



Mayor's Public Hearing on the 2017 City Budget

August 16, 2016

**Office of the Mayor and
Department of Administration
Budget & Management Division**

Presentation Goals

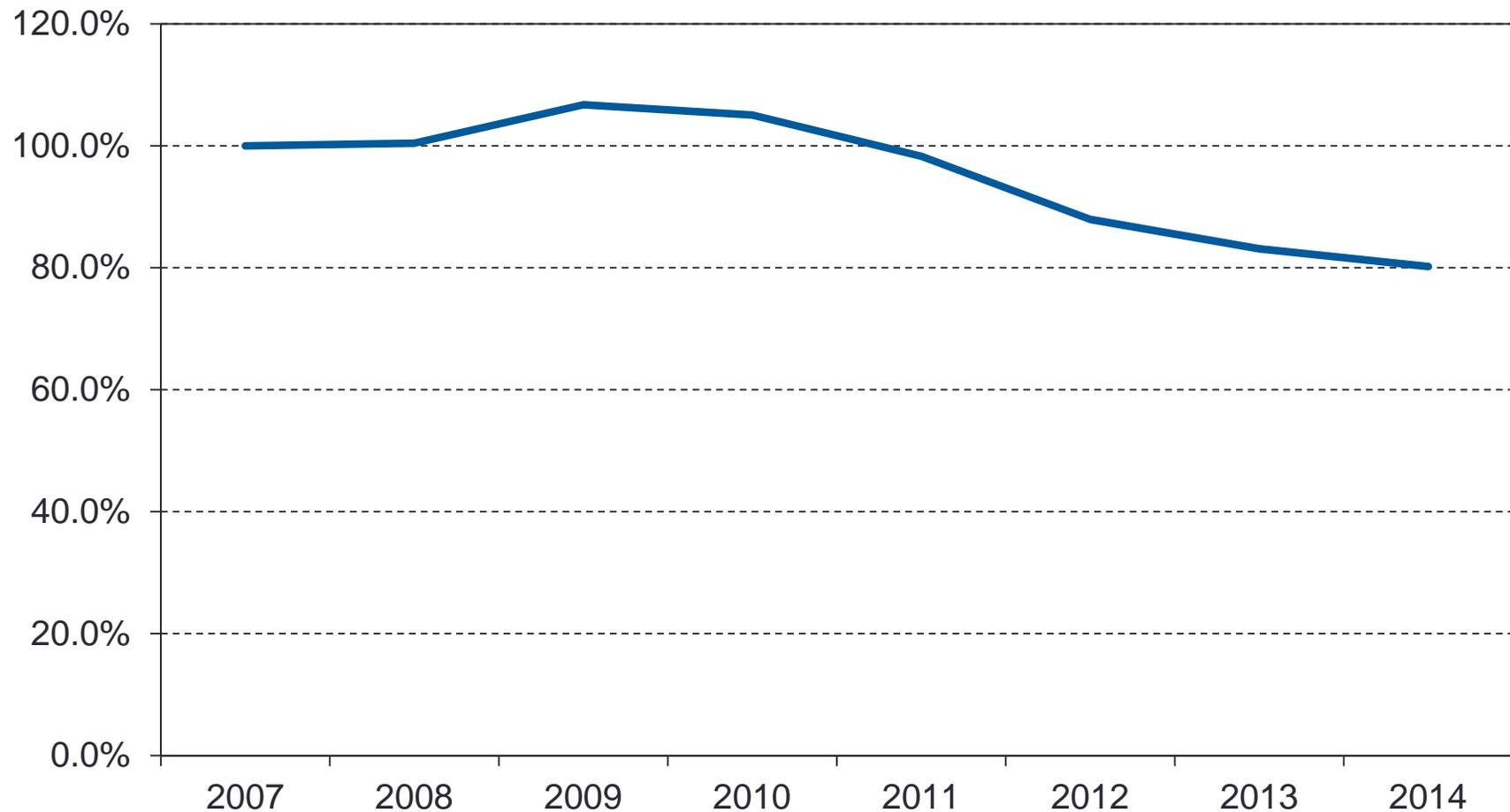
1. Establish an understanding of City budget revenues, expenditures, and structural conditions
2. Highlight Budget commitments to employment & neighborhood improvement
3. Initiate a 2-way discussion about key City objectives and related services
4. Identify key issues for the Police Budget sustainability
5. Provide opportunities for audience input and questions about the Budget

Opening Remarks by the Mayor

Perspective: State Fiscal Policy & City of Milwaukee Budget

1. State fiscal policy towards local governments used to emphasize “equalization.”
2. This policy distributed State tax revenues to local governments and school districts in a manner that made them substantially “equal” in terms of fiscal capacity to provide services and education.
3. In the last 15 years the State has turned away from this policy, especially with respect to municipal governments.
4. Milwaukee is now a donor when it comes to State revenue generated from the City versus State revenue received via local government aid programs.
5. This is especially relevant for Milwaukee given the concentration of poverty in our metropolitan area.

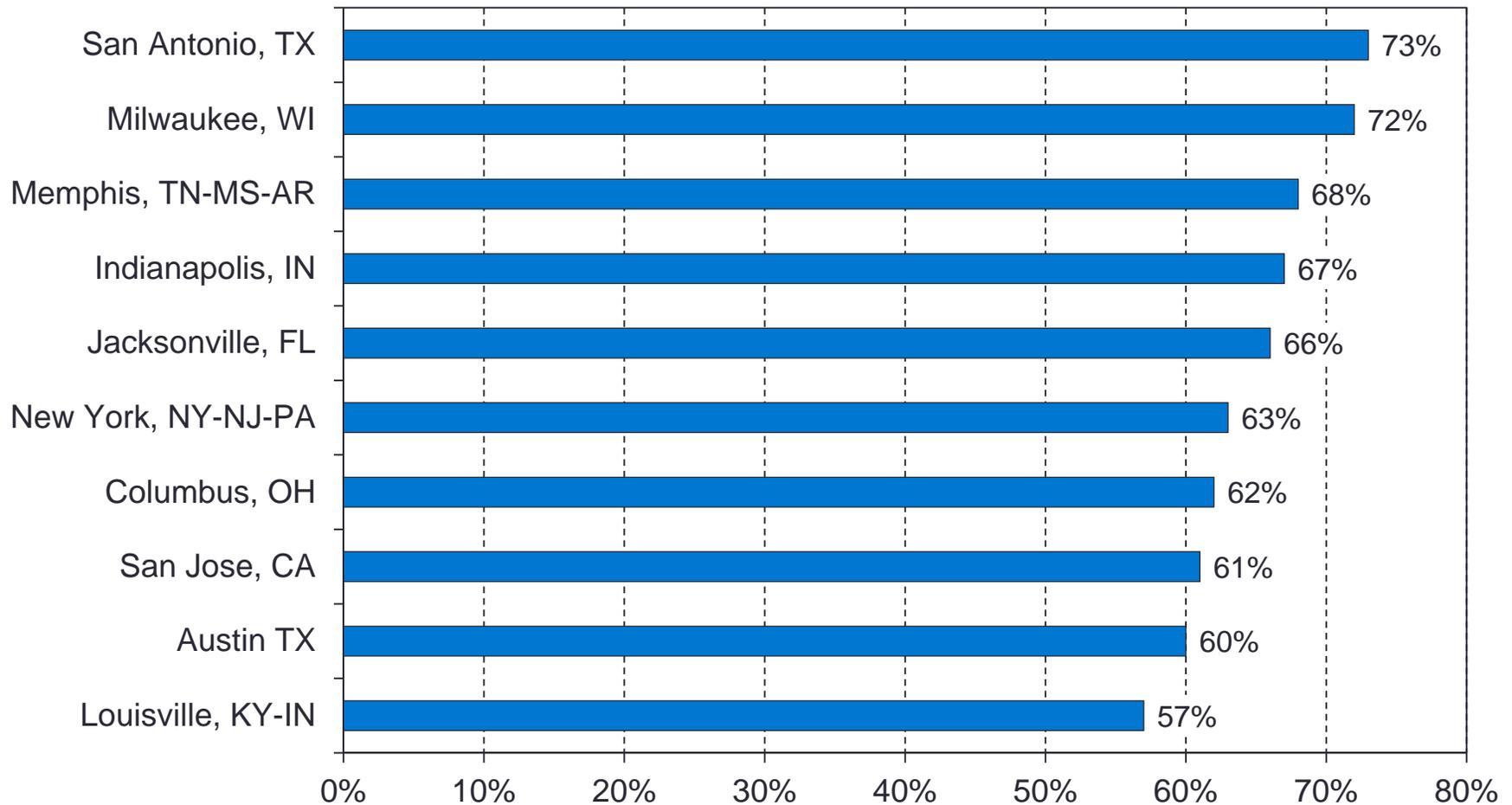
State Aids to Milwaukee Local Governments as a Percentage of State Tax Revenue from Milwaukee



Source: WI Dept. of Revenue, State Taxes & Aids by Municipality & County, years 2007-2014

Poverty Level Share of MSA: Core Cities

Major Metropolitan Areas: 2010: Highest 10



Source: American Community Survey, 2010

City Strategic Objectives

Mission Delivery

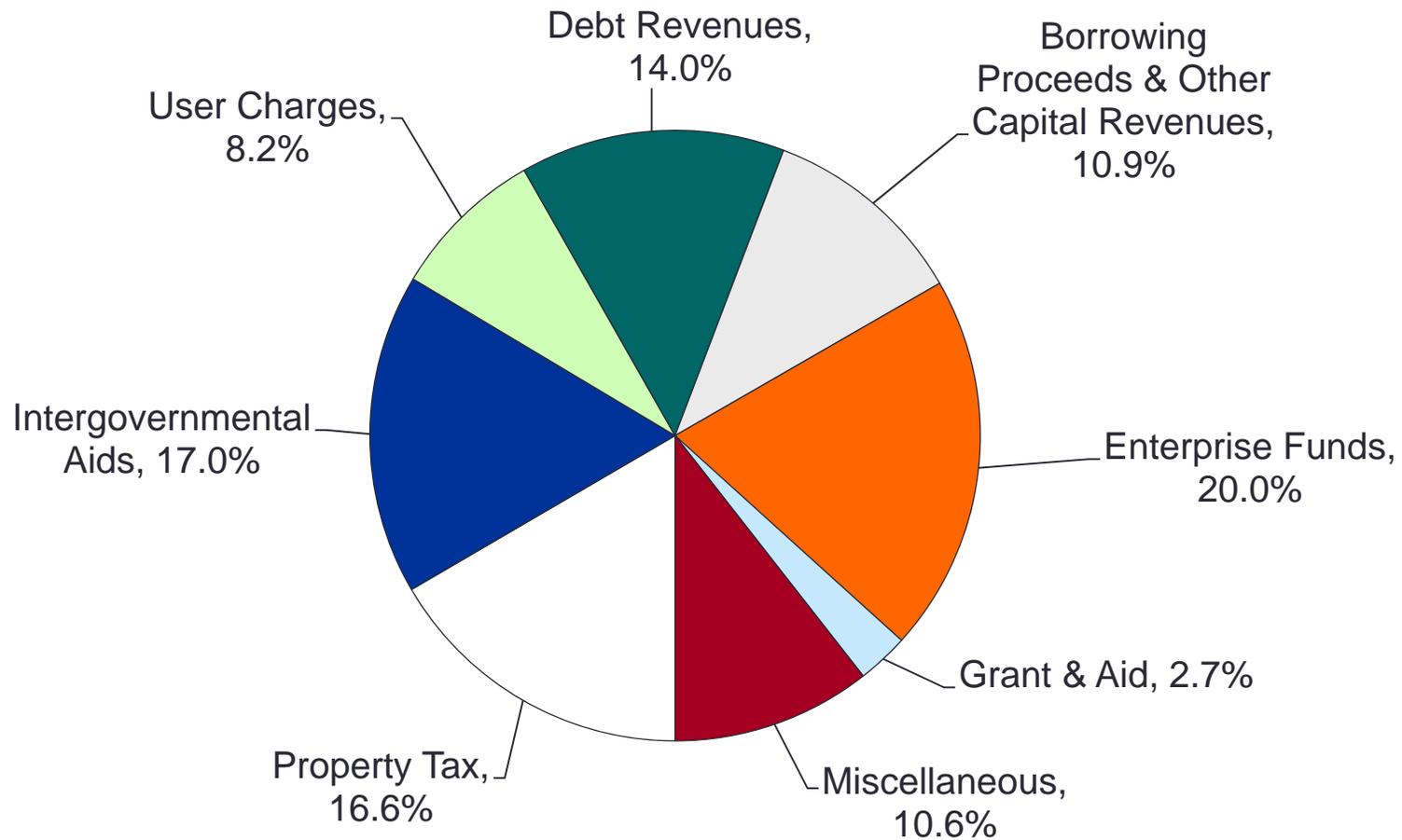
1. Provide safety and stability for all Milwaukee neighborhoods
2. Increase economic opportunity and employment throughout Milwaukee
3. Protect children's health and enable their educational achievement
4. Preserve & leverage Milwaukee's environmental and physical assets

Financial Performance Measures

1. Provide mission critical services through budgets that limit the impact of tax levy and municipal service charge changes on the typical residential property to 3% or less a year
2. Manage long term obligations such as core infrastructure, debt, and pension benefits in a manner that stabilizes ongoing funding requirements

City of Milwaukee

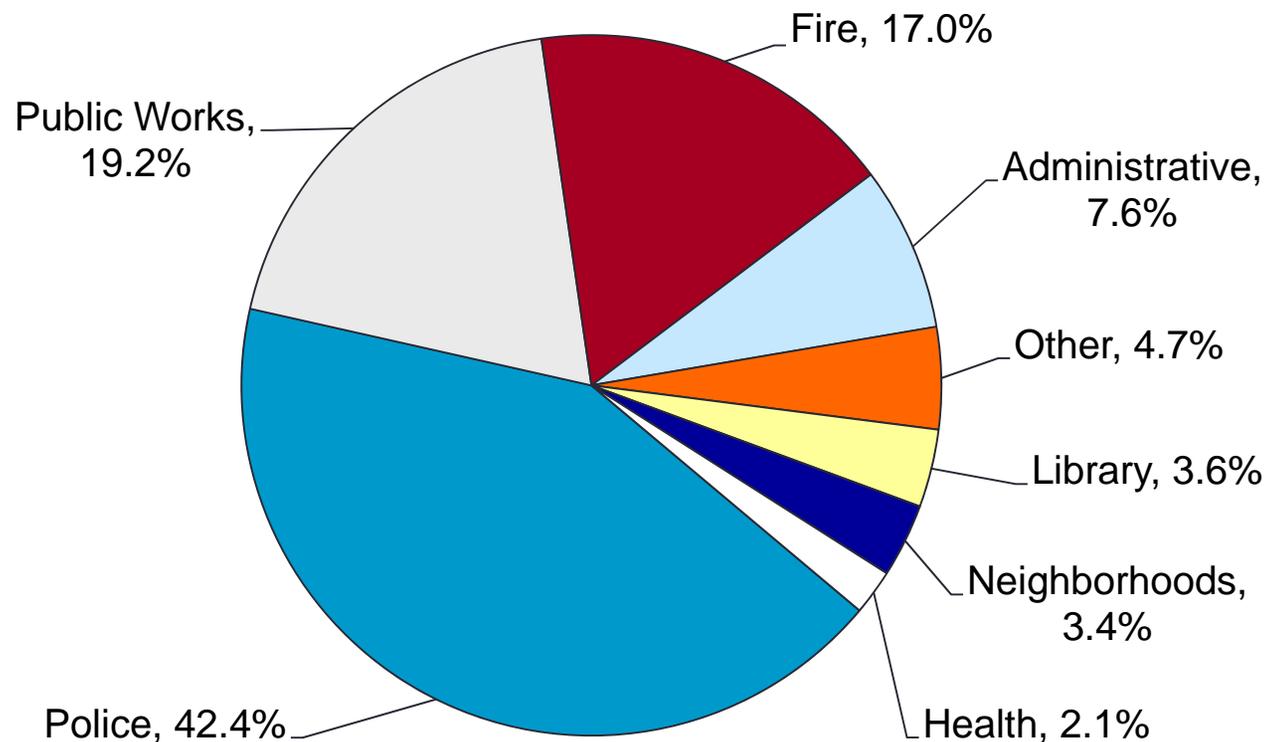
2016 Revenue Sources: All Funds



* Property tax revenue for all levy supported funds . This includes the budgets for the General Fund, Capital Improvements, City Debt, Retirement Provisions and the Contingent Fund.

2016 Distribution of Tax Levy-Funded Operating Budget: By Department

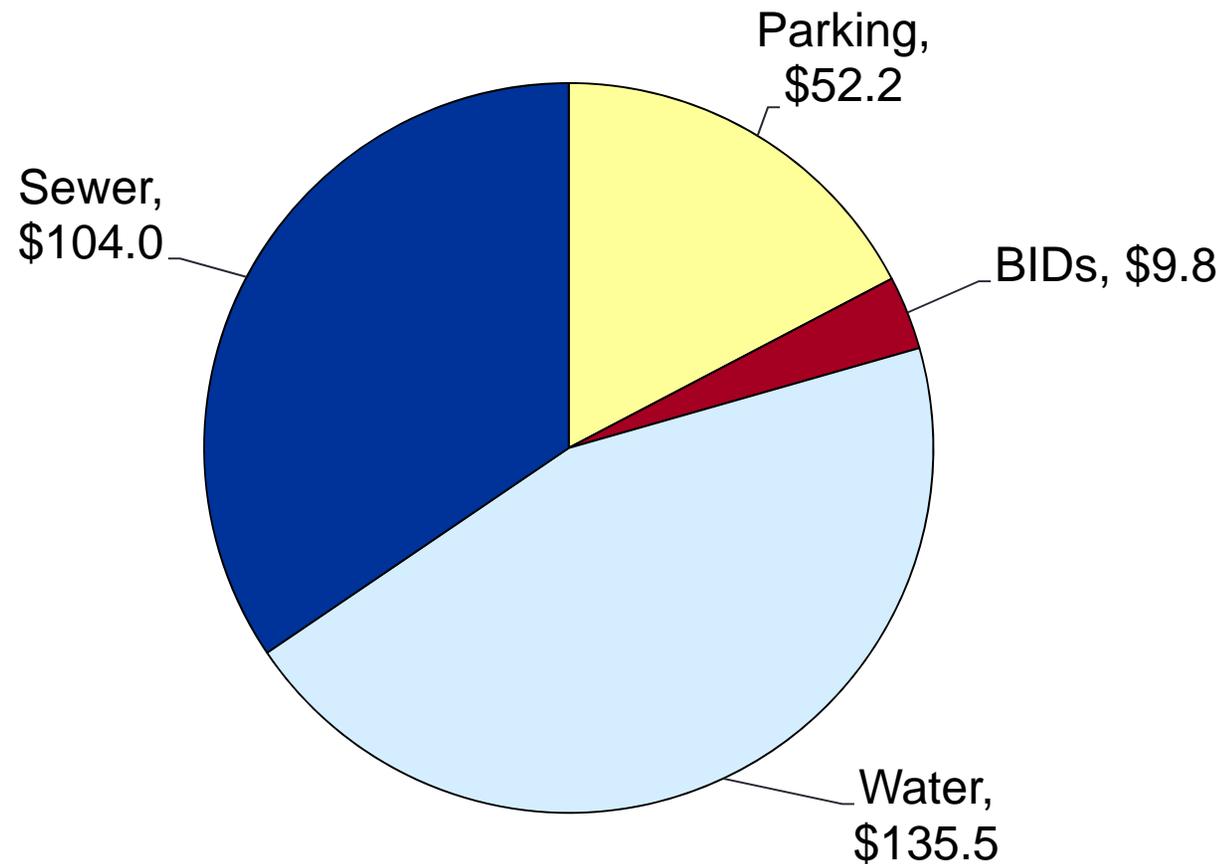
2016 Adopted Budget



Note: Does not include \$291.7 million of DPW-operated Enterprise Funds (Parking, Sewer, Water, nor \$9.8 million of BIDs). DPW, Police, and Fire comprise 78.7% of the 2016 Operating Budget.

City 2016 Enterprise Funds

Total Combined Budget = \$301.5 Million

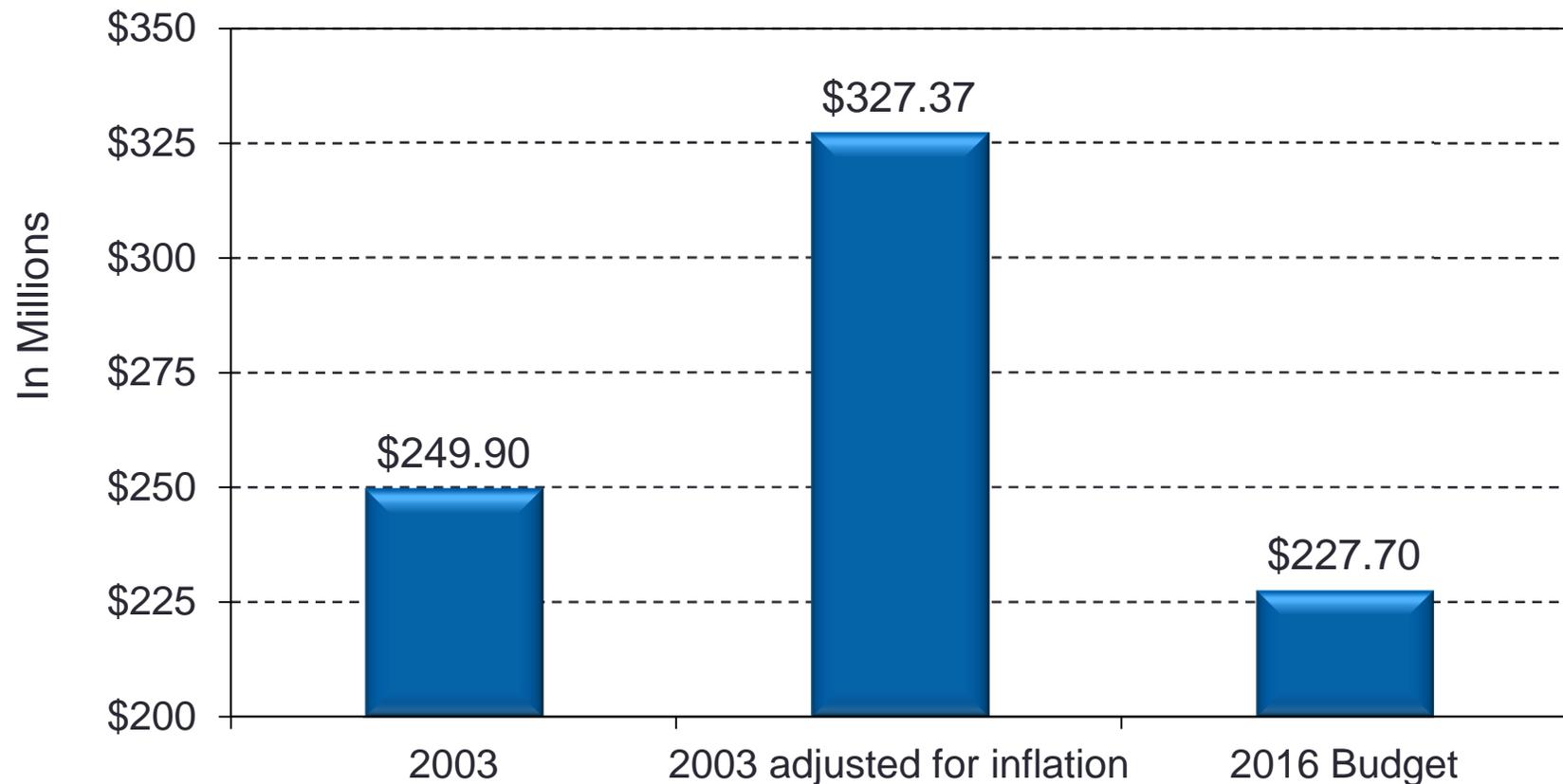


Amounts are in millions of dollars.

Enterprise Funds rely on revenues from their own operations. They receive no property tax support.

State Shared Revenue/ERP Trend

Decline in State Shared Revenue and Expenditure
Restraint Program (ERP) Payments to Milwaukee, 2003 - 2016

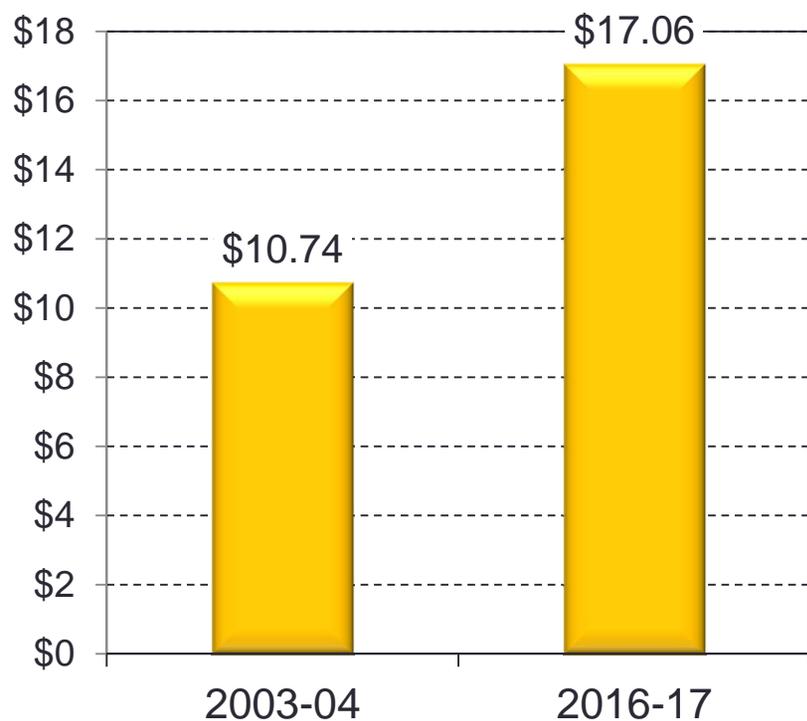


*Inflation adjusted decline in Shared Revenue and ERP payments = - \$99.67 million (-30.4%).
Source: U.S. Bureau of Labor Statistics: CPI-U Tables; City Budget documents*

Trends in State General Purpose Revenue (GPR) and MKE Shared Revenue/ERP Aid: 2003 and 2016

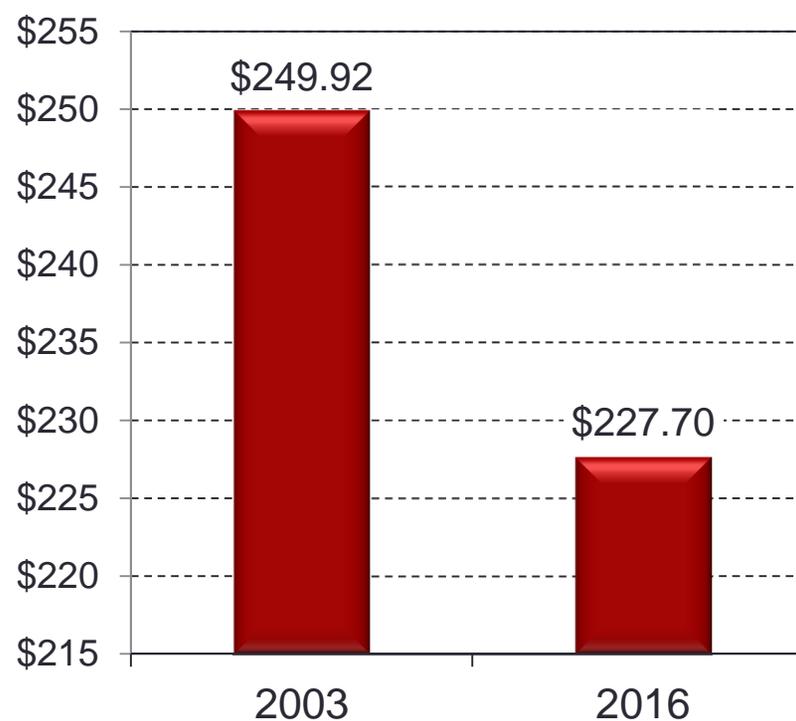
State GPR

In Billions



MKE Shared Revenue/ERP Aid

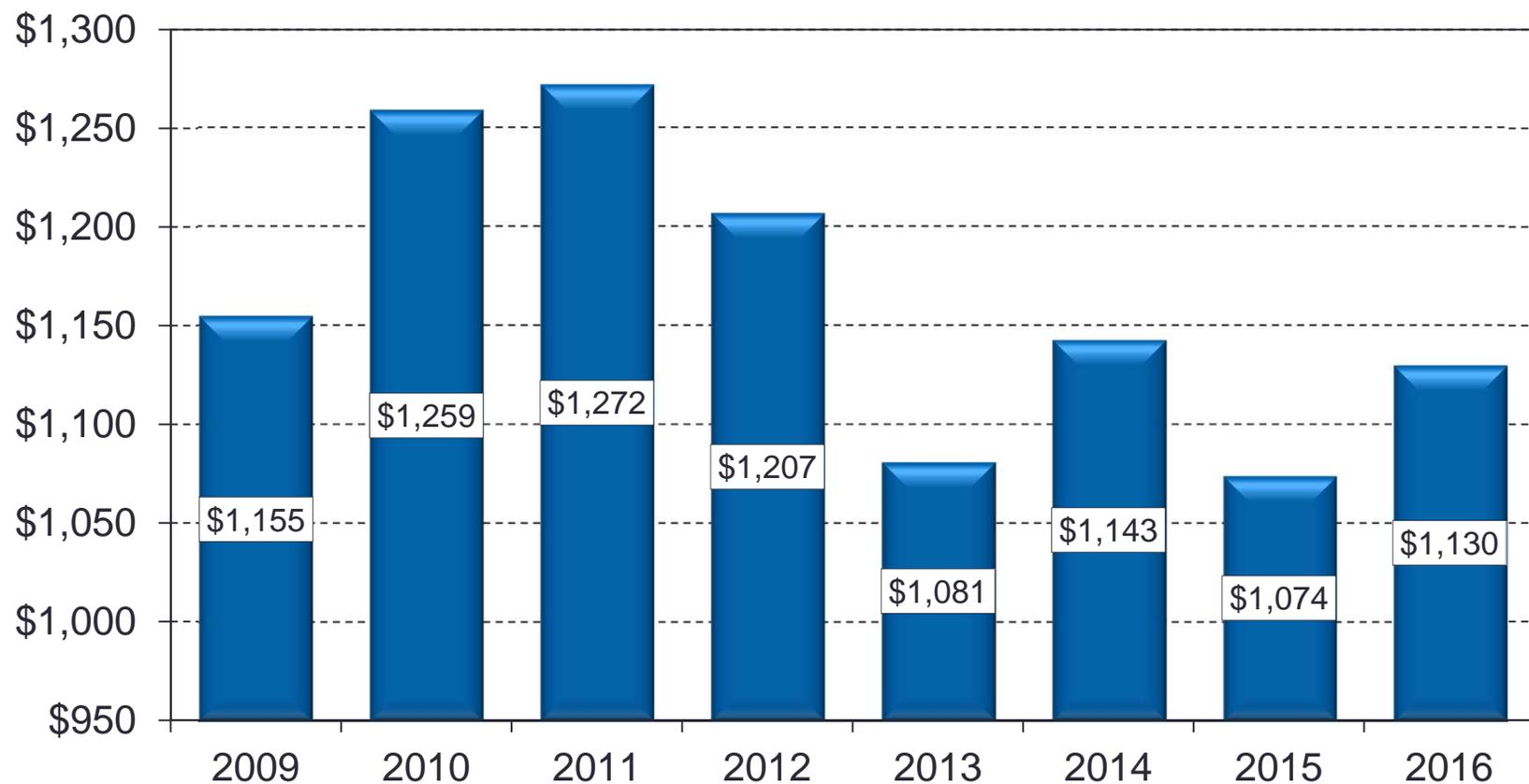
In Millions



Source: WI Legislative Fiscal Bureau; City of Milwaukee Budget Documents

City Debt has Been Stabilizing

General Obligation (GO) Debt Per Capita



Amounts are as of January 1 for the year indicated . GO debt includes levy-supported & self-supporting debt. Source: City of Milwaukee Comprehensive Annual Financial Reports

Overview of 2017 Budget Basics

1. Since 2009, property tax levies for debt service and retirement have increased from 44.9% to 55.6% of the total tax levy.
2. Total Intergovernmental revenues have declined ~ \$10 million since 2009.
3. Non-property tax revenues for 2017 are \$5.4 million less than in 2016.
4. The City's continued eligibility for State Expenditure Restraint Program (ERP) Aid depends on holding the 2017 operating budget increase to + 2%, or \$14 million.
5. Operating Budget requests for 2017 are up \$30.1 million, or 6.4%.

Recent Economic Development, Redevelopment, & Employment Projects

1. The world economy and its privately-owned firms are the primary influences on Milwaukee's economy.
2. The City has proactive strategies aimed at keeping Milwaukee competitive in the face of these global forces.
3. Some of the more important strategies include:
 - ❑ Growing Prosperity-Land Revitalization
 - ❑ Employment Strategies
 - ❑ Strong Neighborhoods Plan

Examples of Growing Prosperity Projects

Land Redevelopment-Recent Examples

1. Menomonee Valley Business Park

- ❑ Current employment: 1,336 jobs
- ❑ Projected to full build out: 80 more jobs within 1 year
- ❑ Potential expansion: 100 more jobs within 4 years

2. Century City

- ❑ Current projection: 100 jobs within 2 years
- ❑ Potential for 600 additional jobs

3. Brewery

- ❑ Current employment: ~ 300 private sector employees

Land Re-Development – Recent Examples (cont'd)

4. Reed Street Yards

- ❑ Current projection: 120 jobs by end of 2016, + ~ 150 at the Global Water Center
- ❑ Total employment potential: ~ 1,800 jobs

5. Northwestern Mutual Life Headquarters

- ❑ Current Projection: 1,900 additional jobs over 15 years

6. Retail “Big Box” Conversions for light manufacturing

Examples of Employment Strategies

1. Compete Milwaukee

- ❑ ~ 100 transitional jobs within City government
- ❑ Links to support services and permanent job placements (Career Pathways)

2. Resident Preference Program (RPP)

- ❑ 2014: estimated 76 FTE jobs for RPP participants
- ❑ 2014: \$4.4 million earned by RPP participants
- ❑ Should grow in 2016 & 2017 with major projects coming on line

Examples of Employment Strategies (cont'd)

3. Mayor's Manufacturing Partnership

- ❑ Purpose is to address skills development to link unemployed City residents and open manufacturing positions
- ❑ Accomplished following outcomes in 2015:
 - ✓ 388 City residents employed in manufacturing jobs
 - ✓ 110 Unemployed job seekers trained on the job
 - ✓ 385 City residents with prior manufacturing experience connected with new jobs
 - ✓ 466 City residents received training to advance their skill

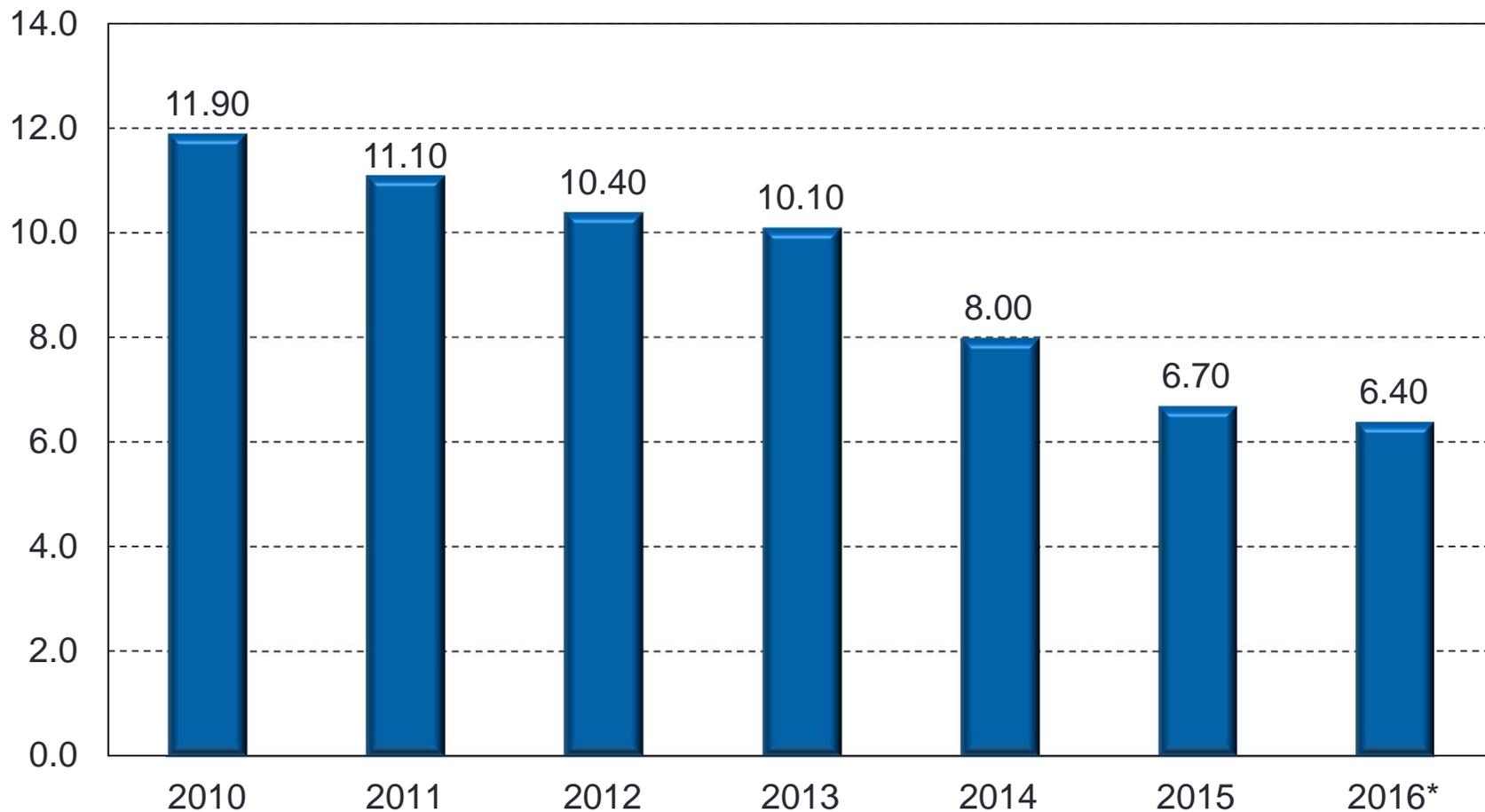
4. Mayor's Earn & Learn Youth Employment Program

- ❑ ~ 3,100 youth average annual placements via a City/private sector/non-profit partnership

Small Business Initiative - Kiva City Milwaukee

- ❑ Program launched in February, 2015 as part of City efforts to support small businesses
- ❑ The goal of Kiva is to “enable underserved, financially excluded entrepreneurs to crowd fund 0% interest loans from Kiva’s global lender community.”
- ❑ Borrowers demonstrate creditworthiness through social capital as opposed to credit history, cash flow or collateral
- ❑ Fundraising provides members of the community and others the opportunity to support local businesses by lending as little as \$5
- ❑ As of May 20, 2016 Kiva City Milwaukee has funded 80 small business loans, totaling \$430,750
- ❑ 38% of loans have been for startups or businesses in operation less than one year; median House Hold income of borrowers = \$33,850

Unemployment Rates for Milwaukee Residents, 2010 - 2016



* 2016 - Rate as of June 2016.

Source: State of Wisconsin, Dept. of Workforce Development

Strong Neighborhoods Plan (SNP)

1. Initiated in 2014 to respond to housing issues caused by Global Financial Crisis
 - ❑ Followed upon City's implementation of federally-funded Neighborhood Stabilization program
 - ❑ \$36-\$37 million of SNP total funding in the 3 years 2014 and 2016
2. City's increased 2014-16 funding commitments for neighborhoods: levy-supported Capital Budget funding has included:
 - ❑ Core infrastructure: ~ \$249 million
 - ❑ Housing & Commercial Revitalization: ~ \$20 million
 - ❑ Neighborhood Libraries: ~ \$14 million
3. Five neighborhood based Tax Incremental Districts (TIDs)
4. Millions of \$ invested in neighborhood commercial districts

In Rem Property Sales

	2014 Actual	2015 Actual	2016 Goal
Improved Properties	437	527	400
Vacant Lots	99	250	200

- ❑ The City prioritizes resale of foreclosed properties to private parties
- ❑ Approximately 60% of the sales are to owner-occupants
- ❑ About 70% of the city's 2014-2015 improved property sales occurred in Districts 1, 6, 7, and 15.

SNP Loan Programs

	2015 Actual	2016 Goal	2016 – thru May
Compliance Loans	34	40	12
STRONG Homes Loans	91	50	71

Compliance Loans

- ❑ Low-income owner occupants with open DNS orders
- ❑ Deferred payment loans with 0% interest
- ❑ 34 loans in 2015
- ❑ 12 approved thru May 2016

STRONG Homes Loans

- ❑ Lend to “gap” in existing market
- ❑ Owners are “underwater”, low-moderate income, properties needing refurbishment
- ❑ 71 loans closed thru May 2016

Challenge Grant Program

1. Program rationale:

- ❑ Encourage efforts to improve multiple properties within a concentrated area
- ❑ Partner with local organizations to enhance the impact of the redevelopment efforts
- ❑ Intended to offset partially the reduced availability of low-income tax credits

2. \$1 million allocated towards two grants:

- ❑ HACM/Riverworks in Harambee area
- ❑ Northwest Side Community Development Corporation/WHEDA

Rental Rehab Program

1. \$1 million has been allocated via Capital Budget
2. Program rationale: develop in rem properties into affordable rental units
3. DCD has selected Friends of Housing to implement the initiative
4. Friends will rehab about 15 properties for rent
5. Rents will likely be pegged to HUD's 60% of County median income affordability standard

Targeted Investment Neighborhoods

The Targeted Investment Neighborhood (TIN) initiative is designed to sustain and increase owner-occupancy, provide high quality affordable rental housing, strengthen property values, and improve the physical appearance and quality of life of neighborhoods. TINs focus resources for three years on a small area, generally six to twelve city blocks.

	2014	2015
City Funded Home Rehab (owner occupant)	\$525,000	\$475,000
City Funded Rental Rehab (landlord)	\$80,000	\$80,000
Privately Funded Rental Rehab (leverage)	<u>\$105,000</u>	<u>\$80,000</u>
Total TIN Housing Investment	\$710,000	\$635,000

Housing Authority of the City of Milwaukee: Choice Neighborhood Initiative

1. Federal Department of Housing & Urban Development awarded \$30 million Choice Neighborhoods Implementation grant to City of Milwaukee and Housing Authority of the City of Milwaukee
2. Comprehensive strategy to transform Westlawn and the surrounding neighborhood into a mixed income community
 - ❑ Inclusive community with quality housing, schools, businesses, services, and amenities
 - ❑ 706 new units of housing
3. Plan supported by public and private partners, who commit additional \$250 million in resources
 - ❑ Includes \$65 million in Low Income Housing Credits and \$59 million in private sector investment

City Infrastructure Strategies

High Impact Streets Program

- ❑ In 2016, 38 projects for approximately 24 miles of improved streets
- ❑ \$18 million invested from 2014 to 2016
 - Approximately 55 miles of streets improved
 - Multiple projects in each Aldermanic District
- ❑ Improves quality of driving surface, reduces maintenance, extends useful life of street up to 10 years

Street Lighting: Series Circuit Conversion

- ❑ Program to upgrade street lighting circuitry from older series circuits to modern multiple circuits
- ❑ Reduces number of outages and limits service disruption when outages do occur
- ❑ Targeting circuits experiencing the most outages
 - After conversion, outages reduced by over 75%

Commitment to Police Services

1. As in all large cities, the Police Department Budget requires the largest single budget commitment
 - ❑ 24/7 365 days/year operation
 - ❑ Substantial technology, training, equipment and personnel resources
 - ❑ Recent budgets added body cameras for all field personnel (\$1,050,000 annual expense)
2. Global financial crisis and State aid reductions also affected City's capacity to fund Police strength
 - ❑ Huge impact on City pension funding
3. As State funding for City services has diminished, the City tax levy absorbs a higher proportion of Police services
4. Department has used civilian personnel to enable more sworn officers to be in the field

City of Milwaukee Tax Levy, Police Budget, State Shared Revenue, & Employer Pension Contributions for Police

<u>Budget Year</u>	<u>Tax Levy</u>	<u>Police Budget</u>	<u>State Shared Revenue</u>	<u>Employer Pension Contribution for Police</u>
2004	\$199,012,386	\$179,947,129	\$230,750,000	-
2005	202,991,334	185,962,917	230,605,000	-
2006	213,050,602	206,999,935	230,605,000	-
2007	220,078,948	214,065,388	230,600,000	-
2008	227,478,098	215,487,472	230,574,800	-
2009	236,998,980	230,576,730	230,857,500	-
2010	246,754,533	216,874,086	228,250,000	24,186,000
2011	246,703,278	229,346,322	228,345,000	-
2012	248,008,457	236,229,306	218,490,000	-
2013	250,390,854	237,538,363	218,694,000	29,954,000
2014	253,808,997	244,030,373	218,752,000	29,755,610
2015	256,767,059	248,574,534	218,880,000	30,782,161
2016	256,738,781	277,233,534	218,992,000	30,660,664

2004 – 2016

Police Budget
+\$97M

City Tax Levy
+\$57M

State Shared
Revenue
-\$12M

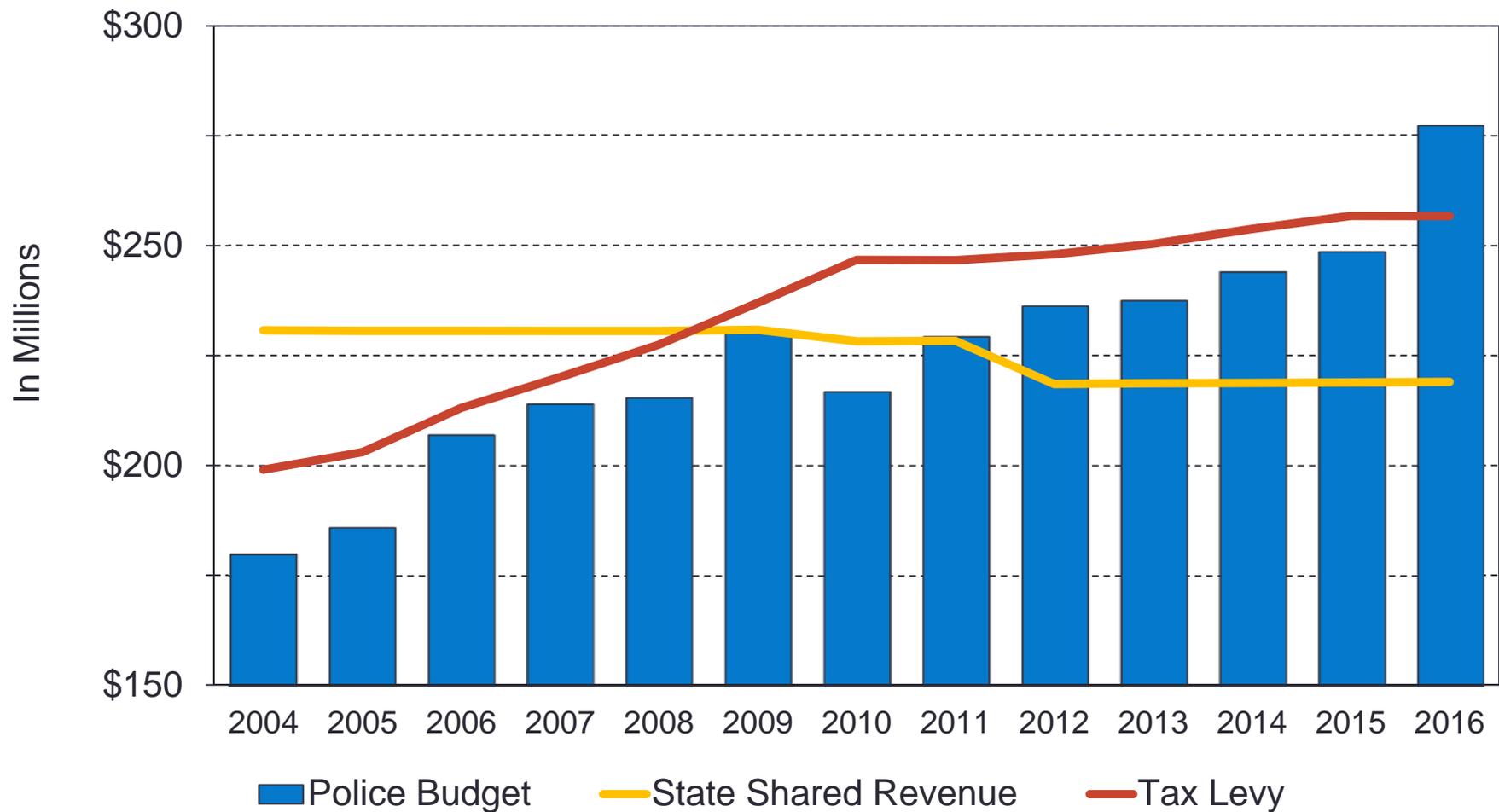
Contribution amounts for Police are estimates based on annual valuations of the City of Milwaukee Employees' Retirement System. Note: Beginning in 2016, the employer's pension contribution amounts are also included as a component of estimated fringe benefit rates in the Police Budget.

City of Milwaukee Police Sworn Strength and Operating Budget 2010 - 2016

<u>Year</u>	<u>Average Sworn Strength</u>	<u>Police Operating Budget</u>	<u>Salary & Benefits as % of Police Budget</u>
2010	1,878	\$216,874,086	93.3%
2011	1,878	229,346,322	93.4%
2012	1,880	236,229,306	92.9%
2013	1,862	237,538,363	93.4%
2014	1,868	244,030,373	93.7%
2015	1,880	248,574,534	92.9%
2016	1,888	277,233,534	93.4%

Budget Average Sworn Strength is the number of sworn police personnel, on average, serving the department during the year. It is calculated by averaging the number of each of the 26 payrolls for the entire year.

City of Milwaukee Police Budget, Tax Levy, and State Shared Revenue



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View the City's budget at

www.city.milwaukee.gov/budget