



Department of Administration
Budget and Management Division

Tom Barrett
Mayor

Sharon Robinson
Administration Director

Dennis Yaccarino
Budget and Management Director

August 31, 2021

Mayor Tom Barret
Common Council Members

Dear Mayor and Council Members,

The American Rescue Plan Act includes a provision for lost revenue usage. It allows the amount of lost revenue from the pandemic to be used to fill budget shortfalls and avoid cuts to services. The City can spend these funds on almost any government service or expenditure except debt interest and principal payments, direct pension contributions and replenishing reserves.

The amount of revenue loss is calculated through a formula using allowable revenues. The allowable revenues are included in the US Treasury guidelines. They exclude internal transfers between funds, utility revenue, and payments from the Federal Government. Using the guidelines, City revenue for 2019 was \$831.3 million and \$811.7 million in 2020.

The formula then calculates what the revenue should have been under normal circumstances in 2020. You can use either annual growth of 4.1% or the actual average growth between 2015 and 2018, whichever is greater. For Milwaukee, the annual growth of 4.1% is greater and is used to estimate the reduction in revenue experienced due to the COVID-19 public health emergency. Using 4.1%, the City should have had revenues of \$865.4 million in 2020. The difference between expected revenue and actual revenue is \$53.7 million as shown in Table 1.

Table 1

2020 Actual Revenue Loss Calculation				
<u>2019 Actual Revenue</u>	<u>Assumed Growth Rate</u>	<u>2020 Assumed Revenue</u>	<u>2020 Actual Revenue</u>	<u>Revenue Loss</u>
\$831,273,000	X 4.1%	\$865,355,193	\$811,738,000	(\$53,617,193)

The Mayor has proposed using \$19.1 million in lost revenue in the Strong Summer Initiative. Detail of the items that use revenue loss in the Strong Summer Initiative is in Table 2. This will leave a balance of \$34.6 million that will retain services in the 2022 City budget. Detail of the items that use revenue loss in the 2022 budget is in Table 3.



Table 2

2020 Revenue Loss Use Strong Summer Initiative	
Street Lighting Repair and Upgrade	\$10,000,000
Reckless Driving	\$6,150,000
Translation Services	\$600,000
City Clean Up	<u>\$2,310,000</u>
Total	\$19,060,000

Table 3

2020 Revenue Loss Use 2022 Budget		
Fire Department	Four BLS units and five engines with 105 firefighter/paramedics	\$14,783,529
Police Department	Three police recruit classes with 65 recruits each	\$6,049,977
DPW Infrastructure	Building Energy account and Construction Supplies account	\$4,245,000
DPW Operations	Operating costs not funded by user fees	\$3,096,000
Department of Neighborhood Services	Payment to MADACC for the City of Milwaukee's share of Operating costs	\$1,867,000
Mayor	Early Childhood Education costs	\$315,687
MLK Library	Construction of new branch library	<u>\$4,200,000</u>
Total		\$34,557,193

It is also important for the City to set aside future revenue loss funding. The estimate of the 2021 revenue loss that would be used for 2023 budget purposes is \$54.9 million as shown in Table 4. This estimate is based on preliminary revenue experience. The estimate will change when actual revenues are available in spring of 2022.

Even more difficult is an estimate of revenue loss that would be used in the 2024 budget. At this time, we are using \$50 million as a place holder, since actual revenues will not be available until spring of 2023.

Table 4

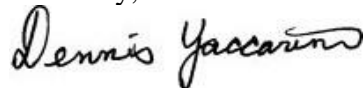
2021 Estimated Revenue Loss Calculation				
<u>2020 Assumed Revenue</u>	<u>Assumed Growth Rate</u>	<u>2021 Assumed Revenue</u>	<u>2021 Budgeted Revenue</u>	<u>Revenue Loss</u>
\$865,355,193	X 4.1%	\$900,834,756	\$845,913,893	(\$54,920,863)

Table 5

Total Revenue Loss by Year	
<u>Budget Year</u>	
2022	(\$53,617,193)
2023	(\$54,920,863)
2024	(\$50,000,000)
Total	(\$158,538,056)

I recommend that the total amount ARPA revenue loss funding (Table 5) be set aside for current and future budgets. Please contact me with any questions.

Sincerely,



Dennis Yaccarino
Budget & Management Director