

What makes up the \$95 million budget deficit in 2023?

Annual Inflationary Cost Increases

- Projection assumes a “cost to continue” budget.
- Cost increases to maintain current service levels in 2023 = an add'l **\$15M** of expenses.
- *Key assumptions:*
 - *Salaries & Wages:* +2%
 - *Operating Expenditures:* +2.4%
 - *Equipment:* +1%
 - *Employee Health Care:* +4%
 - *Debt Service:* +9.9%

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Use of ARPA Revenue Loss Funding in 2022 Budget

- The 2022 budget used \$30 million of ARPA revenue loss dollars to plug a budget hole for one year.
- These ARPA funds are removed from the 2023 budget projection
 - One-time revenues used in 2022 are not assumed in future budgets.
- This accounts for **\$30 million** of the \$95 million 2023 budget deficit in the financial model.

What makes up the \$95 million budget deficit in 2023?

Increase in Pension Payment

- Every five years, the City's required contribution to the Pension Fund is adjusted. 2023 will be the first year of the new annual contribution amount.
- The preliminary estimated increase to the Pension Fund contribution in 2023 is **\$50 million**.

What makes up the \$95 million budget deficit in 2023?

Summary of projected \$95 million deficit in 2023

- Inflationary Cost Increases:
 - +\$15 million
- Use of One-time ARPA Revenue Loss in 2022 Budget:
 - +\$30 million
- Increase in Pension Payment:
 - +\$50 million

ARPA Revenue Loss

Calculation

- The amount that can be spent under the Revenue Loss category is determined by using a formula set by the U.S. Department of Treasury.
- The formula starts with the amount of revenue that the City actually received in 2019 (the last full year before the pandemic) adds 5.2% each year, and then compares that number with the amount of revenue the City *actually* received.
- The difference between the *projected* revenue and the *actual* revenue is the amount that is considered “Revenue Loss”.
- Since we don’t know exactly how much revenue the City will *actually* collect, the amount of Revenue Loss that we’re expecting in 2023 and 2024 is an estimate at this point.

ARPA Revenue Loss

Strategy

- The administration's strategy for using ARPA Revenue Loss in 2023 and 2024: Fund ongoing City operations in order to avoid reductions in services to residents.
- This strategy is consistent with the purpose of ARPA: avoid cuts to government services.
- Based on the ARPA formula, the estimated Revenue Loss in 2023 and 2024 will total about \$160 million.
- The administration's plan is to use \$80 million of Revenue Loss in both the 2023 and 2024 budgets to fund City services and avoid service cuts.

ARPA Revenue Loss

What would \$80 million budget reduction look like?

- An \$80 million reduction to the General Fund budget in 2023 involves the equivalent of:
 - Staffing and services reduced by 22%
 - Elimination of 1,150 funded positions
- For context, an \$80 million cut is equivalent to **eliminating ALL of these departments:**
 - Department of Administration
 - Assessor's Office
 - City Attorney
 - Department of City Development
 - City Treasurer
 - Common Council/City Clerk
 - Comptroller
 - Election Commission
 - Department of Employee Relations
 - Milwaukee Public Library

ARPA Revenue Loss

What will ARPA Revenue Loss actually pay for in 2023 and 2024?

- City operations that would otherwise be funded with tax levy dollars
- In the 2022 Budget, certain City expenses were budgeted using ARPA Revenue Loss funding instead of tax levy funding.
- If revenue loss use is available, part of the 2023 budget development will involve identifying the best use of ARPA funds to maintain services, including compliance with federal purchasing guidelines and minimizing administrative burdens
- After Budget Requests from departments have been received and analyzed, the Budget Office can provide more detail on the types of services that will be funded with ARPA Revenue Loss in 2023

ARPA Revenue Loss

What will ARPA Revenue Loss actually pay for in 2023 and 2024?

- Possible examples:
 - Fire Department Engine Companies and Emergency Medical Services
 - Library Services and Early Childhood Programs
 - Vacant Lot Maintenance
 - Health Department Services
 - Routine Costs for City Operations
 - Facility Maintenance and Energy Costs
 - Administrative functions- accounting, office staff, HR, IT, etc.
 - Others to be determined

Summary of ARPA Proposal

Category	2023	2024	Total
Revenue Loss	\$80,000,000	\$80,000,000	\$160,000,000
Housing Capital	\$4,700,000	\$4,700,000	\$9,400,000
Administration & Compliance	\$1,250,000	\$1,250,000	\$2,500,000
Subtotal	\$85,950,000	\$85,950,000	\$171,900,000
<i>ARPA Task Force</i>	<i>\$25,213,325</i>		<i>\$25,213,325</i>
<i>Total ARPA 2nd Tranche</i>			<i>\$197,113,325</i>

Other ARPA Proposals

- \$4.7 million in each year (2023 & 2024) for Housing-related Capital Programs
 - Strong Homes Loans, In Rem Property, Housing Infrastructure Preservation, Demolition/Deconstruction, Code Compliance Loans
- \$1.25 million in each year (2023 & 2024) for ARPA Administration and Compliance staff
 - Funds 3 new positions and 8 existing positions