
City of Milwaukee

3-Year Financial Outlook

Prepared for the Capital
Improvements Committee

September 6, 2012

Presentation Goals

1. Identify primary expenditure and revenue challenges for 2013-2015 period
2. Identify positive financial developments
3. Discuss implications for the 2013-2018 Capital Improvements Plan
4. Identify follow-up information needs for the Committee

City Strategic Objectives

Mission Delivery

1. Build safe and healthy neighborhoods.
2. Increase investment and economic vitality throughout the city.
3. Improve workforce development and connect more citizens to family supporting jobs.
4. Help children succeed, prepare for post-secondary education, and meet their full potential.
5. Sustain Milwaukee's natural environmental assets.

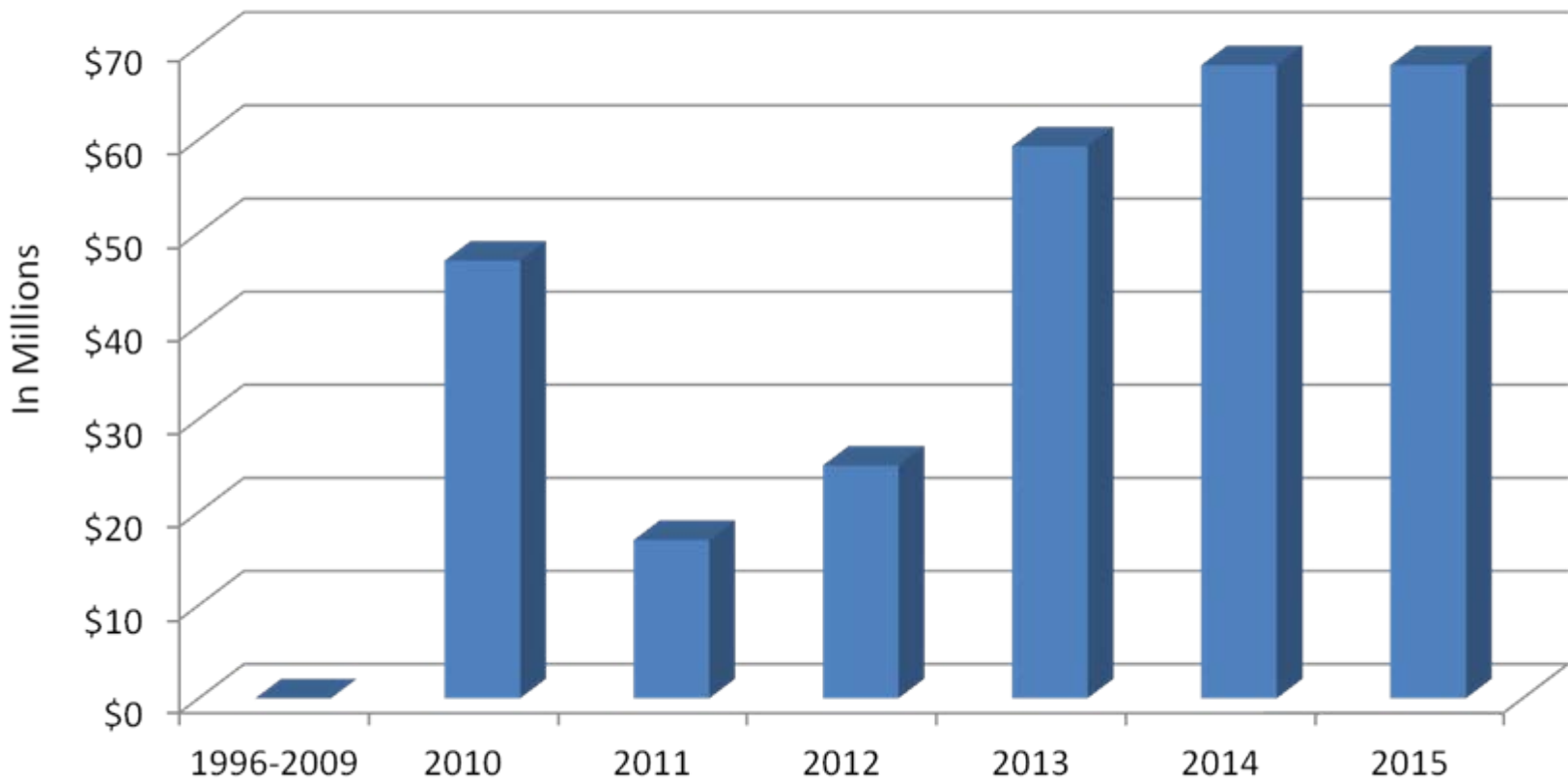
Financial Performance Measures

1. Provide mission critical services through budgets that limit the impact of tax levy and municipal service charge changes on the typical residential property to 3% or less a year.
2. Manage long term obligations such as core infrastructure, debt, and pension benefits in a manner that stabilizes ongoing funding requirements.

Expenditure Challenges

1. Employer Contribution for Pensions
 - Policy initiatives stabilize but don't remove the challenge
2. Health Care Benefits Budget
 - Progress on trend, but growth continues
3. Police & Fire: ~ 75% of “fungible” operating salary amounts

City of Milwaukee Employer Contribution Trend

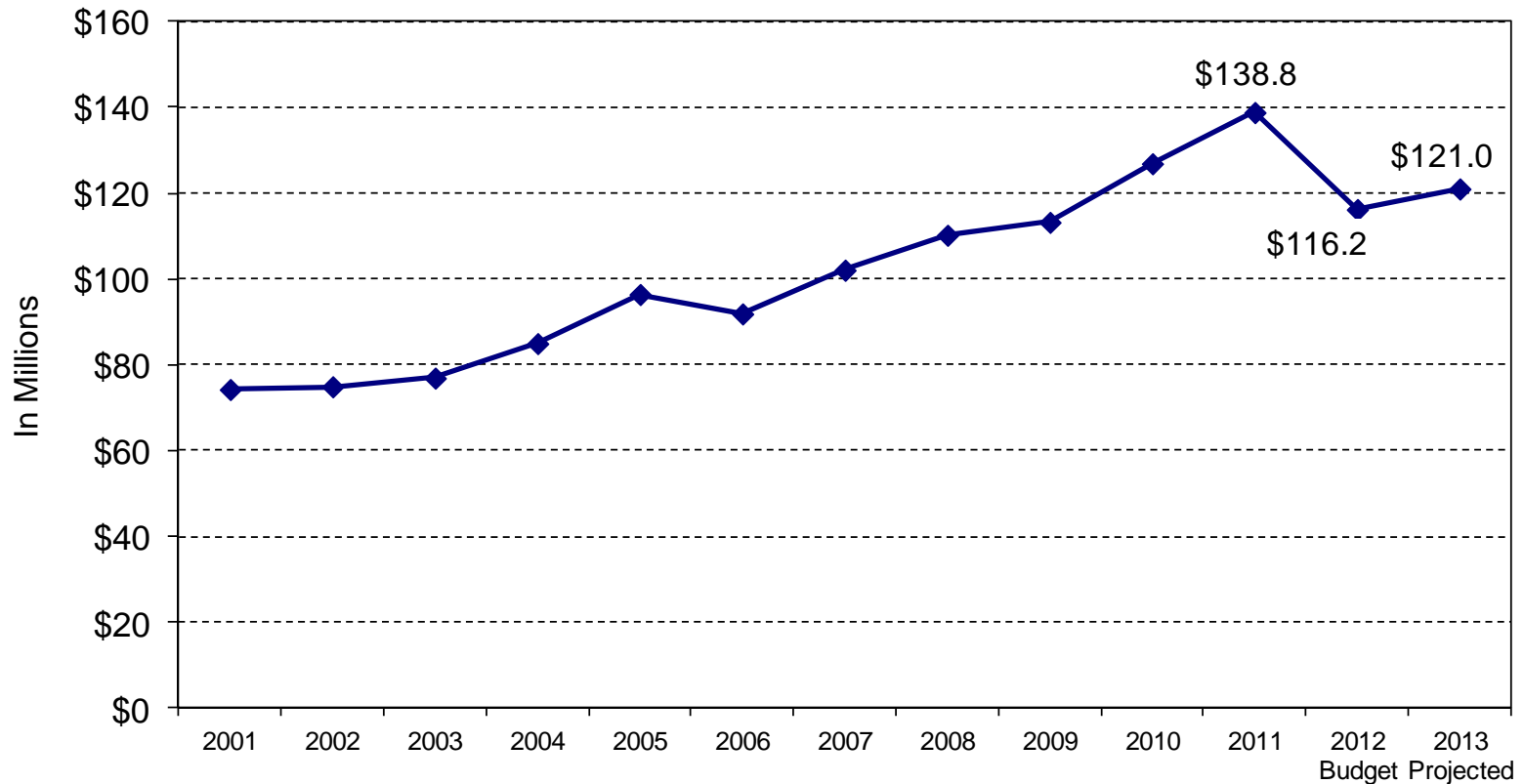


*Tax levy amounts only. Contributions in 2011 & 2012 were made to the pension reserve.

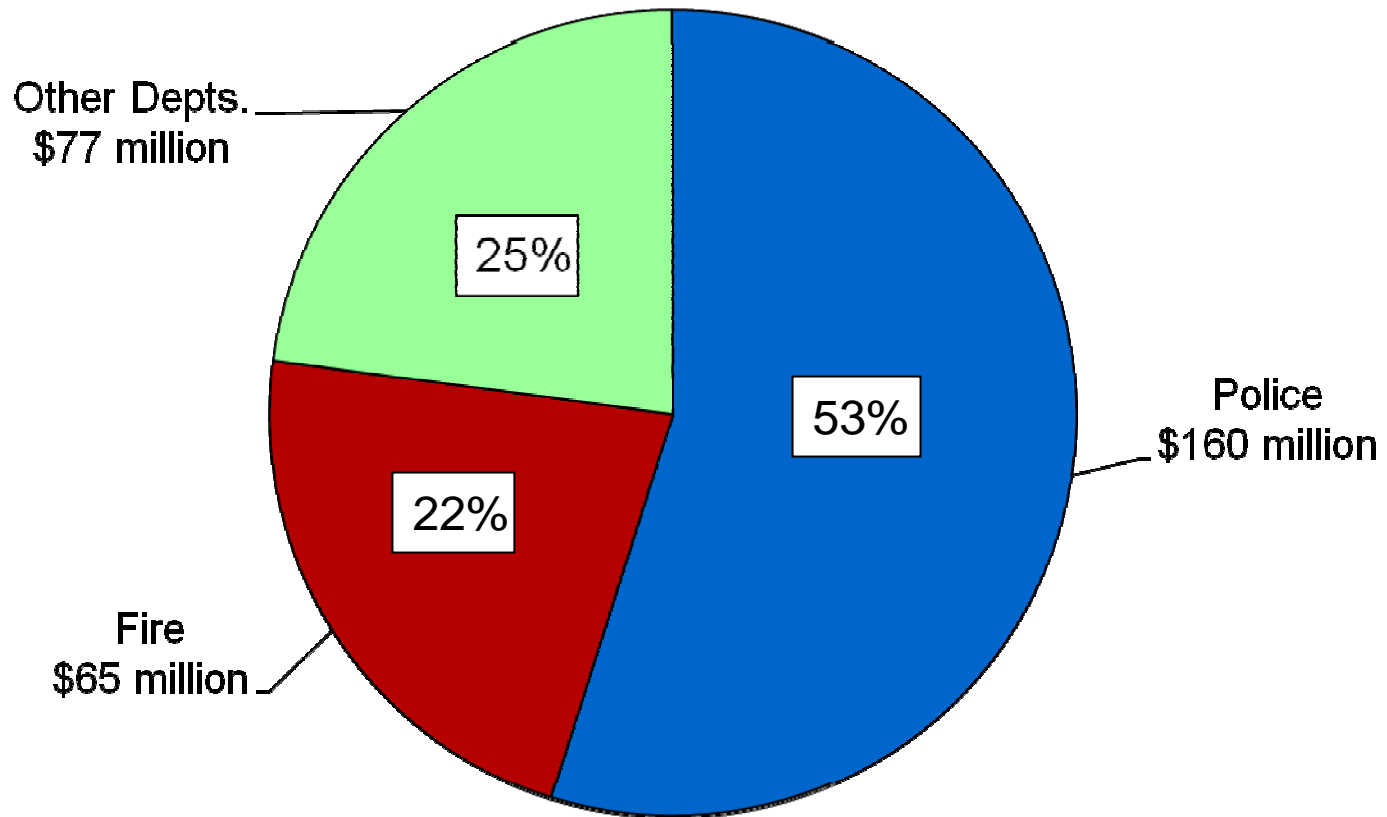
Health Care Benefits: Structural Reform

Saved > \$25 million in 2012

Estimated 4% Growth in 2013



2012 “Fungible” Operating Salaries by Department



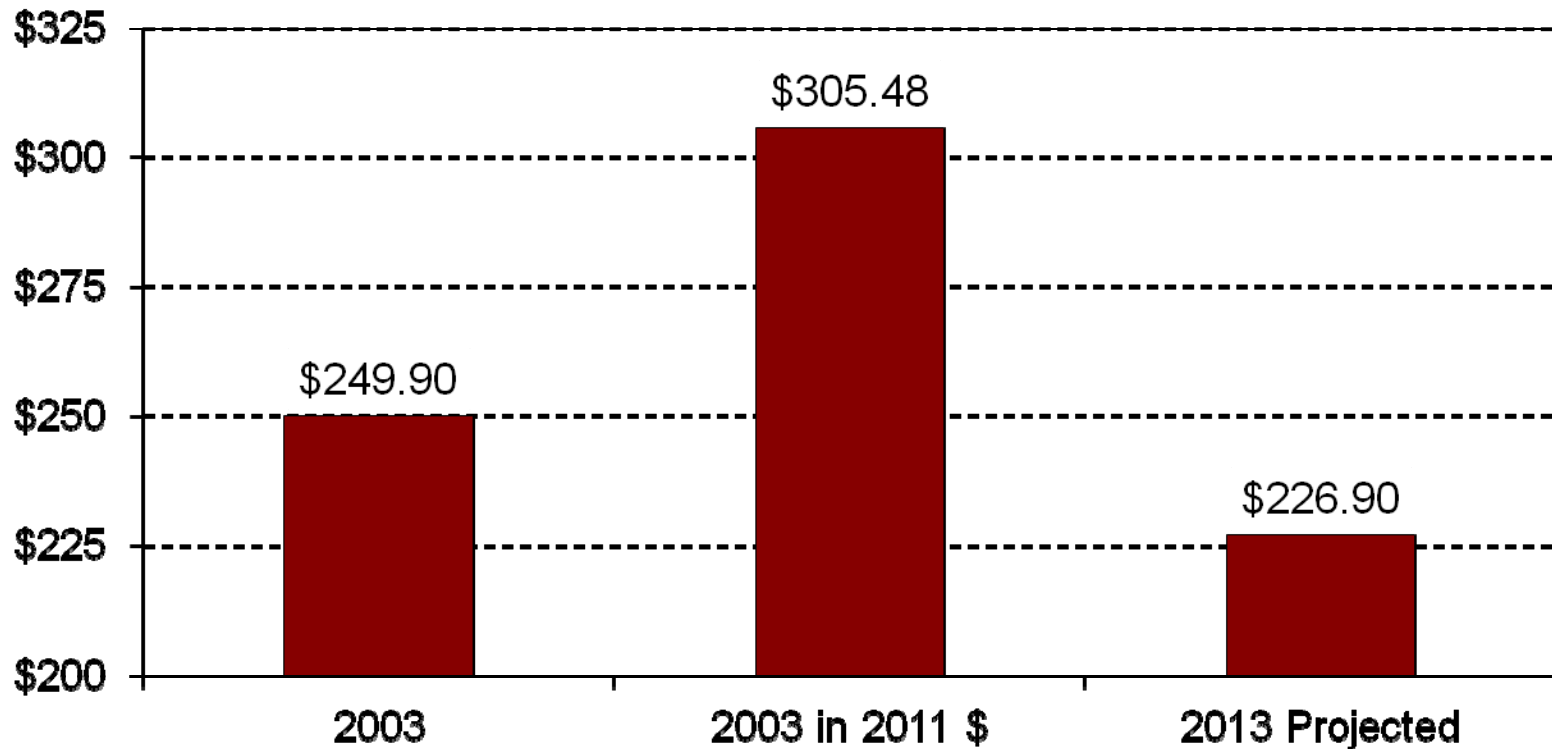
“Fungible” refers to salaries for positions not offset by a non-property tax/non-Shared Revenue source.

Revenue Challenges

1. State Shared Revenue: inflation-adjusted decline of ~ \$78.6 million since 2003
2. State Transportation Aids: inflation-adjusted decline of ~ \$7.2 million since 2003
 - \$4.5 million nominal decline since 2011
3. Statutory debt limit
 - Current level allows ~ \$180 million of “acceptable” increase in GO debt
 - Property value decline and future uncertainties
4. Interest earnings: inflation adjusted decline of \$10 million since 2006
 - \$8.53 million nominal decline

State Shared Revenue Trend

Decline in State Shared Revenue and Expenditure Restraint Program (ERP) Payments to Milwaukee
2003 – 2013 (In Millions)



Inflation adjusted decline in Shared Revenue and ERP payments = ~ \$78.6 million (-25.7%).

Positive Financial Developments

1. Development of stable pension contribution alternative
2. Stable level of annual new levy-supported borrowing authorization
3. Debt management has stabilized D/S levy
4. Solid reserve condition
5. Excellent access to debt markets
6. Revenue diversification for sewer program
7. ~ \$3.3 million net revenue increase from Registration Fee

3-Year Outlook

1. Shared Revenue “base case” scenario: no change
 - “Optimistic” case: 2% annual in 2014 & '15 (+ \$9 million by 2015)
2. State Transportation Aids “base case” scenario: no change
 - Current DOT revenue structure => very slow growth
3. Interest earnings “base case” scenario: +\$1 million by 2015
4. Inflation-linked annual increases to general fund user charges & permits

Implications for CIP

1. \$74 million annual levy supported target remains feasible
 - “Emergency” projects will create pressure
2. Potential greater use of revenue bonds
3. Opportunity to apply user charge finance to replace levy support for some programs
 - Major fleet equipment
 - Curb and gutter components of street program
 - Certain facility & technology improvements
4. Careful planning & priority setting required

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