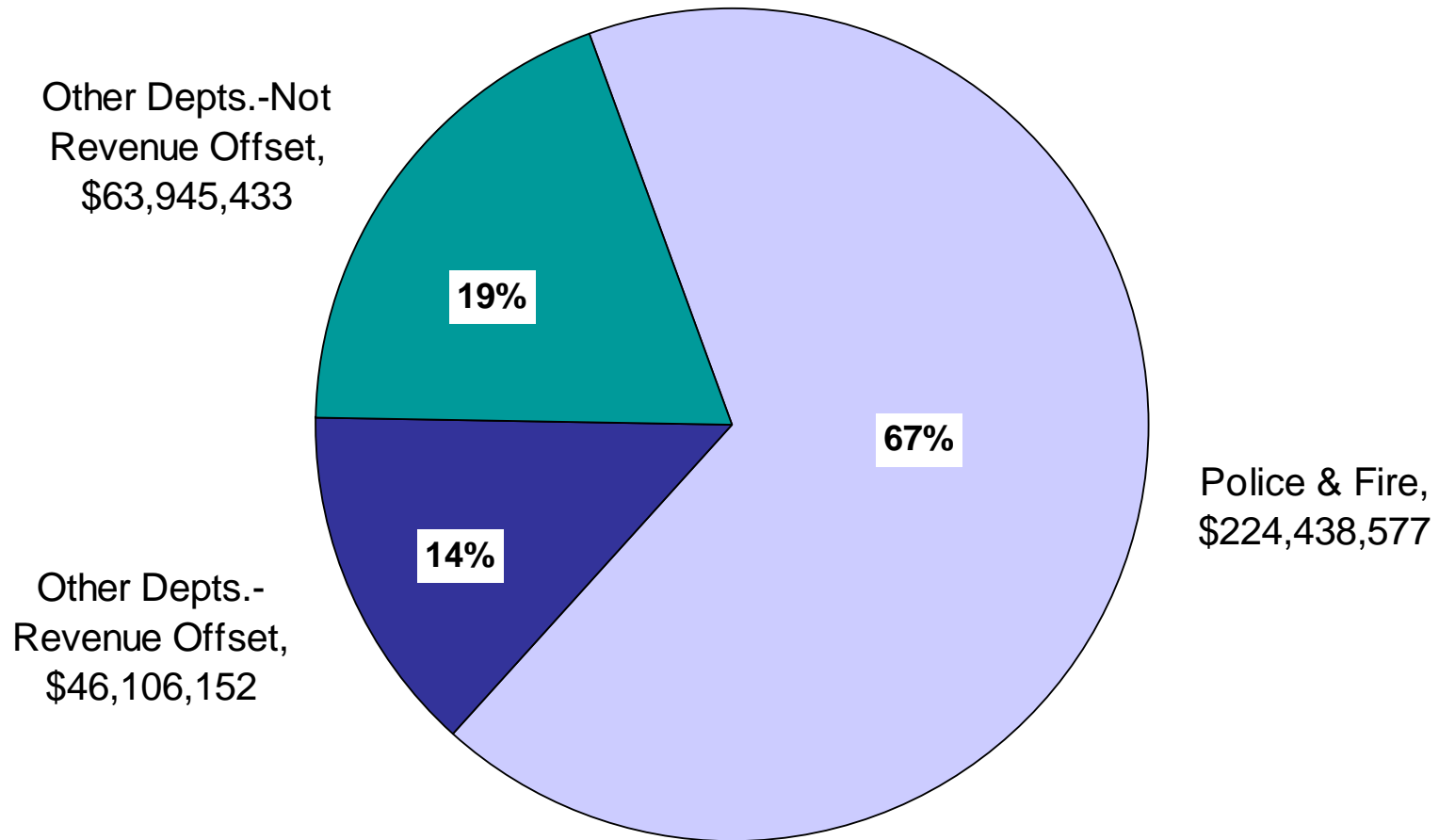


# Tax Levy Funded Operating Budget By Department

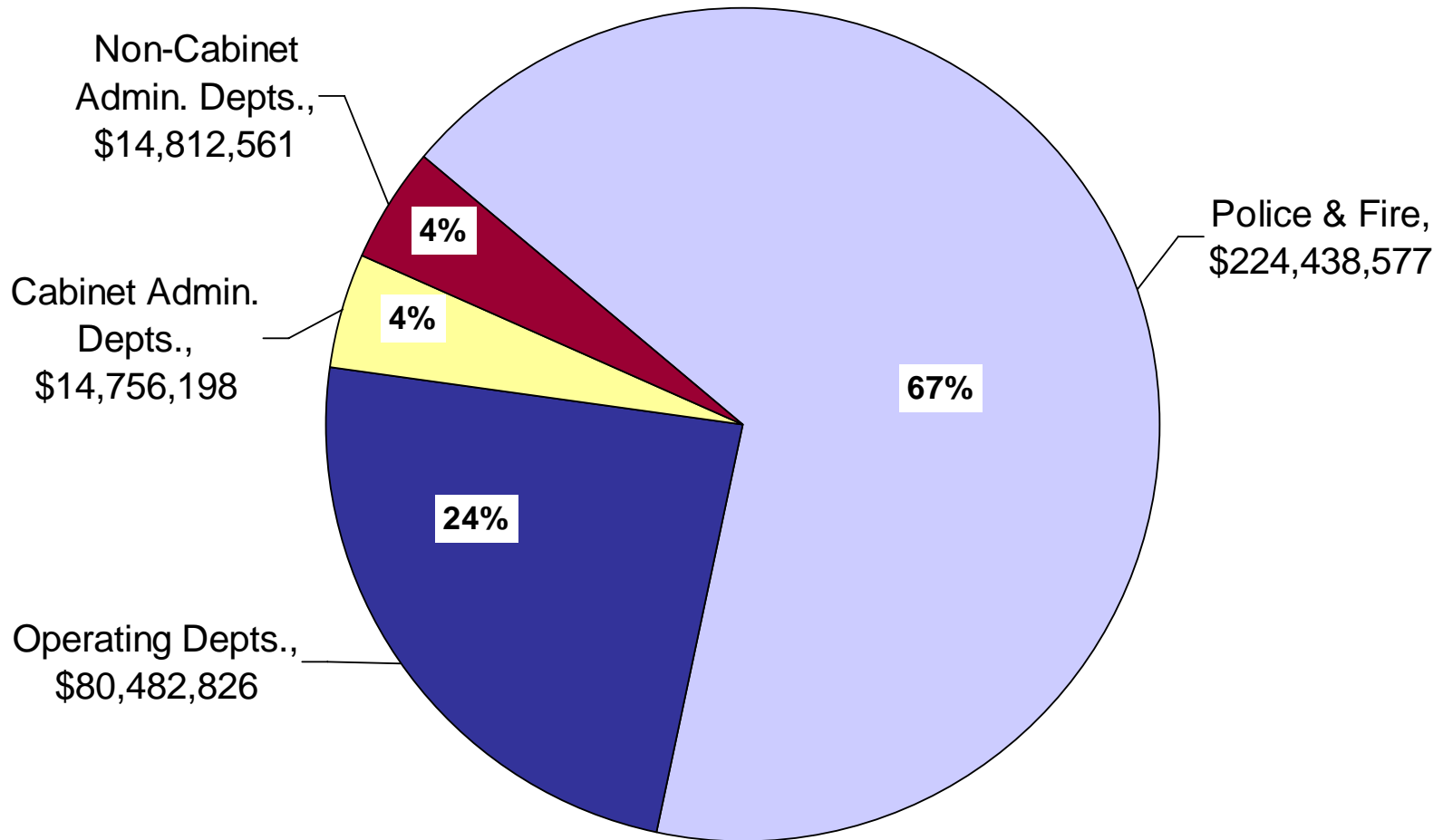


Note: Does not include \$257.7 million of DPW-operated Enterprise Funds (Parking, Sewer, Water).  
Three departments comprise 76% of the \$590.5 million 2011 Operating Budget.

# Public Safety Dominates O&M Salary Costs



# Administration Consumes Modest Proportion of Salaries

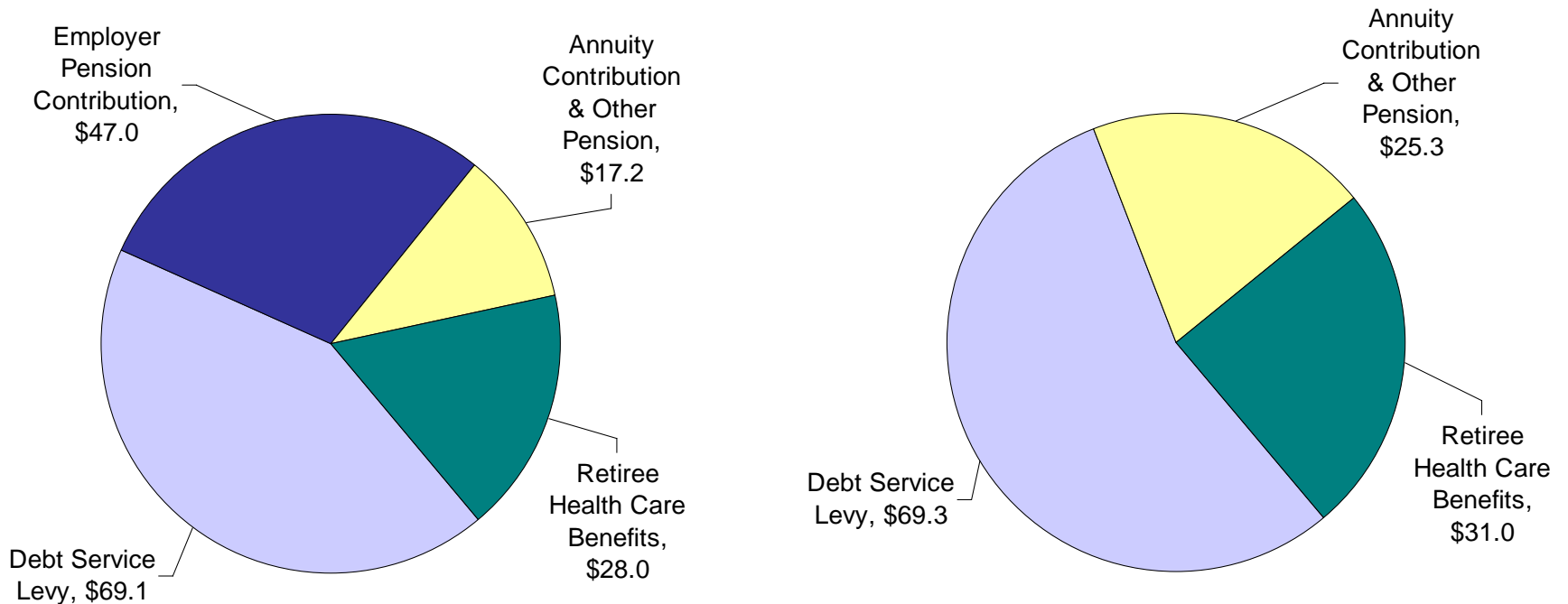


# Non-Discretionary Expenses: Impact on City Levy

In Millions

**2010**

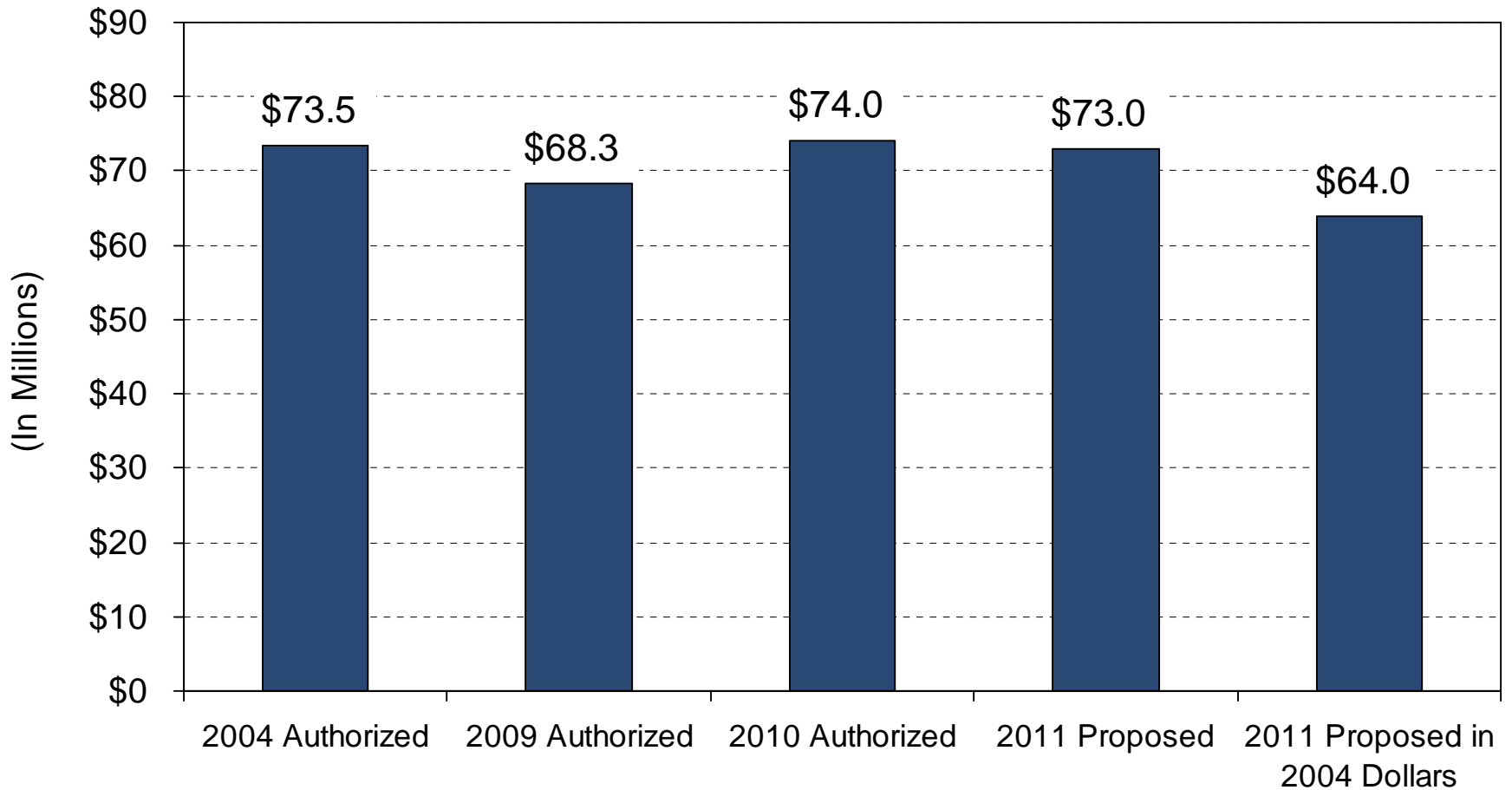
**2011**



2010 Total Non-Discretionary Expenses: \$161.3 million

2011 Total Non-Discretionary Expenses: \$125.6 million

# City of Milwaukee Trend in Levy-Supported GO Debt



Source: Budget & Management Division; US Bureau of Labor Statistics

# Key 2011 Budget Challenges

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1. Employee Health Care Benefits increase (\$25.16 million)
2. Offset reserve funding for employer-paid employee contribution (\$7 million)
3. Increase to employer-paid employee pension contribution and Social Security funding (\$2.55 million)
4. Decrease in non-property tax revenue

# Allocation of Tax Levy for Employer Pension Contribution in 2010 Budget within 2011 Proposed Budget

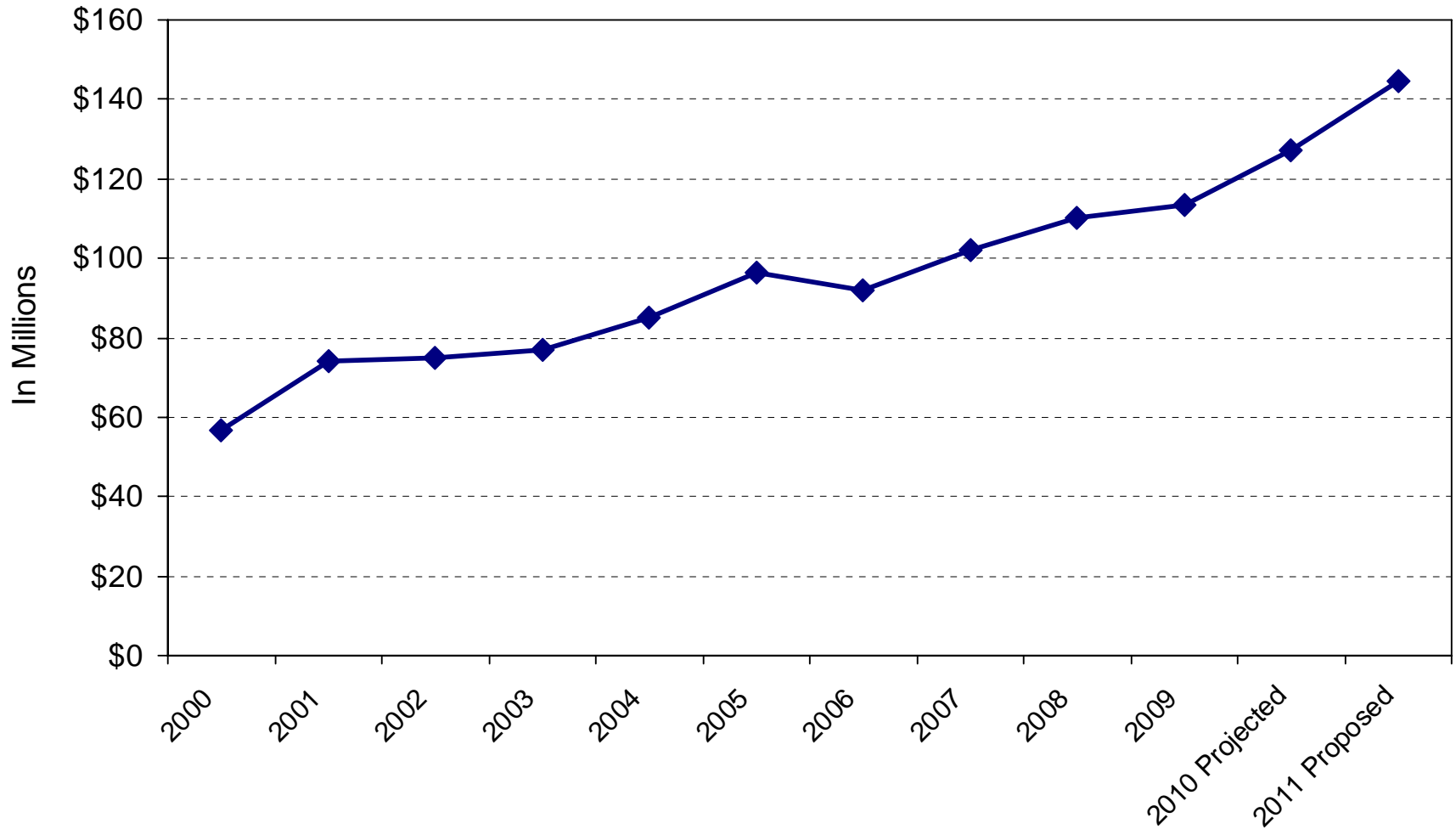
Item	Amount	Comments
Tax levy-funded employer contribution	-\$47.0 mil	No contribution required due to funded ERS status
Health care benefit increase	\$25.16 mil	Includes active employee and retiree amounts
Employer's reserve funding for portion of employer-paid employee pension contribution	\$7.0 mil	No use of reserve funding in 2011 Proposed Budget
Increase in employer-paid employee contribution	\$1.19 mil	2011 total is \$24.98 mil

## Allocation of Tax Levy for Employer Pension Contribution in 2010 Budget within 2011 Proposed Budget (cont'd)

Item	Amount	Comments
Increase in Social Security employer's share	\$1.36 mil	2011 total is \$18.53 mil
Net decrease to estimated 2011 non-property tax revenues	\$0.69 mil	2011 total is \$463.84 million
Proposed voluntary contribution to Employer's reserve	\$17.35 mil	Proposed to help meet post-2012 projected contributions



# Total Net Health Care Expenditures: 2000-2011 Projected



# Key Structural Challenges

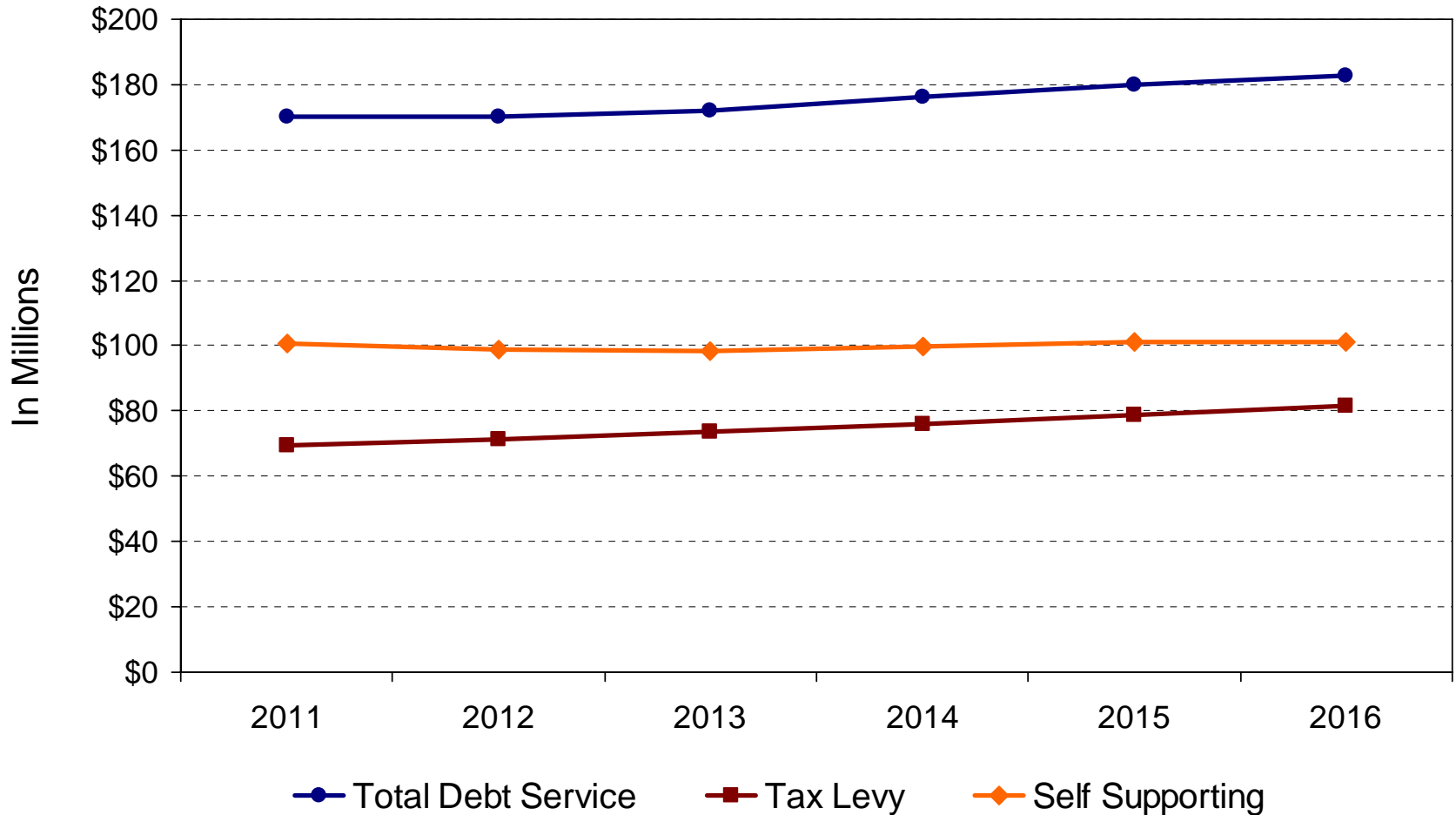
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1. Pension funding
2. Health care benefits
3. Declining State aids

Impact: Continued loss of budget flexibility

# Debt Service Levy Impact is Stabilizing

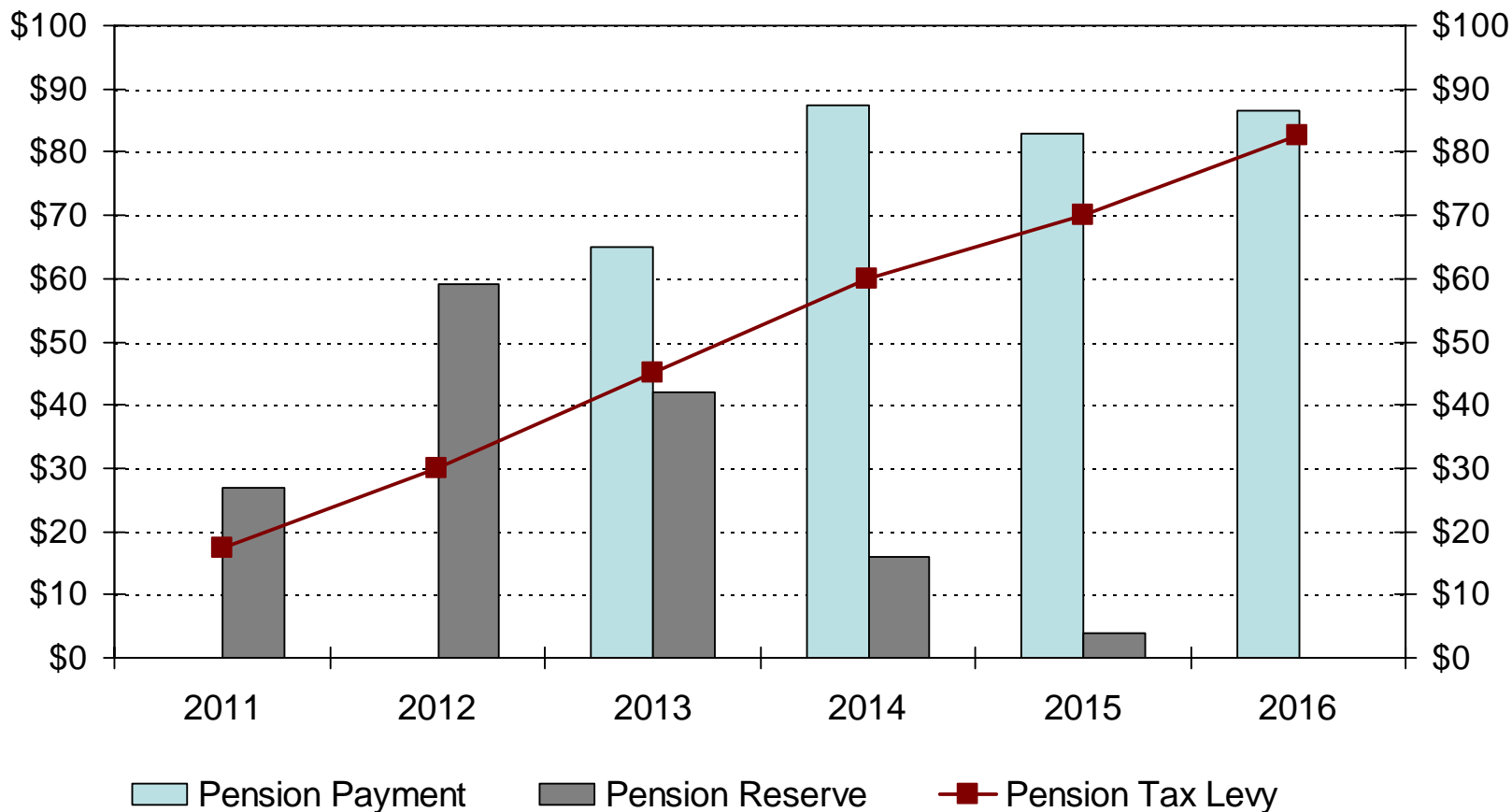
Debt Service Forecast



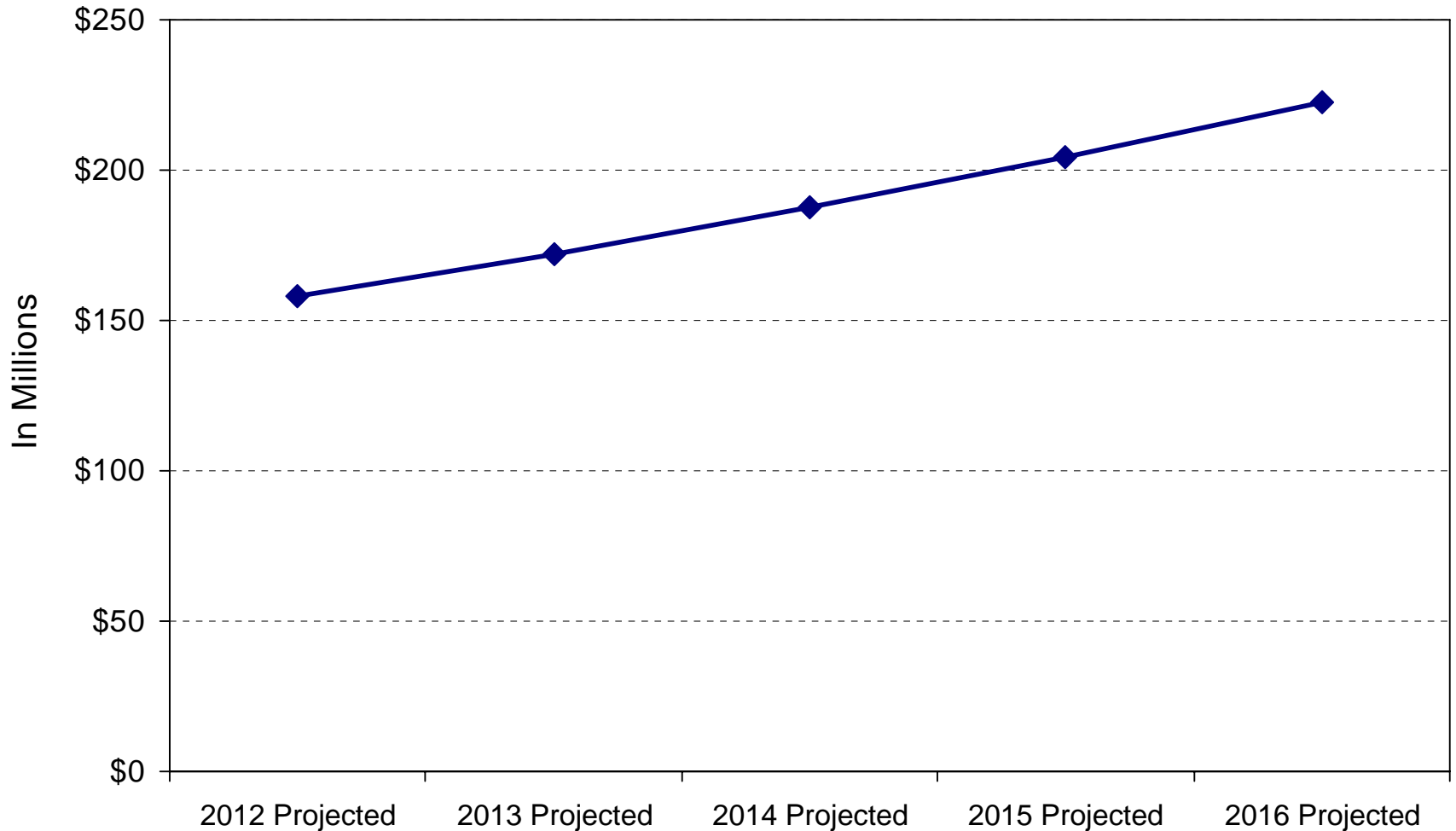
# Pension Funding

## Projected Impacts: 2013-2016

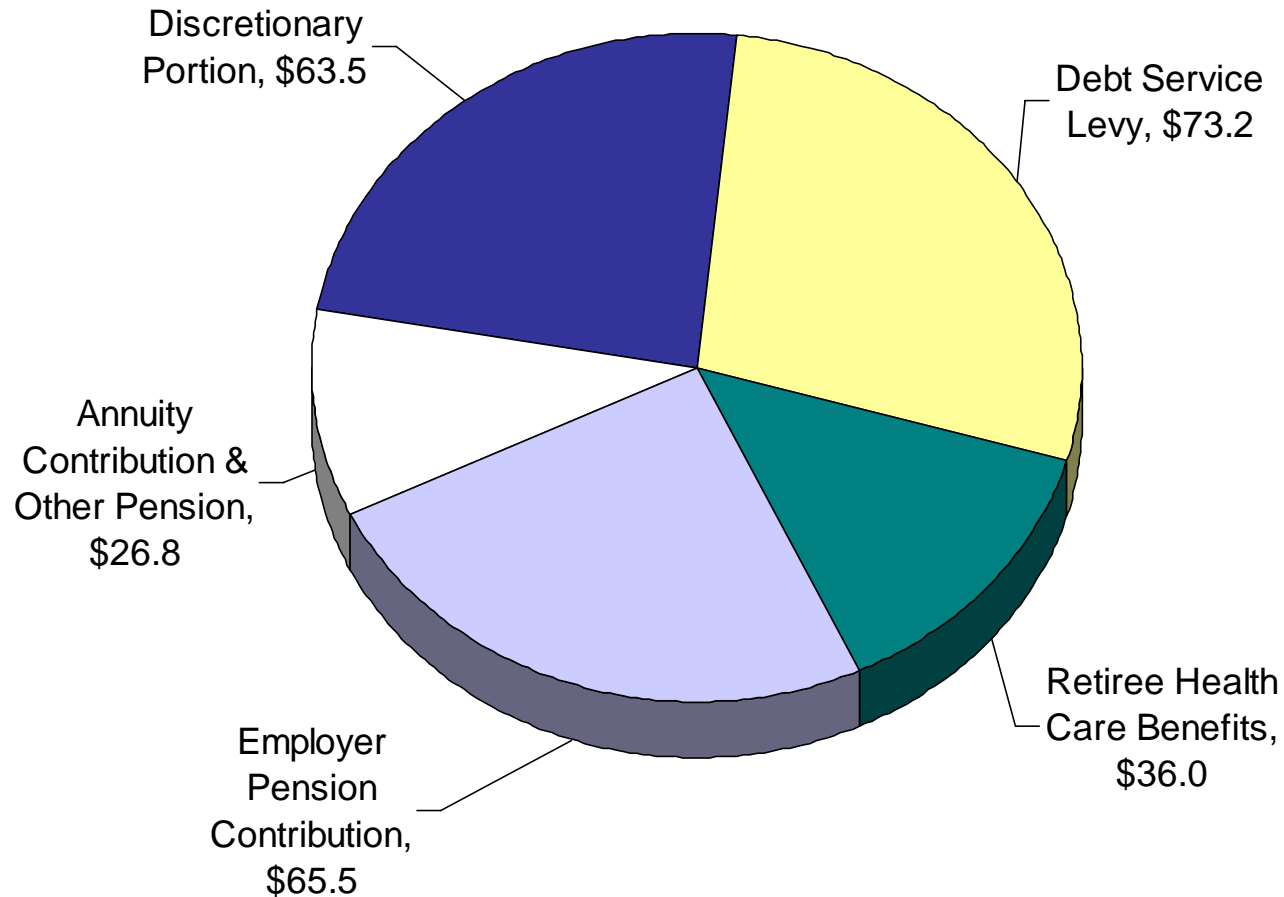
Projected Employer's Reserve Balance & 2013-2016 Employer Pension Contributions & Remaining Levy



# Projected Health Care Benefit Costs: 2012-2016



# 2013 Allocation of Projected City Levy (In Millions)



Note: Non-discretionary portions = 76% of projected levy.

# 2011 Proposed Budget: “Bottom Line”

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## City-wide Impact

- Total Budget: +2.5%
- Operating Budget: +4%
- Tax Levy: +0%
- Tax Rate: +2.7% (\$9.12 vs. \$8.89)

# 2011 Proposed Budget: “Bottom Line” (cont’d)

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## Typical Household Impact \*

- Tax Levy: -\$6.44 (-0.4%)
- Municipal Services Bill: -\$3.53 (-1.0%)
- Total Decrease: -\$9.97 (-0.7 %)

\* Impact is based on average home value of \$123,071.



# 2011 Proposed Budget: Priorities & Initiatives

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## Public Safety

1. Police strength: 1,901 funded sworn annual average FTE (all sources of funds)
  - Estimated 23 FTE > 2010 funded level
  - Removal of furlough days: 30,000 > labor hours
  - COPS class fully trained by end of Qtr. 1 2011
  - Budget projects 1 small and 1 “regular” recruit class
2. Fire response capacity: maintains 2010 service level
  - Budget projects 1 recruit and 1 paramedic class
  - FOCUS smoke alarm installation: at least 1,500 more homes

# 2011 Proposed Budget: Priorities & Initiatives

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## Core Infrastructure

1. \$5.9 million increase in City funding for street improvements
  - \$14.3 million to local streets program (+\$2.3 m)
  - \$8.3 million to major streets program (+\$3.6 m)
  - \$1.5 million included for capital maintenance
2. \$12.7 million increase in City SMF funded sewer improvements
  - Partnership with MMSD for private property demonstration project

# 2011 Proposed Budget: Priorities & Initiatives

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## Strategy for Sewer Infrastructure

1. Target infiltration and inflow reduction in worst-performing sewersheds
2. Evaluate operational impacts, regulatory policy, and fiscal policy issues associated with private property work through partnership with MMSD
3. Establish revised 6-year SMF financing plan

# 2011 Proposed Budget: Priorities & Initiatives

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## Revised Solid Waste Operations

1. Tipping fees create significant budget pressure
2. Solid waste charge structure generates concerns about fairness
3. City interest in diversion away from waste stream
4. Initial moves towards “pay as you throw”
  - Additional cart charge
  - Permit stickers for “outside the cart” collection
  - No charge for additional recycling carts
5. Possible 2012 and future initiatives

# 2011 Proposed Budget: Priorities & Initiatives

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## Foreclosure Management

1. Builds on Mayor Barrett's Milwaukee Foreclosure Partnership Initiative and the Common Council's Special Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes
2. Budget provides resources to the Treasurer for increased and expedited *In Rem* filings
  - \$229,000 for four scheduled filings
3. Additional funding provided for managing properties acquired through *In Rem* foreclosure
  - \$150,000 increase for Land Management
  - \$50,000 increase for Vacant Lot Maintenance
  - \$300,000 for the Housing Infrastructure Preservation Fund
  - Increased funding for demolition through NSP 3

# 2011 Proposed Budget: Priorities & Initiatives

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## Employer's Reserve Contribution

1. Need to manage impacts of future contributions
2. Goal: \$60 million balance by end of 2012
  - \$10 million balance projected for end of 2010
  - \$17.35 million proposed for 2011
  - Revise reserve investment practices to preserve principal

# 2011 Proposed Budget: Priorities & Initiatives

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## Library Public Service Hours

1. 2010 reduction to public service hours—  
impact on performance measures
2. Proposed Budget increases hours by 28%  
(10 hours) at 4 Neighborhood Libraries
3. These libraries will be open 4 nights (3 in  
2010) and will be open an additional day

# Comments & Questions?

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if you have questions about this presentation or would like additional information.