

2006 PROPOSED EXECUTIVE BUDGET

Finance & Personnel Committee
October 5, 2006

Prepared by: Budget & Management Division

PRESENTATION OUTLINE

- Identify the 3-year Budget Sustainability Challenge
- Discuss 3-year Strategies to Improve Sustainability
- Link the 2006 Proposed Budget to the 3-year Strategies & to Community Needs

SUSTAINABILITY

- Condition where ongoing revenues = current service levels
- Absence = structural imbalance
- City's structural imbalance is not a "cyclical" economic condition
- Fiscal pressures generate a short-term viewpoint

PROBLEMS WITH SHORT-TERM PERSPECTIVE

- Fails to identify ongoing costs of service priorities
- Inadequate attention to long-term obligations
- Defers action on revenue choices

VALUE OF PLANNING

Not a panacea, but...

- Clarifies extent of the challenge
- Enables a managed response to the challenge
- Allows for multi-year strategies

2006-08: RISKS TO FISCAL SUSTAINABILITY

1. Shared revenue freeze + limited “own source” authority = pressure on property taxes
2. Post-retirement health benefit liability
3. Poverty-driven demand for City services

2006-08: RISKS TO FISCAL SUSTAINABILITY (continued)

4. Growth in debt service levy
5. City revenue structure is ill-equipped for inflation or compensation increases
6. CDBG funding reductions and potential for further reductions

2006-08: OPPORTUNITIES FOR FISCAL STABILITY

1. Pension obligations are well-funded
2. Adequate capacity for economic development and infrastructure borrowing
3. Recent own-source revenue diversification
4. Competitive water and sewer rates

2006-08 BASELINE SCENARIO

- Assumes 2005 expenditure & revenue trends continue
- Imbalance grows from \$24 million in 2006 to \$82 million in 2008
- 3-year imbalance = \$143 million

FACTORS IN NEGATIVE BASELINE

- Total compensation costs compound @ more than double baseline revenues
- Shared revenue freeze = “negative” compounding of > \$7.2 million/year
- Levy-supported debt service for Police/ public facilities & school purposes

2006-08 ALTERNATE SCENARIO

- Leverages proposed revenue increases & expenditure cuts for 2006 balance
- Modest revenue growth in 2007 & 2008
- Expenditure reductions of \$33 million over 2007-08

ALTERNATE SCENARIO REVENUE ASSUMPTIONS

- Flat State Aids
- Continued Levy limits through 2008
- Annual “Net new construction” growth of 2-2.5%
- Possible modest user charge changes
- Short rates bolster interest earnings
- TSF withdraws trend lower

2006-08 ONGOING SERVICE COSTS

1. \$22 m > needed to maintain Police strength
2. \$10.6 m > needed for Fire strength & MED units
3. \$3.2 m > needed for Solid Waste services
4. \$2.7 m > needed for infrastructure maintenance
5. \$1 m > needed for maternal & child health & disease control & prevention

STRATEGIES TO IMPROVE 2006-08 ALTERNATE SCENARIO

1. Reduce levy-funded borrowing to \$56.5 million by 2008
2. Leverage levy capacity through ICC formula reconsideration
3. Expand Voluntary PILOT efforts
4. Explore Sewer Fund potential for portion of annual GO “expansion of capacity” borrowing

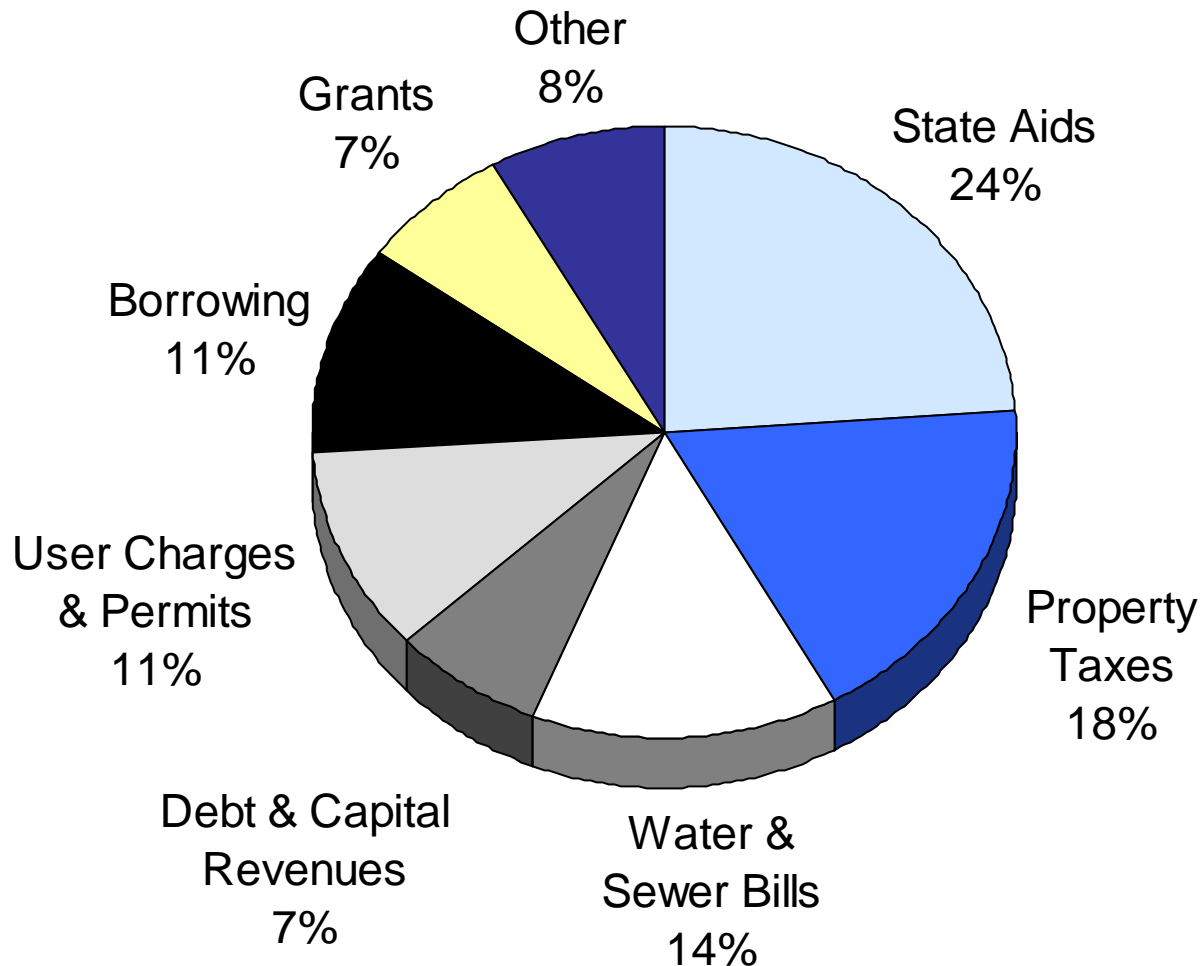
STRATEGIES TO IMPROVE 2006-08 ALTERNATE SCENARIO (continued)

5. Improve productivity & develop alternate service delivery approaches
6. Continue expenditure & staffing reductions
7. Improve fiscal relationship with State Government & expand grant revenues

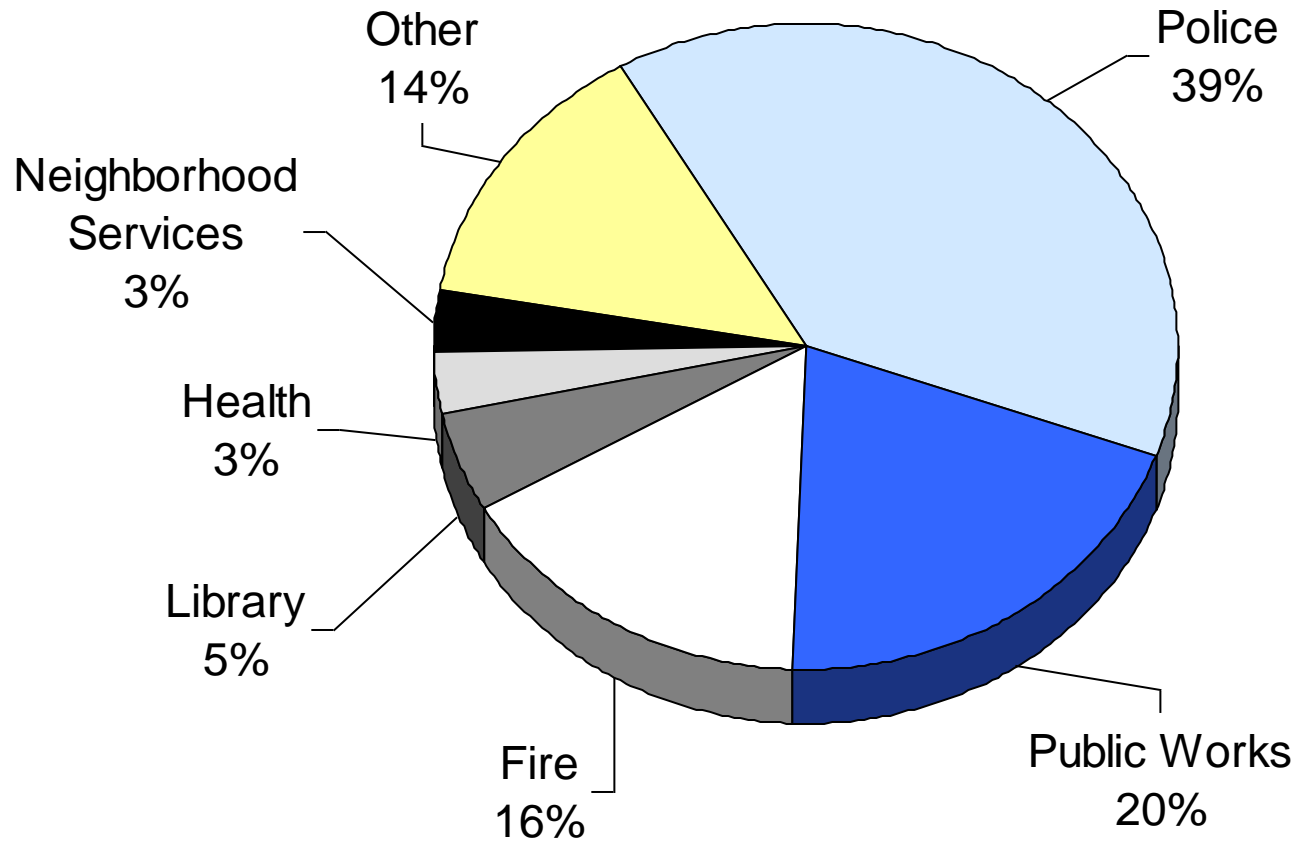
2006 PROPOSED BUDGET

- Meets State Levy and Expenditure Restraint Program Aid limits
- Limits department expenses to 2.8% increase
- Funds programs to support key outcomes

CITY GOVERNMENT 2006 BUDGET REVENUES



HOW THE 2006 OPERATING BUDGET IS SPENT



KEY OUTCOMES

1. Make Milwaukee safe from crime
2. Nurture investment throughout the City
3. Develop workforce as a competitive advantage & increase opportunities for youth workforce
4. Create early childhood conditions that lead to success
5. Provide for a healthy environment

PUBLIC SAFETY

1. Maintain existing Police strength
2. \$1.5 million O&M increase for Police overtime
3. 12th Fire MED unit added at mid-year

NURTURE INVESTMENT

1. Borrowing authority for TID and other projects
2. Promote regional economic development
3. Maintain code & zoning enforcement
4. Increase capital for street lighting
5. Provide *in rem* property maintenance funding
6. Enhance grant funding

WORKFORCE/YOUTH INITIATIVES

1. Continue to link training opportunities with TIF projects, when feasible
2. Continue summer youth employment & tutoring programs
3. Meet Emerging Business Enterprise & Resident Preference Program targets on City Hall Restoration project
4. Continue Library programs with technology & employment focus

EARLY CHILDHOOD CONDITIONS

1. Maintain funding for maternal & child health & immunization programs
2. Implement Home Visiting Grant
3. Continue lead poisoning prevention program
4. Continue FOCUS fire prevention program

PROVIDING A HEALTHY ENVIRONMENT

1. \$1 million increase for Relief & Relay Sewer program
2. \$1 million for bioretention in Menomonee Valley
3. Maintain tree canopy through pruning & plantings
4. Continue weekly garbage, monthly recycling, & special collections

ACCOUNTABILITY IN MANAGEMENT (AIM)

- City residents deserve accountability for their tax and fee dollars
- Productivity improvement must be part of structural solution
- Mayor Barrett's AIM initiative will evaluate departments on service quality, cost, & response time

QUESTIONS & DISCUSSION

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