

2017



Legislative Reference Bureau

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# DEPT OF NEIGHBORHOOD SERVICES

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## 2017 Proposed Plan and Executive Budget Review

Prepared by: Aaron Cadle, Legislative Fiscal Analyst  
Budget Hearing: 9:30 am on Friday, October 7, 2016  
Last Updated: October 2, 2016

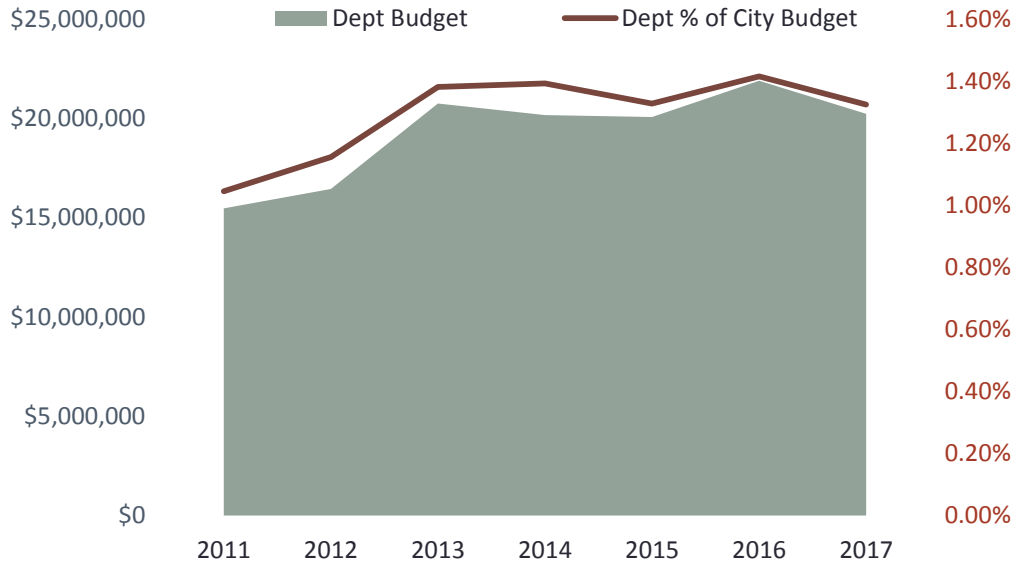
**Final Version**



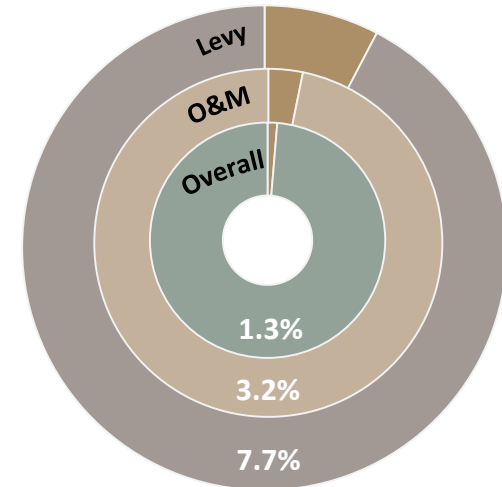
**\$20,227,833**  
Proposed 2017 Budget

**\$1,665,338**  
Change in Proposed Budget

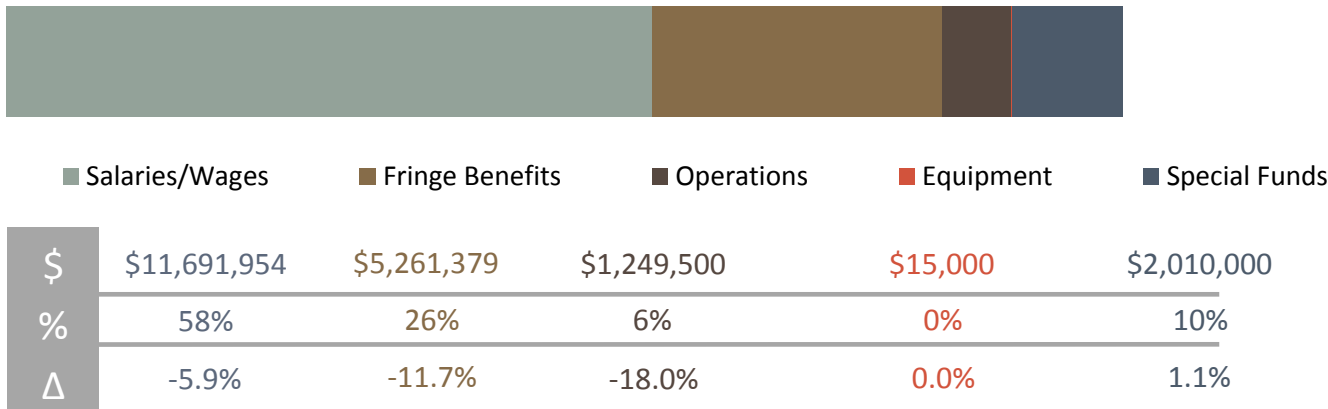
**7.6%**  
% Change in Proposed Budget



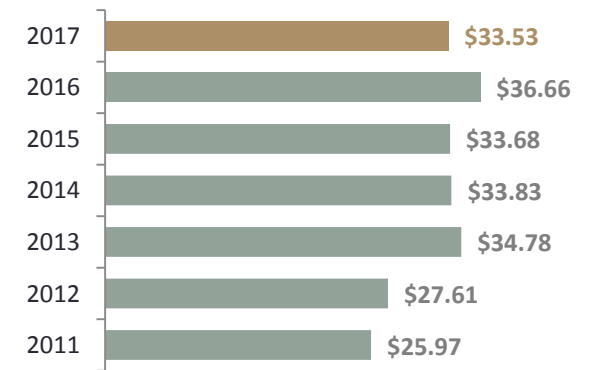
Departmental Budget Impact



Departmental Budget Appropriation Category



Budget per Capita



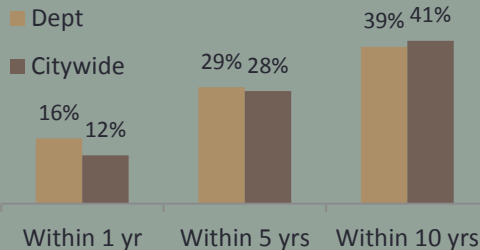
**\$-1,427,500**

Combined decline in salaries (\$-727,500) and fringe benefits (\$-700,000).

**\$261,500**

Increase in projected 2017 salary costs over the 2016 adopted budget due to reclassification of positions for the department's career ladder program.

**Retirement Eligible**



**-4**

Change in Positions

**-1.4%**

% Change in Positions

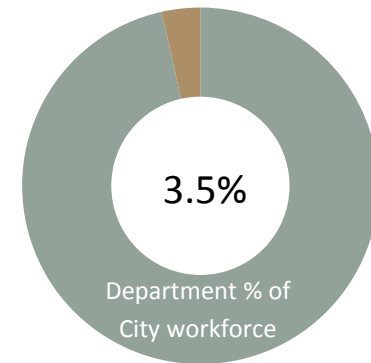
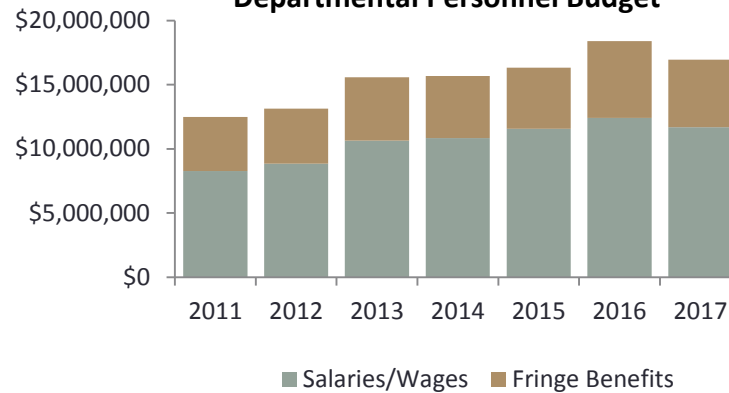
**14**

Current Vacancies

**11**

Voluntary Separations

**Departmental Personnel Budget**

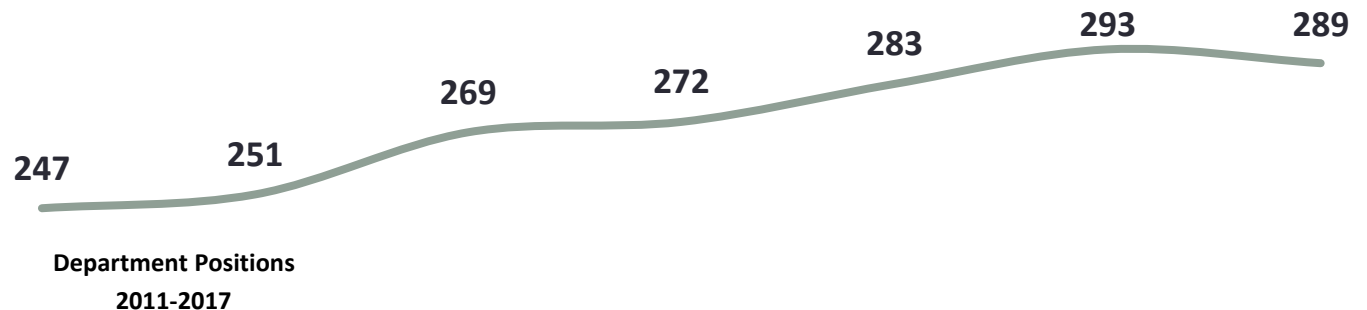


**Career Ladder**

- 52 employees have progressed at least one pay grade since the beginning of the Career Ladder Program in 2012. Average annual pay raise was \$5,289, or 10.5%.
- 15 employees have progressed 2 or more pay grades since 2012. Average annual pay raise was \$5,528, or 11%.

**\$1.4 million - Reimbursable Services**

An \$800,000 increase in reimbursements for services provided to Milwaukee Water Works for more frequent cross-connection inspections is included in the 2017 Proposed Budget. Net 2017 projections for reimbursements are up \$550,000 (64%) over the 2016 Adopted Budget, which was in turn up 71% over the 2015 Adopted Budget.



**\$-2,637,000**

Approximate decline in department fee revenue attributable to Wisconsin Legislative Act 176.

**34**

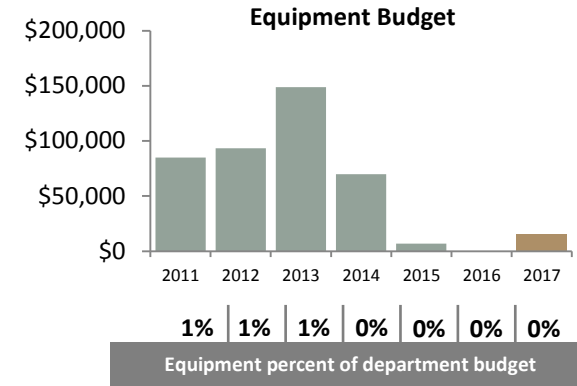
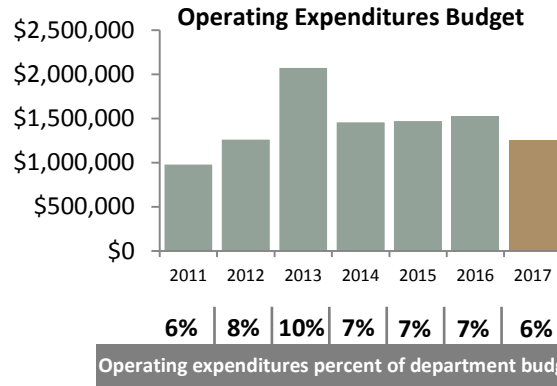
Code Compliance Loan Program loans totaling \$418,118 closed in 2015.

**\$300,000**

60% increase in 2017 proposed funding for the Code Compliance Loan Program.

**4,202**

Properties currently registered in the City's Vacant Building Registry.



**Code Compliance Impact of Wisconsin ACT 176 (enacted in February, 2016)**

- Repeal of City's Chronic Code Violation Nuisance ordinance which allowed the City to charge escalating, monthly reinspection fees on properties deemed chronic code violation nuisances to gain code compliance.
- Repeal of the City's Certificate of Code Compliance Program.

**Revenue and Other Impacts of ACT 176**

- Decline in departmental revenues due to limits set on amount charged for reinspection fees of non-code-compliant residential rental properties.
- Repeal of the City's Residential Rental Inspection Certificate Program.
- Limit the information collectable as part of the City's Vacant Building Registration and Registration of Residential Properties Pending Foreclosure programs.

**Vacant Building Registration**

The department performed 52,724 inspections during 2015 in conjunction with the Vacant Building Registration at a cost of \$374,000. Fees for services totaled \$2,412,900, \$2,038,900 more than direct costs.

**2015 Code Compliance Loan Program**

- Average loan amount – \$12,298 (\$15,000 cap).
- Average borrower age – 59.
- Average borrower household income - \$19,526.
- Household income of 41% of borrowers below the federal poverty line.
- 8 of 34 properties “underwater”.

**\$7,432,000**

Projected 2017 surplus (revenues exceeding expenses) – down 32% from actual 2015 surplus of \$10,984,000.

**\$1,100,000**

State funding of property demolitions.

**16**

Deconstruction projects completed in 2015. Average cost - \$19,150/project. Deconstruction helps support 50 full time jobs in non-profit training programs.

**7,808.5**

Residents Preference Program hours worked on deconstruction projects in 2015. 60% of workers were RPP-certified.

**Revenue Decline**

While projected O&M costs of \$20,227,833 for 2017 are virtually unchanged, projected revenues are down \$4.3 million from actual 2015, due primarily to declines in service revenues and grant funding.

**Decline in Grant Funding**

Projected 2017 grant funding is down 64% (\$1.8 million) from actual 2014, although is up 15% from 2016’s adopted budget.

**Proposed Property Demolitions Budget**

2017 proposed property demolition budget of \$2,100,000 is down \$100,000, or 5%, from the 2016 Adopted Budget. This amount will be supplemented with \$1,100,000 in State funding.

**2017 Projected Property Demolitions**

- 131 mechanical demolitions of residential and some small commercial properties.
- 7 commercial properties (funding to be supplemented by CDBG funding).
- 20 deconstructions of residential properties.
- 90 demolitions performed by DPW through that department’s budget.

**Possible increase in 2016 Per-deconstruction costs**

The department projects to complete at least 11 deconstructions in 2016; however, one contractor responsible for 5 deconstructions may fail to complete. If these deconstructions are shifted to another contractors, the per-deconstruction cost will increase, possibly as much as 20-25%.

**Land Management System - LMS**

Set for launch October 3, 2016 – delayed from the 2015 target-date of 1<sup>st</sup> quarter 2016 .

**Property Demolition – Raze Order Backlog**

Currently there are 427 orders issued by the department to raze dilapidated properties pending, down from 493 last year. At an average mechanical demolition of \$15,000 per property, this represents a pending liability of \$6.4 million. If the department completes the 241 demolitions it’s projecting for 2017, 186 properties (a possible \$2.8 million liability) will remain on the raze backlog, assuming no new property raze orders are issued.

**Residential Mortgage Default Registry – Never Implemented**

Repealed by Common Council before it took effect in response to the City Attorney’s opining that negotiations with mortgage services like NationStar and Ocwen Financial would be a more effective means of gathering the desired information.

**Surplus from Department of Neighborhood Services’ Operations**

Measure	2014 Actual	2015 Actual	2016 Adopted	Change	2017 Proposed	Change
<b>O&amp;M</b>						
Salaries and Wages	\$10,836,986	\$11,565,871	\$12,419,430	7.40%	\$11,691,954	-5.90%
Fringe Benefits	\$4,839,047	\$4,756,191	\$5,961,326	25.30%	\$5,261,379	-11.70%
Operating Exp.	\$1,442,846	\$1,469,775	\$1,523,415	3.60%	\$1,249,500	-18.00%
Equipment	\$48,702	\$6,796	\$0	-100.00%	\$15,000	N/A
Special Funds	\$2,961,005	\$2,268,807	\$1,989,000	-12.30%	\$2,010,000	1.10%
<b>O&amp;M Total</b>	<b>\$20,128,586</b>	<b>\$20,067,440</b>	<b>\$21,893,171</b>	<b>9.10%</b>	<b>\$20,227,833</b>	<b>-7.60%</b>
<b>Funding</b>						
Service Revenues	\$27,907,137	\$28,682,027	\$27,914,900	-2.70%	\$25,771,800	-7.70%
SPA's	\$160,936	\$201,509	\$130,000	-35.50%	\$130,000	0.00%
Grant Funded	\$2,841,563	\$1,142,502	\$871,718	-23.70%	\$1,002,884	15.00%
Reimbursables	\$727,463	\$1,025,603	\$1,295,529	26.30%	\$755,213	-41.70%
<b>Total Funding</b>	<b>\$31,637,099</b>	<b>\$31,051,641</b>	<b>\$30,212,147</b>	<b>-2.70%</b>	<b>\$27,659,897</b>	<b>-8.40%</b>
<b>Net Surplus</b>	<b>\$11,508,513</b>	<b>\$10,984,201</b>	<b>\$8,318,976</b>	<b>-24.30%</b>	<b>\$7,432,064</b>	<b>-10.70%</b>