



Department of Administration
Budget and Management Division

Tom Barrett
Mayor

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To: Common Council Members

From: Mark Nicolini
Budget and Management Director

Re: Revised Mayor's 2008 Budget Proposal

In light of the adoption of the State Budget, Alderman Michael Murphy, Chair of the Finance & Personnel Committee, requested that I update the Council on the status of the Mayor's Proposed 2008 Executive Budget. This correspondence responds to that request.

State Budget and Resulting Revenue Impacts

1. The adopted State Budget contains no change to Shared Revenue for the next biennium (2008 and 2009 city budgets). Therefore, the Comptroller has reduced the 2008 revenue estimates by \$-3.6 million to reflect the adopted State Budget.
 - Please note that the 2008 city's Expenditure Restraint Program (ERP) Aid is estimated to be \$2.1 million lower than the 2007 amount. This reduction is incorporated in the proposed Executive Budget and requires no change.
2. The adopted State Budget contains a 3% increase to statewide General Transportation Aids (GTA). In addition, State Lift Bridge Aids reflect full cost reimbursement to eligible communities. As a result, the Comptroller has increased GTA by \$+370,300.
3. The adopted State Budget contains levy limits applicable to the 2008 and 2009 local government budgets. Based on the Governor's veto, the 2008 levy limit is based on an increase of 3.86% or the increase in equalized property value due to net new construction, whichever is greater. Milwaukee's "net new construction" value increase is 2.728%; hence the 3.86% levy limit applies to the city's 2008 budget. Adoption of a 3.86% tax levy is \$1.17 million higher than proposed and would increase the tax rate for city services from \$8.01 to \$8.06.
 - The levy limit provisions allow communities to adjust their levy limit for certain increases to General Obligation debt service based on borrowing authorized after July 1, 2005. These adjustments (estimated conservatively) allow for an increase to the 2007 levy of an additional \$15.44 million above what the Mayor has proposed. (The Department of Revenue determines whether a local government has complied with State-imposed levy limits. Therefore, any projection is subject to uncertainty.)

4. In order for the city to be eligible for ERP aids in 2009, the city must limit its 2008 operating budget increase to a level which takes into account changes to the CPI-U (inflation) and 60% of the growth in property value due to net new construction. Based on current projections, the Mayor's proposed operating budget is \$3.5 million below the maximum increase estimated to maintain ERP Aid eligibility.

As a practical matter, this ERP eligibility threshold serves as a constraint on additional net increases to the operating budget of \$3.5 million. In the absence of such constraint, the city would lose an additional \$7.0 million of State ERP for the 2009 budget.

Other Revenue Changes

1. The State Budget contains two other provisions with an immediate impact on the city's 2008 revenue capacity.
 - The State Budget contains a \$250,000 state grant for community policing in each year of the biennium.
 - The State Budget contains a \$2.10 ton increase to the tipping fees for disposal of solid waste. In addition, the State Budget increases the reimbursement for local recycling programs from 26% of eligible costs to 32%. The combined impact of these changes is expected to reduce city O&M costs for recycling by \$135,000.
2. The Comptroller has recognized \$290,000 in additional revenue as a result of increases to various licenses, permits, and fees that were included in Omnibus legislation that the Council recently approved.
3. The Mayor has proposed an increase to the Snow and Ice charge that would generate an additional \$1.8 million annually. The Comptroller has not recognized this revenue since the Common Council has not acted on the 2008 Snow and Ice charge. **All other things remaining equal, if the Council maintains the 2007 Snow and Ice charge level, property taxes will increase \$1.8 million** above the proposed level.

Mayor's Revised 2008 Budget Proposal

As he committed to at the time his proposed budget was submitted to the Common Council, the Mayor has developed a revised budget proposal that responds to the changes in projected State revenue that result from the adopted State Budget. I have communicated this proposal in detail with Council staff. I am available to discuss this revised proposal with any Council member.

The following presents the key elements of the revised proposal.

1. The Mayor continues to propose a 3.3% increase to the city's property tax levy. The changes to the Municipal Services Bill remain as initially proposed. In combination, these revenue changes result in a 1.7% (\$24) increase to the cost of city government, relative to 2007, for the owner of a median valued residential property.
2. The Mayor's revised proposal, in effect, applies the proposed increase to the Snow and Ice charge to the control of the property tax levy. Originally, the Mayor allocated \$1.77 million of the originally estimated \$3.6 State Shared Revenue increase to property tax levy control.

3. In addition to the items noted above, the Budget Office has identified expenditure reductions that can be made by amendment. These changes will not reduce service levels and provide \$707,177 that can be reallocated to other expenditures or to reduce property taxes or service charges.
4. Despite these expenditure reductions, the application of the Snow and Ice charge revenue to levy control, and the various revenue increases, it is necessary to adjust expenditures in order to maintain the Mayor's proposed 3.3% levy increase.

The Mayor's revised 2008 budget proposal is consistent with the priorities he announced in his 2008 Proposed Executive Budget. These priorities include:

- Sufficient resources for the Milwaukee Police Department to implement a 2008 Neighborhood Safety Initiative, expand the successful school security partnership with Milwaukee Public Schools on a 50/50 cost sharing basis, and to increase the use of civilian employees in the department.
- Increased capital and operations funding for Department of Public Works infrastructure programs.
- Substantial funding for economic development and job creation, including \$3.0 million of general obligation borrowing to combine with Tax Increment Financing and grant funding to revitalize the 30th Street Industrial Corridor.
- Resources to enable Milwaukeeans to enroll in expanded state and federal health care programs.

The attached chart details how the Mayor's revised proposal compares to the projections contained in the Proposed Executive Budget. The chart describes the status of expenditures that were linked to either (a) the projected \$3.6 million Shared Revenue increase or (b) reallocation of levy from the \$1.8 million Snow and Ice charge revenue increase. In the chart, the term "Original Budget" includes those expenditures that the Mayor proposed to fund with reallocated levy from increased Snow and Ice charge revenue, and from the projected increase in State Shared Revenue.

In addition, the attached budget amendment details how these revisions would be considered by the Finance & Personnel Committee on November 1.

I hope this information is useful. Please call me at 5060 or Jennifer Meyer at 3182 if you wish to discuss this proposal. Thank you for your consideration.

Cc: Patrick Curley, Mayor's Chief of Staff
Marianne Walsh, Common Council Fiscal Manager
W. Martin Morics, City Comptroller
Sharon Robinson, Director of Administration
Affected Departments

**2008 Mayor's Revised Budget Proposal
Based on Adopted State Budget and Revised Revenue Estimates**

Department	Item	Original Budget #	Revised Budget	Levy Impact/Comments
Retirement Provisions	Employer Contribution to Police A&B Fund	\$190,177	\$0	<ul style="list-style-type: none"> \$-190,177
Special Purpose Accounts	Group Life Insurance	\$3,257,000	\$2,807,000	<ul style="list-style-type: none"> \$-450,000 Based on bid award after September 25
Employes Retirement System (ERS)	Employer's Pension Contribution	\$25,000	\$0	<ul style="list-style-type: none"> \$-25,000 ERS Re-estimate
Neighborhood Services (DNS)	Animal Pound Contract Special Fund	\$1,634,000	\$1,592,000	<ul style="list-style-type: none"> \$-42,000 Revised projection
Public Works (DPW)	Change in O&M budget for Recycling	Pertains to multiple account lines	Pertains to multiple account lines	<ul style="list-style-type: none"> \$-135,001 Reflects net impact of recycling grant reimbursement increase & higher tipping fees
Public Works (DPW)	Extend street maintenance season by 4 weeks	\$320,000 linked to reallocated levy from snow and ice charge increase	\$320,000	<ul style="list-style-type: none"> \$320,000 Initially linked to snow and ice fee increase
Public Works (DPW)	Return crosswalk line painting to a 2 year cycle (4 year currently)	\$45,100 linked to reallocated levy from snow and ice charge increase	\$45,100	<ul style="list-style-type: none"> \$45,100 Initially linked to reallocated levy from snow and ice charge fee increase
Public Works (DPW)	<ul style="list-style-type: none"> Clean and Green expansion Recycling pilots 	\$230,000 linked to Shared Revenue increase	\$0	<ul style="list-style-type: none"> \$-230,000

Department	Item	Original Budget #	Revised Budget	Levy Impact/Comments
Police	O&M Funded Overtime	\$13,843,200	\$13,593,200	<ul style="list-style-type: none"> • \$-250,000 • Reflects shift to State grant
Police	O&M Funded Overtime	\$12,984,200 + \$859,200 linked to Shared Revenue increase	\$13,593,200	<ul style="list-style-type: none"> • \$609,200 of total was initially linked to Shared Revenue increase • \$250,000 additional grant offset
Police	School Security Partnership Expansion	\$498,675 linked to Shared Revenue increase + \$332,400 linked to reallocated levy from snow and ice charge fee increase (\$831,075)	\$316,200	<ul style="list-style-type: none"> • \$-182,475 • An additional \$332,400 was initially linked to reallocated levy from snow and ice charge fee increase • Allows for program expansion to 5 schools (from 2) based on 50/50 cost share with MPS
Police	10 FTE Police Service Specialist Investigators for background checks	\$405,000 linked to reallocated levy from snow and ice charge fee increase	\$0	<ul style="list-style-type: none"> • No levy impact • \$405,000 was initially linked to reallocated levy from snow and ice charge fee increase

Department	Item	Original Budget #	Revised Budget	Levy Impact/Comments
Police	5.0 FTE IT staff for improved crime analysis and reporting	\$211,800 linked to reallocated levy from snow and ice charge fee increase	\$0	<ul style="list-style-type: none"> • No levy impact • \$211,800 was initially linked to reallocated levy from snow and ice charge fee increase • Police and ITMD will develop an IT strategy with staffing needs by end of Q 1 2008
Police	Integrity Unit	\$227,000 linked to reallocated levy from snow and ice charge fee increase	\$0	<ul style="list-style-type: none"> • No levy impact • \$227,000 was initially linked to reallocated levy from snow and ice charge fee increase
Police	Replacement equipment autos	\$330,000 + \$160,000 linked to reallocated levy from snow and ice charge fee increase	\$330,000	<ul style="list-style-type: none"> • No levy impact • \$160,000 was initially linked to reallocated levy from snow and ice charge fee increase
Library	Electronic databases	\$98,000 linked to reallocated levy from snow and ice charge fee increase	\$0	<ul style="list-style-type: none"> • No levy impact • \$98,000 was initially linked to reallocated levy from snow and ice charge fee increase

Department	Item	Original Budget #	Revised Budget	Levy Impact/Comments
Library	Staff to maintain and standardize Neighborhood Library hours	\$125,000	\$125,000	<ul style="list-style-type: none"> • No Levy impact • No change from Proposed Budget allocation of Shared Revenue increase
Assessor	Replacement hardware	\$20,000	\$20,000	<ul style="list-style-type: none"> • No Levy impact • No change from Proposed Budget-allocation of Shared Revenue increase
Health	Health access outreach-convert 3.8 FTE from grant to O&M funding	\$90,400 linked to Shared Revenue increase	\$52,400	<ul style="list-style-type: none"> • \$-38,000 • Proposal converts 3.0 FTE
Health	Expand STD clinic capacity	\$0 Proposed Budget continued existing capacity	\$72,500	<ul style="list-style-type: none"> • \$+72,500 • Adds 1.75 FTE for increased service capacity

Note: # "Original Budget" includes those expenditures that the Mayor proposed to fund with reallocated levy from increased Snow and Ice charge revenue, and from the projected increase in State Shared Revenue. Expenditures that were linked to reallocated levy from Snow and Ice charge have no levy impact if not included in the revised budget.