

Greater Milwaukee Committee

Reimagining Service Delivery in
the City of Milwaukee

February 12, 2024



The City's baseline financial projection

Budget projections indicate that the sales tax is not enough to fully address the budgetary deficits

Milwaukee bankruptcy avoidance plan clears Wisconsin Legislature

Milwaukee Common Council passes 2% sales tax aimed at averting a financial crisis
 Alison Dirr and Nathaniel Rosenberg | Milwaukee Journal Sentinel
 Published 6:00 a.m. CT July 11, 2023 | Updated 2:43 p.m. CT July 11, 2023

Milwaukee Common Council passes sales tax
 After discussions by different council members, the Milwaukee Common council voted to approve a new 2% sales tax. The Milwaukee Channel

What began as a tense and unpredictable day at Milwaukee City Hall Tuesday ended with the Common Council's backing of a 2% local sales tax by a wider margin than required.

The critical vote offers the city a new revenue source to avert major service cuts in 2025 even as some council members said it would put additional financial pressure on residents living in poverty.

No part of the process was easy, from the months-long negotiations with elected officials in Madison to local town halls and the debate over a sales tax within the Common Council in the weeks since the state allowed city elected leaders to enact it.

Est. fiscal impact of Act 12 (\$ in M)

	FY2024	FY2025	FY2026	FY2027
Pre-Act 12 estimated fiscal gap	(\$183.0)	(\$193.0)	(\$203.0)	(\$213.0)
Additional Pension costs from Act 12 ¹	(45.6)	(43.9)	(43.2)	(42.4)
Additional sworn strength costs from Act 12 ²	-	(5.7)	(11.6)	(17.8)
Outstanding FY2023 pension balance ³	(25.5)	-	-	-
New gap	(254.1)	(242.6)	(257.8)	(273.2)
State Shared Revenue increase	21.7	28.9	36.3	43.9
ARPA funds	93.0	-	-	-
Est. City sales tax	190.2	195.9	201.8	207.8
Net surplus/(gap)	\$50.8	(\$17.8)	(\$19.7)	(\$21.5)

Note: projections exclude the use of the pension reserve fund

1. Preliminary estimates from actuary using old data
2. Incremental sales tax (using FY24 as baseline) must be spent on increasing sworn strength up to an estimated annual cost of \$23M
3. Includes 7.5% interest (~\$1.8M) on the \$23.7M that was not pre-paid

Analysis Overview

Options for the City to improve its fiscal situation were identified with a focus on three primary areas:

ACTION →

1. COST REDUCTIONS



2. INCREASED REVENUE



3. IMPROVED PERFORMANCE



FISCAL SUSTAINABILITY

Reduce costs by streamlining operations, consolidating services, and overhauling pension/benefit structures

Increase revenue through cost recovery, asset monetization and new revenue sources

Improve performance through innovation, process redesign, enhanced accountability

Sustained improvement in City's fiscal situation

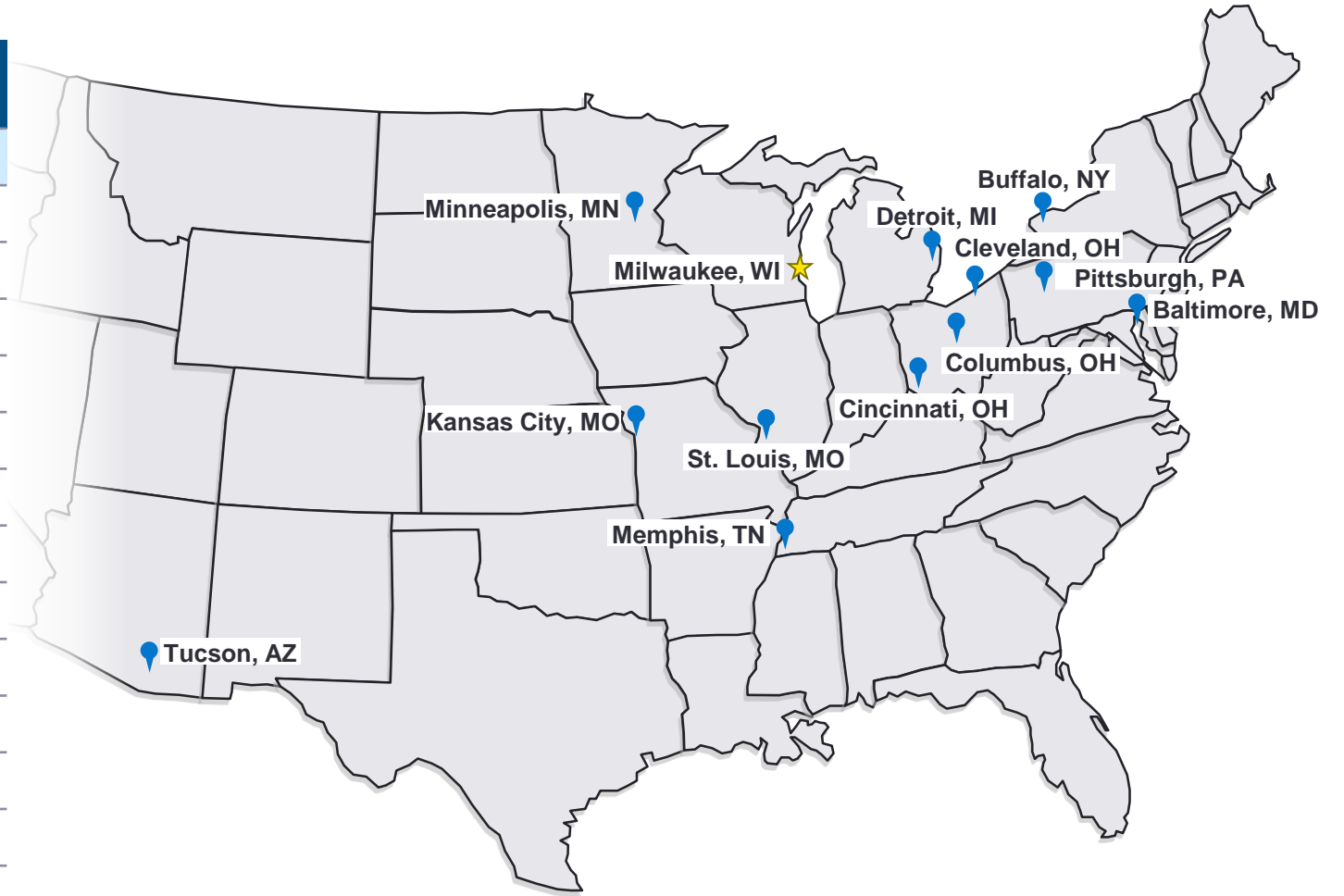
City fiscal situation headed toward **large structural deficits**

Benchmarking peer group

A set of 12 peer cities was identified for purposes of financial and performance benchmarking

- ▶ Data was obtained from peer cities to compare tax and fee rates and service delivery models; where appropriate, other cities were used
- ▶ These cities were selected because they have economic, demographic, and governance characteristics similar to the City of Milwaukee

Peer city	Population ¹	Annual budget ²	Median household income ¹
Milwaukee, WI	569,330	\$1.7B	\$45,318
Baltimore, MD	576,498	\$4.1B	\$54,652
Buffalo, NY	278,349	\$1.6B	\$40,669
Cincinnati, OH	308,935	\$1.5B	\$42,733
Cleveland, OH	367,991	\$1.5B	\$35,562
Columbus, OH	906,528	\$1.1B	\$58,202
Detroit, MI	632,464	\$2.2B	\$36,140
Kansas City, MO	508,394	\$1.7B	\$63,396
Memphis, TN	628,127	\$750M	\$44,317
Minneapolis, MN	425,336	\$1.7B	\$69,397
Pittsburgh, PA	300,431	\$657M	\$57,821
St. Louis, MO	293,310	\$1.1B	\$49,965
Tucson, AZ	542,242	\$1.9B	\$50,306



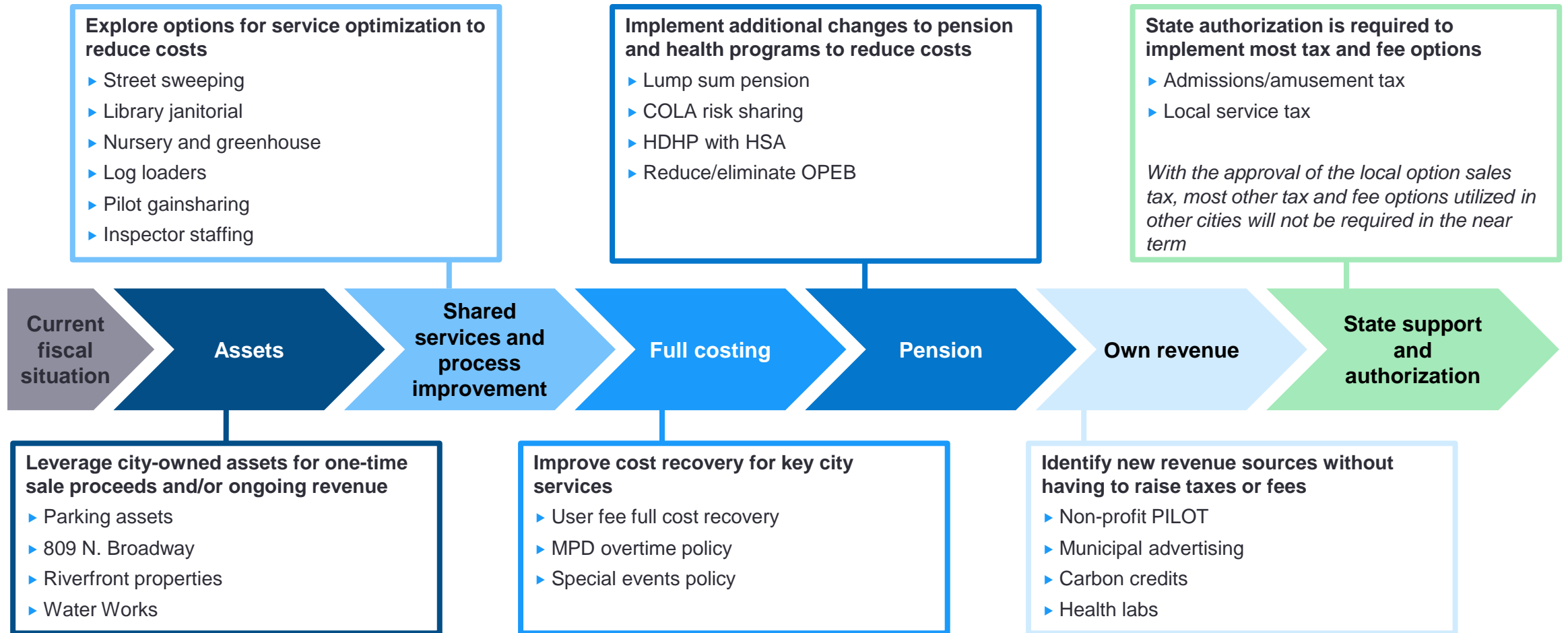
¹ Source: U.S Census Bureau

² Source: Peer City Budget Documents

Path to fiscal sustainability




Even after State action, the City can take specific steps to improve its long-term fiscal outlook

Fiscal sustainability →



Evaluate gainsharing to create efficiencies

By aligning incentives with outcomes, the City could see equipment repair efficiencies

Fiscal impact		Feasibility			Jurisdiction requirement			Implementation timeline					
Small Medium Large		Low	Medium	High	State	Local	None	Quick win	0-5 yrs	5-10 yrs	10+ yrs		
Description		Impact					Considerations						
<ul style="list-style-type: none"> ▶ A need exists within Fleet Services for more efficient operations and quicker turnaround ▶ Gainsharing is the process by which cost savings are identified via service and operations efficiencies and a portion of those savings are shared with employees ▶ A gainsharing program would incentivize technicians to improve efficiencies and turnaround time. In this program, DPW leadership would work closely with fleet technicians, etc. to identify cost and service optimization areas ▶ Any performance and efficiency metrics would be benchmarked to industry standards to ensure a leveled approach ▶ A percentage of the incremental savings would be passed on to the employees based on negotiated terms 		 <p>Fiscal</p>		<ul style="list-style-type: none"> ▶ The City may achieve an estimated total savings of ~ \$12.9M over the 10-year period assuming it implements efficiencies in its fleet maintenance ▶ A total of ~\$5.2M would be shared with the participating employees ▶ The City would retain the remaining of the savings to be used for other purposes 					<ul style="list-style-type: none"> ▶ Comeback rates could be included in the performance review to ensure technicians are not rushing repairs to increase their numbers ▶ All gainsharing would be based on team results not individual performance. Reform could minimize the incentive for more senior technicians to pick up the easier repairs ▶ The teaming component and positive peer influence may result in higher attendance rates at work ▶ Gainsharing could boost employee morale due to increase transparency around compensation criteria and expectations ▶ The City can replicate this model in other departments and services 				
		 <p>Performance</p>		<ul style="list-style-type: none"> ▶ Fleet maintenance would be delivered more cost-effectively due to employees being incentivized to complete work quickly and accurately ▶ A higher variable performance-based compensation could help attract and retain talent 									
		 <p>Equity</p>		<ul style="list-style-type: none"> ▶ Empowering technicians to receive additional compensation based on improved performance may have net positive effects on their economic situation, especially those who may be lower on the pay scale 									

Estimated fiscal impact¹ (\$ millions)

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Total
Cost savings	0.0	0.7	1.1	1.5	1.5	1.6	1.6	1.6	1.7	1.7	12.9
Gainsharing expense	0.0	(0.3)	(0.4)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(5.2)
Net Impact	0.0	0.4	0.6	0.9	0.9	0.9	1.0	1.0	1.0	1.0	7.7

1. Mitchell 1 is a set of industry standards around the amount of time it could take to conduct certain fleet repairs. Cost savings are estimated to be in-line with the savings achieved by the City of Baltimore. Targets for cost saving will need to be agreed to by the City and fleet employees and are subject to change. Gainsharing is estimated to be in-line with the gains shared to employees by the City of Baltimore.

Scoring of city options

Options categorized by estimated fiscal impact and feasibility







- Initial higher priority
- Initial lower priority
- Case-by-case evaluation

For most options, "tear sheets" were developed which include a description of the option; assessment of feasibility and impact; an analysis of specific financial, performance, and equity impacts; implementation considerations; and a ten-year projection of cost savings or revenue









Areas of Focus – Next 12 months

“Quick wins” and opportunities for immediate change

Areas Identified	Explanation and Potential Savings (over next 10 years)	
	1. Municipal Advertising	<ul style="list-style-type: none">• Revenue collected through leases on city property (billboards, trash cans, etc.) – up to \$49 million
	2. Health Benefits Update	<ul style="list-style-type: none">• Publicize high deductible health plan and partner with health savings account – up to \$7 million
	3. Nursery Consolidation	<ul style="list-style-type: none">• Consolidate nurseries of city and county – up to \$3 million
	4. Carbon Credits	<ul style="list-style-type: none">• Sale of carbon credits through third party - up to \$1 million
	5. Gainsharing	<ul style="list-style-type: none">• Identify cost savings (starting with Fleet Service) and share savings with employee teams – up to \$8 million
	6. Speed and Red Light Cameras	<ul style="list-style-type: none">• Revenue expected to decline over time, but opportunity to change driving behavior – up to \$40 million

Areas of Focus – Next 12 months

Initiatives that require further analysis and/or assistance from the private sector

	Areas Identified	Explanation
	1. Property Disposition	<ul style="list-style-type: none">• 809 N. Broadway sale and space consolidation in two remaining downtown facilities• Menomonee Valley properties
	2. Parking Assets	<ul style="list-style-type: none">• Concession or sale of parking lots/structures
	3. Health Clinic Model and Usage	<ul style="list-style-type: none">• Change delivery model; expand and improve testing model
	4. Waterworks	<ul style="list-style-type: none">• Thoughtfully consider benefits and risks of a new model at waterworks
	5. Bridge Automation	<ul style="list-style-type: none">• Transition manual operation to remote (improve safety with a single command center)
	6. Urban Forestry Fee	<ul style="list-style-type: none">• Utilized to maintain urban canopy (Madison has levied this type of fee)

Innovation team's approach and goal

The team was cross-departmental and focused on advancing the Mayor's priorities

The innovation team consisted of **24 members**, and it was comprised of GMC and City leaders, including directors and managers of various City agencies

Approach



Reviewed best practices in U.S. on innovation and results-focused government



Created working groups to develop specific options



Honed options based on Milwaukee's context and Mayor's goals

Goal

To recommend to the Mayor a set of complementary strategies to:

- ▶ Strengthen a culture of **innovation** and **continuous improvement** in City government
- ▶ Use data-driven approaches to increase **racial equity** and **inclusion** and to advance the **Mayor's top goals**

Next steps

The following steps are necessary to gain the optimal results from the plan:



**Public release of GMC
Report on 11/13**



**City appoints
implementation
coordinator**



**City and GMC partner to
enlist support for plan**



**Scorecard allows public to
monitor progress**