



Department of Administration
Budget and Management Division

Tom Barrett
Mayor

Sharon Robinson
Administration Director

Mark Nicolini
Budget and Management Director

July 14, 2016

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To Department Directors, Public Safety Chiefs, and Elected Officials

Subject: 2017 Proposed Executive Budget Targets

Dear Department Directors, Public Safety Chiefs, and Elected Officials:

The Budget Office has concluded its initial review of department budget requests and available revenues. We have also discussed revenue parameters for the 2017 Proposed Executive Budget with Mayor Barrett.

The city has made significant progress regarding budget sustainability since 2010. For example, projected expenditures for 2016 Employee Health Care Benefits are approximately \$21.8 million lower than 2011 expenditures. The employer pension contribution "pre-payment" strategy, initiated in 2013, is saving approximately \$5 million annually. User charges now offset 92% of DPW Operations expenditures, which allows limited property tax levy and State aids to be available for other services.

However, please keep in mind some key structural factors that challenge structural budget balance:

- In 2009 the property tax levies for retirement provisions and debt service were equivalent to 44.9% of the total city property tax levy. This proportion increased to 55.6% in 2016. The increase in the absolute dollar total from these two levies during this timeframe was almost double the total dollar increase for the entire city tax levy.
- Intergovernmental revenues declined from \$272.25 million in 2009 to \$262.68 million in 2016, a decline of almost \$10 million.
- Non-property tax revenues for the 2017 budget are \$5.4 million less than in 2016.

In addition, our ongoing eligibility for the State's Expenditure Restraint Program (ERP) Aid in 2018 depends on limiting our "ERP controlled" budget increase in 2017 to approximately \$14 million, or +2%. (ERP Aid amounts to \$8.7 million in the 2016 budget.)

Total 2017 requests for department expenditures and the Wages Supplement Fund are up a net of \$30.1 million from 2016, or + 6.4%. Despite essentially stable projected expenditures for Employee Health Care Benefits, Workers Compensation, and the Employer's Pension Contribution for 2017, this level of requested departmental expenditures cannot be maintained.



As a result, the Budget Office will distribute target budget amounts for the 2017 Proposed Executive Budget that are lower than the amounts requested. We have developed these targets in a deliberate fashion, based on the Mayor's priorities and our assessment of departmental operations. We will distribute these targets on July 18, and I am available to discuss them with you. The Budget Analyst assigned to your department will be prepared to offer alternatives regarding how your 2017 O&M Budget could be structured to meet the target allocation.

Finally, please understand that the target allocations are not guarantees. The targets represent the best current judgment regarding how to achieve 2017 budget balance. I will inform you of any adjustments.

Sincerely,

A handwritten signature in black ink that reads "Mark Nicolini". The signature is written in a cursive, flowing style.

Mark Nicolini
Budget and Management Director

MN:dmr

Budget/2017budget/Presentations