



Update Report on File 090042 City's Fiscal Condition

Steering & Rules Committee

July 16, 2009

Budget & Management Division

Presentation Goals

1. Provide an update on changes to Budget environment since May
 - State Budget final action
2. Discuss Administration 2010 Budget revenue initiatives
3. Discuss potential impact of 2010 Budget on department operations
4. Discuss 2010 Capital Improvement Budget priorities
5. Obtain input from Committee on Budget process issues and timeframes

Post-May Changes to Budget Environment

1. May presentation cited a 2010 structural budget imbalance of ~ \$85-\$90 million
2. State Budget Adoption: Key Impacts
 - State Shared Revenue: additional reduction of \$ - 2.2 million (2010 change = \$ - 2.6 m.)
 - Tipping fees increased \$2.05 million
 - Basic Recycling Grant decreased \$115,000
 - Elimination of Recycling Incentive Grant
 - Levy limits: 3% or net new construction
 - ERP Aid PY Budget eligibility threshold set at minimum of 3%
3. Health benefit cost increase may be limited to \$10-\$12 million (\$16 million in May/June presentations)

2010 Revenue Initiatives

1. Budget office request to Comptroller for revenue re-estimates: \$2-\$3.0 million
2. Annual OMNIBUS file to adjust licenses, permits, & specialized service charges: \$3.6-\$4.2 million
3. Full cost recovery for solid waste charge, snow & ice removal charge, & tree care expense: \$8-\$10 million
4. 2010 debt service reduction: apply \$2.7 million change to 2009 Snow & Ice charge to cancel emergency borrowing for 2008 expenses
5. Water Works Dividend

Request for Revenue Re Estimates

1. City Charter bestows Comptroller the authority to recognize Budget revenue
2. Initial estimates: Second Tuesday in May
3. Budget Office works with Comptroller to consider changes
4. Current Request status: \$2.0-\$3.0 million increase

Annual Omnibus File

1. Updates licenses, permits, & specialized user charges
2. Implicit full cost recovery policy
3. Existing items: \$3.0-\$3.5 million
4. New Revenues: ~ \$1.5 million
 - Includes 2 new DNS program initiatives
5. Discuss handout document detail

Cost Recovery for DPW Services

1. 2009 Solid Waste Charge: ~ 95% of cost recovery (\$28.5 million)
 - 2010 cost increases/revenue decreases: ~ \$3.5 million
 - Administration proposal for 2010 Budget
2. 2009 Snow & Ice Removal Charge: \$5.0 million
 - 5-year program cost average: ~ \$7.7 million
 - Salt price projected increase
 - Administration proposal for 2010 Budget

Cost Recovery for DPW Services (cont'd)

3. Tree care services: ~ \$6.9 million for DPW-desired service levels
 - 2009 budget allocates \$5.0 million from storm water charge to offset large portion of levy support
 - Administration proposal for 2010 Budget

Change 2009 Snow & Ice Removal Charge: Cancel \$2.7 m in Debt

1. 2008 net costs: ~ \$14.8 million
2. Final 2008 charge: \$6.2 million
3. 2009 adopted charge: \$5.0 million
4. Council approved \$2.7 million of emergency borrowing this year to cover 2008 snow & ice operations deficit—2-year term
5. Administration proposal: increase 2009 charge by \$2.7 million & cancel debt
 - Reduces 2010 D/S levy & cancels debt
 - Enables ~ 40 > FTE and associated services in 2010 Budget
 - Typical homeowner charge: \$34.81 versus \$28.04 in 2008
 - Improves 2011 D/S Budget as well

Water Works Dividend

- Various options were considered for additional Water Works contribution to improving the City's fiscal conditions
- A dividend approach is the best short-term solution for balancing competing policy considerations
- City of Milwaukee residents were the early “investor” in the Water Works
- Pending Council approval, the Water Works will submit a rate case to Public Service Commission
- New revenue included in the proposal can support a \$3 million annual dividend to the General Fund
- \$3 million could support 40-45 FTEs and associated services
- Suburban customers would contribute \$600,000 of the \$3 million
- A change to the City Charter relative to Water Works debt reserves may be needed

2010 Budget Potential Impact on Department Operations

1. Current projection: ~\$40-\$45 million of operating budget reductions
 - This equates to about 10% of baseline department operations
 - Reductions will be greater if revenue items fall short of targets
 - Impact of Dividend
2. Service levels will change
 - Budget will identify clear priorities
 - Service delivery changes can stretch available funds

2010 Capital Improvement Budget Priorities

1. Target for new levy-supported borrowing: ~ \$70 million
 - Debt levy stabilization goal
2. Program priorities to include:
 - Local street preservation
 - City Hall foundation repair
 - New Villard Library
 - Redevelopment in 30th Street Industrial Corridor

Budget Process & Timeframe

1. July 22 Finance & Personnel Committee
 - Advantages of early action on revenues
 - Briefings July 16-24
2. Council member briefings during August on Budget updates
3. Proposed Budget delivered on September 24
4. Council input on information needs