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# **OVERVIEW:**

# **2014 General City Revenues**

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Finance & Personnel Committee

October 8, 2013

# General City Purposes Budget Revenue

	2013 ADOPTED BUDGET	2014 PROPOSED BUDGET	DIFFERENCE	PERCENTAGE CHANGE
PILOT's	16,519,800	17,931,000	1,411,200	8.6%
Licenses & Permits	13,799,360	13,879,600	80,240	0.6%
Intergovernmental	259,575,900	259,743,700	167,800	0.1%
Charges for Service	112,222,821	115,002,303	2,779,482	2.5%
Fines & Forfeitures	5,129,000	4,755,400	-373,600	-7.3%
Miscellaneous	38,244,400	36,495,400	-1,749,000	-4.6%
Fringe Benefit Offset	24,000,000	24,300,000	300,000	1.3%
Tax Stabilization Fd.	14,900,000	20,000,000	5,100,000	34.3%
Tax Stab. Revenue Anticipation		2,161,955	2,161,955	N/A
Tax Levy	96,871,169	96,340,655	-530,514	-0.6%
<b>TOTAL</b>	<b>581,262,450</b>	<b>590,610,013</b>	<b>9,347,563</b>	<b>1.6%</b>

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# 2014 Proposed Changes/Issues

- Change to Solid Waste Fee: +\$7.20 per household (4%)
- Increase Extra Cart fee: +\$2 to \$15 per quarter
- Change in Snow & Ice fee: +\$1.00 (3%)
- Storm water charge: +\$0.81 per quarter (+5%)
- Local sewer charge: +\$0.05 (+4%)
- Construction Debris fee increase: +\$5 to \$20
- Increase Apartment Garbage Collection fee: +\$50,000 (3%)
- Increase in various permits and fees for Health, City Clerk and DNS: \$43,000

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# 2014 Proposed Changes/Issues

- Reduce TSF by \$2,161,955 if above fee increases adopted:
  - Solid Waste Fee: +\$1,300,000
  - Construction Debris Fee: +\$387,000
  - Snow & Ice Fee: +\$270,000
  - Extra Cart Charge: +\$112,000
  - Apartment Garbage: +\$50,000
  - Various other License/Permit/Fees: +\$42,955

# 2014 Proposed Changes/Issues

- State aids are essentially flat (+ \$167,800)
- \$1.3 million lower Parking Fund transfer payment to improve long-term Parking Fund stability (transfer = \$17.25 M)
- Loss of one-time payment from Greendale of \$750,000
- \$622,000 increase to sewer maintenance fund transfer (transfer = \$15.1 M)

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# 2014 Proposed Changes/Issues

- TID Excess Revenue of \$1,559,000
- Fines & Forfeitures decrease \$373,600
- Over \$1.5 million increase in DNS charges for services and permits
- Fringe benefit offset increases \$300,000

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# 2014 Proposed Changes/Issues

## ■ Reserve Use: Overview

- Budget proposes \$1.7 million lower reliance on the 4 major reserves compared to 2013

## ■ Proposed TSF withdrawal

- Balance \$59.8 million
- Proposed Budget “trades off” TSF draw versus use of pension Reserve to exploit earnings potential
- 2014 Recommended withdrawal is \$20 million
- Use of approximately 33.4% of the balance
- Projected Regeneration=> \$12 million

# Policy Considerations

1. State-local government fiscal relationship in WI generates relatively low fiscal capacity.
  - Fiscal capacity results from the interaction of state aids and the local revenue system.
  - In 2009, Milwaukee's per capita total revenue was 16% lower than the average of 10 peer cities (*Comptroller's Report*).
2. Milwaukee's local revenue relies on the property tax and property-based user charges. The absence of a consumption-based revenue component is practically unique among American cities of 300,000 or more population.
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 has been applied to the other 4 major State GPR programs—not to Shared Revenue.
5. Cost-recovery from municipal service charges is one of the few viable ways for the City to avoid losing fiscal capacity. This is the primary rationale for the 2014 Proposed Budget adjustments.
  - “Losing ground” on cost recovery means less property tax and shared revenue available for services that can generate relatively little revenue offsets—i.e., Police, Fire, Library, Health, and Infrastructure.”



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# Proposed Charter Change: Revenue Recognition Process Improvement

## Proposal Summary

1. Takes effect with 2015 Budget
2. No change to Council authority to accept/reject/modify Mayoral proposed revenues or to initiate revenue changes
3. Comptroller retains control of revenue estimates
4. Continues Code requirement for Council to act on four municipal service charges
5. Key change: Requires Comptroller recognition of proposed revenue changes as part of the Executive Budget

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# Proposed Charter Change: Revenue Recognition {cont'd}

## Proposal Rationale & Benefits

1. Enables a fully-transparent Proposed Executive Budget, consistent with statute
2. Supports Mayoral accountability for revenue proposals
3. Migrates Budget influence to those who make budget decisions (Mayor and Common Council) from those who regulate the budget process
4. Facilitates clarity about revenue/expenditure/service level tradeoffs
5. Reduces institutional motivation for reliance on TSF draws or unsustainable means to balance the annual budget

