2007 PROPOSED EXECUTIVE BUDGET

Finance & Personnel Committee
October 4, 2006

Prepared by Budget and Management Division

PRESENTATION OUTLINE

- Discuss progress towards budget sustainability
- Identify key sustainability challenges
- Update fiscal strategies
- Summarize 2007 Proposed "Bottom Line" and Priorities

PROGRESS ON SUSTAINABILITY

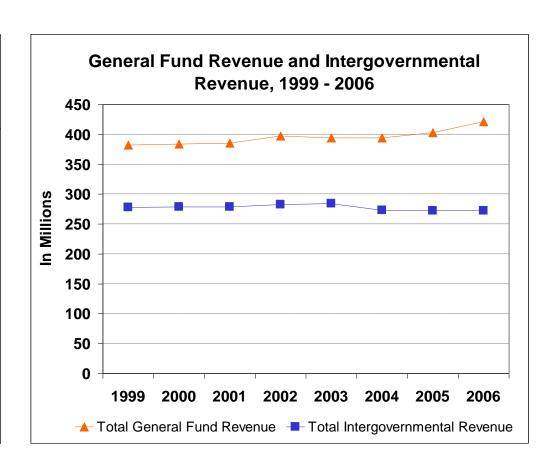
- 1. Diversify own source revenue
- 2. Control operating expenditures
- 3. Manage new borrowing
- 4. Improve health benefit baseline and trend

REVENUE DIVERSIFICATION

- 2006 Budget: \$18.4 million in "own source" GF revenue versus 2005 Budget
- 2006 Budget: \$13 million annual Storm Water charge to ensure Sewer Fund sustainability
- 2007 Proposed: \$9.9 million increase in "own source" GF revenue (> revenue recognition)
- These changes improve long-term outlook
- Shared revenue continues to exert leverage over the City Budget

GENERAL FUND AND INTERGOVERNMENTAL REVENUE

	Total Non- Property Tax Revenue	Total Inter- governmental Revenue
1999	382,479,338	277,943,100
2000	384,289,012	279,056,500
2001	385,743,089	278,731,700
2002	397,183,152	282,750,300
2003	394,394,620	284,217,956
2004	394,605,813	273,548,000
2005	402,931,981	272,544,100
2006	421,312,452	272,233,000



EXPENDITURE CONTROL

- 1999-2006 Department Expenses: 1.3% annual average change
- 2007 Proposed: 2.4% increase
- 2008 Projection: ~ 2% increase
- Current services/service delivery modes require ~ 4% annual increase

DEPARTMENT EXPENDITURE TRENDS: 2000-2006 BUDGETED

	Amount	Change
2000	\$392.15	1.30%
2001	\$399.83	2.00%
2002	\$401.10	0.30%
2003	\$400.49	-0.20%
2004	\$408.95	2.10%
2005	\$409.75	0.20%
2006	\$422.34	3.10%

MANAGE BORROWING

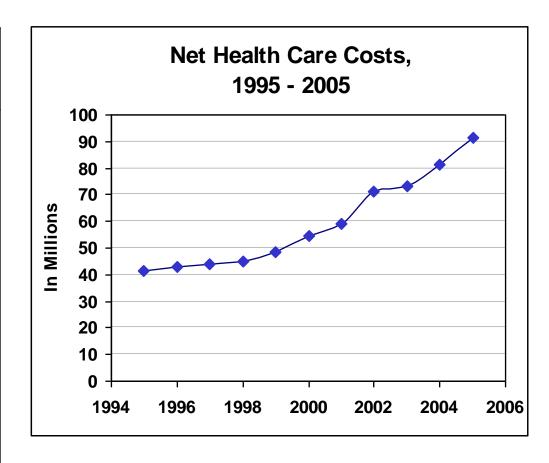
- 2007 Debt levy is 33% > 1999
- 2003 City/school purpose authorizations = \$75 million
- 2007 Proposed authorizations = \$61 million
- Goal: by 2008 limit new authorizations to ~ \$57 million
- Goal matches new authority with debt retirement
- Stabilize debt levy by 2010

IMPROVE HEALTH BENEFIT BASELINE AND TREND

- 1999-2005: 14.8% average annual increase in net City costs
- DER strategies reduce cost growth for 2007
 - Basic Plan provider rates & discounts
 - Basic Plan drug benefit carve out
 - Proactive review of provider charges

TOTAL NET HEALTH CARE COSTS

	Net Health Care Costs	% Change in Net Health Care Costs
1995	41,621,157	
1996	42,887,904	3.0%
1997	44,142,119	2.9%
1998	44,991,608	1.9%
1999	48,288,824	7.3%
2000	54,503,405	12.9%
2001	59,305,586	8.8%
2002	71,428,102	20.4%
2003	73,203,354	2.5%
2004	81,525,883	11.4%
2005	91,171,205	11.8%



KEY CHALLENGES

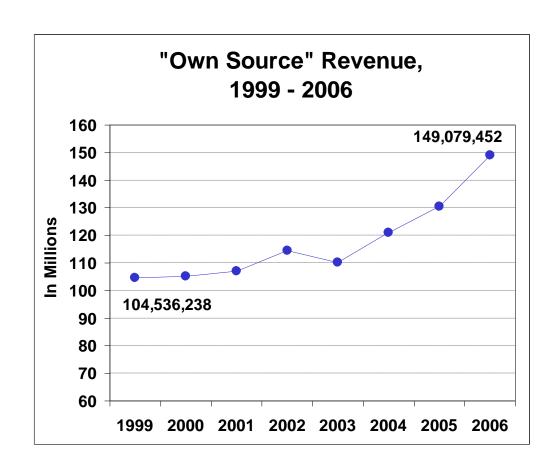
- Achieve ongoing reduction to health benefit cost trend
- Maintain borrowing discipline in context of infrastructure needs
- Improve revenue structure
- Manage energy cost volatility

Revenue Diversification

- Continue moderate own source growth through 2008
- Identify charge opportunities for "nonstandard" service levels
- Achieve a means of sharing in State revenue growth

"OWN SOURCE" NON-PROPERTY TAX REVENUE

	"Own Source" Revenue
1999	104,536,238
2000	105,232,512
2001	107,011,389
2002	114,432,852
2003	110,176,664
2004	121,057,813
2005	130,387,881
2006	149,079,452



Expenditure Control

- Manage annual reductions to baseline trend
- Achieve productivity improvements and reduce workers compensation trend
- Sustainable health benefit structure and improved revenue structure would reduce potential need for service cuts

Manage New Borrowing

- Review assumptions on facilities/systems projects
- Implement capital planning & management improvements
- Integrate disposal of surplus assets within capital planning
- Reduce TIF-related debt service volatility

Improve Health Benefit Baseline and Trend

- Convergence of HMO and Basic Plan cost leads to need for new strategies
- Build on Basic Plan innovations
- Negotiate sustainable plan design
- Negotiate incentives to improve the "20/80" trend line

2007 PROPOSED BUDGET: "BOTTOM LINE"

City-wide Impact

- Total Budget: +1.6%
- Operating Budget: +2.7%
- Department Expenses: +2.4%
- Tax Levy: +3.3%
- Tax Rate: -8.7%

2007 PROPOSED BUDGET: "BOTTOM LINE"

Typical Household Impact *

- Tax Levy: +\$27.75 (+2.7%)
- Municipal Services Bill: +\$16 (+4.1%)
- Total Increase: +\$43.75 (+3.1%)

* Impact is based on 2005 and 2006 median home value of \$116,798 and \$131,421, respectively. Impact assumes Public Service Commission approval of City water rate case.

Public Safety

- Increase Police strength to highest level since 2000
- Shift resources to crime fighting via Community Service Officers and Police Service Specialists
- Continue community prosecution efforts
- Support accountability via strengthened Fire and Police Commission
- Fund 12th Fire Dept. MED unit and arson investigation unit

Nurturing Investment

- Provide TIF capacity for downtown and neighborhood projects
- Increase neighborhood infrastructure and Port funding
- Support Villard Avenue redevelopment planning
- Implement Affordable Housing Initiative

Workforce Development

- Incorporate training with ED financial assistance when feasible
- Focus Job Corps partnership so graduates are prepared for local & regional economy
- Improve access to jobs via Drivers License Restoration Initiative
- Expand youth employment efforts

Early Childhood Conditions

- Implement Columbia/St. Mary's infant mortality initiative
- Improve School Readiness via Immunization
- Continue lead poisoning risk reduction and abate 1300 units in 2007
- Begin Fire Dept. "Sleep Safe" program

Environmental Protection

- Improve neighborhood cleanliness via new approach to nuisance litter enforcement
- Protect water resources via increase to sewer rehabilitation funding
- Enhance storm water management via Sustainable Boulevard Plan

QUESTIONS AND DISCUSSION

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