City of Milwaukee

Five Year Financial Forecast

2027-2031

Bill Christianson, CPFO

City Comptroller

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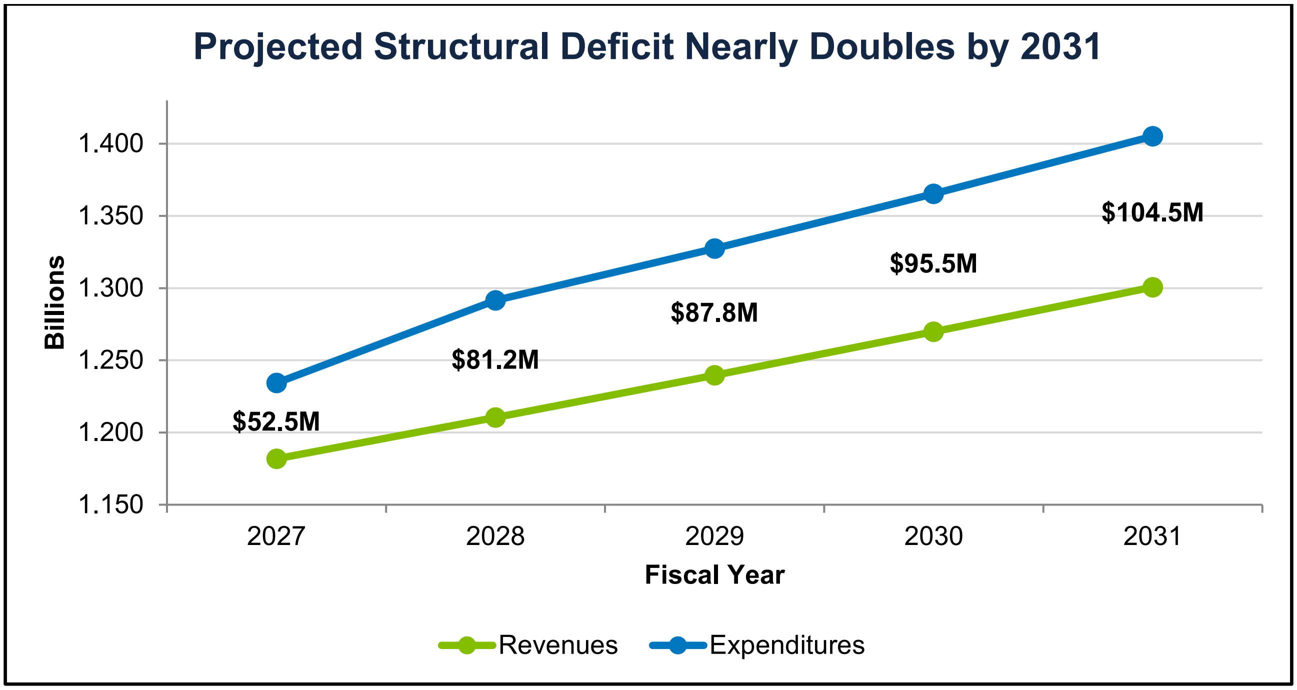
Executive Summary

The City of Milwaukee's Five-Year General Fund Financial Forecast projects a widening structural budget imbalance from 2027 through 2031. Under the baseline forecast, recurring General Fund expenditures are expected to grow faster than recurring revenues in every year of the forecast period. Total revenues are projected to increase from approximately $1.18 billion in 2027 to $1.3 billion in 2031, while expenditures are projected to increase from approximately $1.23 billion to $1.41 billion over the same period. As a result, the projected annual structural deficit grows from $52.5 million in 2027 to $104.5 million in 2031.



The forecast is intended to show the City's recurring operating position under current policy and known requirements, not to recommend a specific budget-balancing plan. It distinguishes recurring revenues and expenditures from temporary resources so policymakers can evaluate the City's structural financial condition without obscuring recurring gaps through one-time actions.

Key Findings

1. Expenditures are projected to grow faster than revenues.

Net revenues are forecasted to grow by approximately 2.4 percent annually, while expenditures grow more rapidly, particularly from 2027 to 2028, when expenditure growth is projected at 4.6 percent, driven largely by employer pension contributions and debt service. Annual expenditure growth then stabilizes near 2.8 to 2.9 percent, but still exceeds recurring revenue growth. This mismatch produces a recurring gap that grows over the forecast period.

2. The City faces a structural deficit, not a temporary budget shortfall.

The projected deficits appear in every year of the forecast and under all modeled scenarios. Even the favorable revenue scenario does not eliminate the deficit; it only reduces the projected 2031 gap to approximately $87.3 million, compared with $104.5 million under the baseline. Under a combined revenue shortfall and expenditure inflation scenario, the projected gap grows to approximately $160.8 million by 2031. These results indicate that the City's budget challenge is structural and recurring.

3. The City has limited unilateral authority to increase recurring revenues.
Wisconsin property tax levy limits materially restrict the City's ability to increase the property tax levy, generally tying allowable growth to net new construction. State Shared Revenue is determined through the State budget process, and the City has limited ability to influence the amount or growth rate of that revenue source. User fees must generally be tied to the cost of service, and State law limits the City's ability to increase the local sales tax rate or impose new local taxes outside authorized statutory authority.

4. State mandates and service obligations constrain expenditure reductions.
Act 12 provided important revenue support, including authorization for the City sales tax and long-term growth in State Shared Revenue, but it also imposed requirements that limit the City's ability to manage expenditures. In particular, Act 12 requires the City to increase public safety sworn strength to prescribed levels by 2034, increasing cost pressure and reducing flexibility to use public safety staffing as a budget-balancing tool. The forecast assumes compliance with these maintenance-of-effort requirements, including annual additions of 10 Police full-time positions and five Fire full-time positions.

5. Reserves are useful for transition and risk management, but not as a long-term solution.
The Tax Stabilization Fund, Pension Reserve, and Public Debt Amortization Fund provide important near-term flexibility. However, using reserves to support recurring expenditures does not solve the underlying mismatch between recurring revenues and recurring expenditures. Continued reliance on reserves would reduce future flexibility, weaken the City's ability to respond to emergencies or economic downturns, and could create additional pressure on future budgets.

The forecast's reserve-only stress test illustrates this limitation. Beginning with a combined reserve balance of $281.1 million at the end of 2025, closing projected annual deficits beginning in the 2027 budget solely with reserves would exhaust the combined reserve balance during 2030, before the end of the five-year forecast period. While the baseline projections for this forecast do not reflect large-scale withdrawals from reserves, it is important to note that the purpose of the Tax Stabilization Fund is to allow the City to make withdrawals to ease budgetary pressures. Appendix B supplements the reserve-only stress test by exploring scenarios with limited use of reserves.

Conclusion

The forecast shows that Milwaukee's long-term budget challenge cannot be solved through short-term budget balancing alone. Under current service levels, existing revenue authority, and known statutory requirements, the City is projected to face recurring annual deficits that grow over time. The City will need to continue evaluating expenditure controls, service-level choices, operational efficiencies, revenue policies, and prudent reserve use. However, the scale and nature of the projected imbalance indicate that local actions alone are unlikely to fully resolve the City's long-term structural budget challenges.

A central takeaway from this forecast is that durable remedies will almost certainly require continued collaboration and partnership with the State of Wisconsin. Without additional recurring revenue authority, changes to statutory constraints, or other structural reforms, the City will face increasingly difficult tradeoffs involving essential services, staffing, reserves, and long-term financial stability.

Key Figures

2027 Projected Deficit:

$52.5 million

2031 Projected Deficit:

$104.5 million

Five Year Cumulative Deficit:

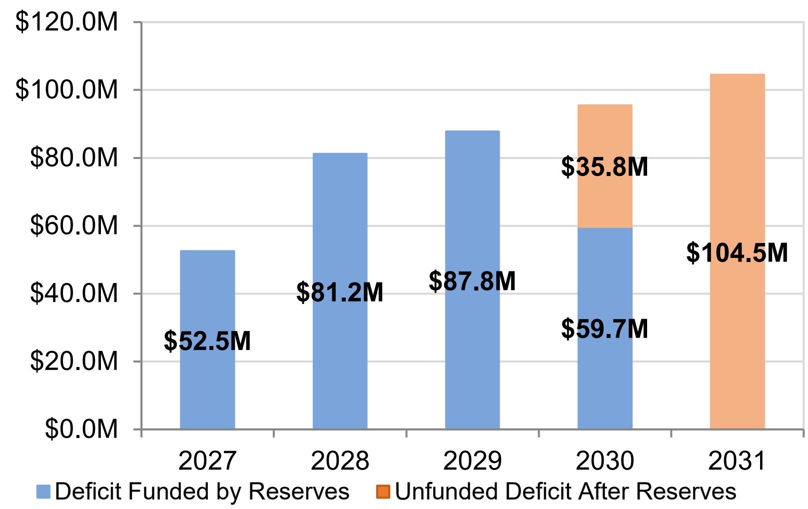
$421.5 million

Combined Balance of City's Three Key Reserve Funds (at end of 2025):

$281.1 million

Forecast at a Glance

Funded vs. Unfunded Deficit Using Only Reserves to Close Deficit



Projected Year over Year Growth in Revenues & Expenditures

	2027 to 2028	2028 to 2029	2029 to 2030	2030 to 2031
Revenues	2.4%	2.4%	2.4%	2.4%
Expenditures	4.6%	2.8%	2.8%	2.9%

Key Budgetary Constraints:

- Limited statutory authority to increase existing revenues or pursue new sources of revenue
- Act 12 limited the City's ability to control public safety spending and restricts allowable use of sales tax
- Pension costs continue to rise despite closure of City pension plan to new members
- Use of reserves to close budget gaps is not sustainable over the long-term

Purpose and Scope

Purpose

The purpose of the City of Milwaukee Five-Year Financial Forecast is to provide policymakers, City leadership, external stakeholders, and the public with a clear understanding of the City's long-term General Fund financial outlook. The forecast is intended to support informed decisions regarding City revenues, expenditures, service priorities, and fiscal policy by identifying projected financial trends and potential budgetary challenges over the forecast period.

The forecast is also intended to highlight fiscal conditions that may affect the range of options available to the City as it works to maintain structural balance, preserve essential services, and address future operating budget pressures.

The forecast begins with budget year 2027 and extends through budget year 2031.

Scope of the Forecast

The forecast focuses on the City of Milwaukee General Fund operating budget. It includes the major recurring revenue and expenditure categories that materially affect the City's operating position over the five-year period.

The forecast includes the following General Fund operating budget elements:

- Departmental expenditures
- Employee benefits, including pension and health care costs
- Levy-supported debt service
- Levy-financed capital improvements included within the General Fund operating budget
- Contingent fund

Items Excluded from the Forecast

The forecast does not include the following funds, programs, or budget components, except to the extent that they directly affect the General Fund operating budget:

- Enterprise Funds, including Sewer, Water, and Transportation
- The Capital Improvements Budget as a whole
- Grant-funded programs and activities

Forecasting Policies and Assumptions

This section describes the policies and key assumptions used to prepare the City of Milwaukee Five-Year Financial Forecast. The City of Milwaukee 2026 Adopted Budget was the starting point upon which this forecast was developed. Expenditure and revenue historical data was obtained from the City's Financial Management Information System (FMIS). Budgetary data, such as property tax levy and user fee increases, was obtained from the City's Adopted Detailed Budget and the Adopted Plan and Budget Summary documents. Details on assumptions used for major revenue and expenditure categories can be found in Appendix A.

The forecast is intended to present the City's projected General Fund operating condition under current policy and known requirements. The assumptions are designed to distinguish recurring revenues and expenditures from temporary resources or short-term balancing actions, so that the forecast can be used to evaluate the City's structural financial position over the five-year period. The forecast uses a combination of historical trend analysis, known legal and policy requirements, and specific projections from City subject-matter sources. This hybrid approach is intended to provide a reasonable baseline forecast while recognizing that different revenue and expenditure categories are influenced by different drivers.

The forecast should be read as a planning tool rather than a budget recommendation. Actual results will vary as economic conditions, legislative actions, labor agreements, service demands, and other factors change.

Revenue Assumptions

- The forecast does not assume withdrawals from reserves such as the Tax Stabilization Fund or the Pension Reserve to balance operations, except for a sustainable $6 million annual draw from the Public Debt Amortization Fund (PDAF). This approach is intended to show the City's structural financial condition without obscuring recurring gaps through the use of one-time resources.
- For revenues that the City has discretion to increase, and where the City has demonstrated a consistent willingness to authorize increases, historical approved increases were used as the basis for the forecast.
- For revenues primarily driven by factors outside the City's immediate control, including licenses, permits, and charges for service, historical revenues were used as the basis for the forecast.
- Although the City periodically authorizes increases to license and permit charges and the Vehicle Registration Fee, the forecast does not assume future increases to those items unless otherwise specifically identified.
- For major user fees, including Snow and Ice, Solid Waste, Stormwater, and Street Lighting, the forecast uses 10-year average annual increases, except for the Street Lighting Fee, which uses the five years of available history.
- The forecast does not include a transfer payment from the Transportation Fund to the General Fund. As of the end of fiscal year 2025, the General Fund was advancing $35.3 million to the Transportation Fund to offset a cash deficit. It is unlikely that the Transportation Fund will return to a positive cash position within the five-year term of this forecast, so it was determined that a transfer from the Transportation Fund to the General Fund would not be reflected in the forecast.

- The property tax levy growth assumption is based on the 10-year average of annual property tax levy increases.
- State shared revenue is based on the guidance from the State of Wisconsin Legislative Fiscal Bureau's Shared Revenue and Tax Relief memo included in the 2025-2027 biennial budget.
- City sales tax revenue is assumed to grow by 2.5 percent annually, based on recent experience and available economic forecasts.

Expenditure Assumptions

- The forecast assumes compliance with the maintenance-of-effort requirements for Police and Fire sworn strength levels under Wisconsin Act 12, including the requirement to increase Police sworn strength to 1,725 and Fire Department daily minimum staffing to 218 by the end of 2033.
- To reflect progress toward those requirements, the forecast assumes consistent year-over-year staffing increases from 2026 budgeted levels sufficient to meet the 2034 targets. The forecast includes funding for an additional 10 Police full-time positions and an additional five Fire full-time positions each year.
- The forecast assumes no major policy changes. It does not reflect major service-level increases or decreases, or significant changes to employee benefits, unless specifically identified.
- Except for Act 12-mandated increases for Police and Fire, the forecast assumes continuation of current service levels based on the 2026 adopted budget.
- Most expenditure projections are based on historical trends. The period used for each category varies where necessary to provide the most reasonable basis for projection. For example, some categories were affected by the COVID-19 pandemic and federal pandemic relief funding, while others were affected by new or expanded programs such as the Basic Life Support ambulance service subsidy. The forecast uses the historical period that best reflects the recurring cost pattern for that category rather than applying a single uniform lookback period across all expenditures.

Specific Projection Sources

- Employes' Retirement System employer contribution projections are based on the latest actuarial assumptions.
- Wisconsin Retirement System employer contribution projections are based on estimates developed by the City's Budget Office.
- Debt service projections are derived from the Annual Report on Debt Service Projections delivered to the City's Public Debt Commission. Note that this projection assumes a sustainable $6 million annual withdrawal from the PDAF and uses a conservative projection for bond premium, use of which lowers the debt levy, in 2028 and beyond.
- Health care cost increases are based on a forecast from the Centers for Medicare & Medicaid Services of projected hospital and physician spending growth through 2033 which indicated 5.4 percent annual growth. However, a downward qualitative adjustment was made to 4 percent annual growth to reflect recent experience. Comparing the City's 2019 heath care benefit cost to its 2025 costs shows a stable level of expenditures from 2019 to 2025. Blending factors such as national trends and volatility for a self-insured organization along with the organization's recent experience was determined to be a reasonably balanced approach.

Key Context for the Five-Year Forecast

The City of Milwaukee's five-year General Fund forecast should be interpreted within the legal, economic, and policy environment that governs municipal revenues, expenditure growth, and reserve use. The forecast is intended to show the operating outlook under current policy assumptions and to identify the structural pressures that may affect the City's ability to maintain services, meet statutory obligations, and preserve financial flexibility.

Revenue Limitations

Wisconsin property tax levy limits materially restrict the City's ability to increase its property tax levy from year to year. Allowable levy growth is generally tied to net new construction, except where limited statutory exceptions apply. This restricts the extent to which the property tax can be used to offset recurring expenditure growth in the General Fund.

State Shared Revenue is one of the City's largest General Fund revenue sources, but growth in this revenue is determined by the State through the biennial budget process. As a result, the City has limited ability to influence the amount, timing, or growth rate of this revenue source. The City's fiscal outlook remains dominated by the 29 years in which State Shared Revenue was frozen, from 1995 to 2023.

User fees are also constrained because they generally must be tied to the cost of the service for which the fee is charged. The City's local revenue flexibility is further limited by State restrictions on sales tax authority and other local taxing options. The City's sales tax is can only be spent on eligible pension and public safety costs, and the State does not allow the City to increase the local sales tax rate or implement new local taxes outside of authorized statutory authority.

The State's Expenditure Restraint Incentive Program provides approximately $10 million annually, but eligibility depends on limiting expenditure growth under a complex State formula. Because program eligibility can be affected by expenditure decisions across the budget, the forecast should account for the risk that higher expenditure growth could eliminate this revenue.

Impacts of Act 12

Act 12 has significant implications for the City's five-year operating outlook. A 2 percent City sales tax, along with a modest one-time increase and a commitment to long-term inflationary growth in State Shared Revenue, helped pull the City of Milwaukee back from the brink of a $180 million budget deficit in the 2024 Budget. Without the additional revenue authorized by Act 12, the City would have been forced to make unconscionable cuts to essential services. But Act 12 also included provisions that limit the City's options for closing future budget deficits.

Maintenance-of-effort requirements create substantial financial consequences if required public safety sworn strength targets are not met. Act 12 requires the City to increase public safety sworn strength to prescribed levels by 2034. These requirements increase cost pressure above normal baseline growth and reduce the City's flexibility to manage public safety staffing levels as a budget-balancing tool.

Act 12 also closed the City of Milwaukee's Employes' Retirement System to new members and lowered the ERS discount rate from 7.5 percent to 6.8 percent. This change increased the system's unfunded actuarial accrued liability by more than $500 million and required the City to make a substantial additional employer contribution. Although the City will not need to make another required employer contribution until at least 2028, annual pension contributions are expected to become a significant ongoing expenditure pressure in the later years of the forecast.

Reserve Position and Considerations

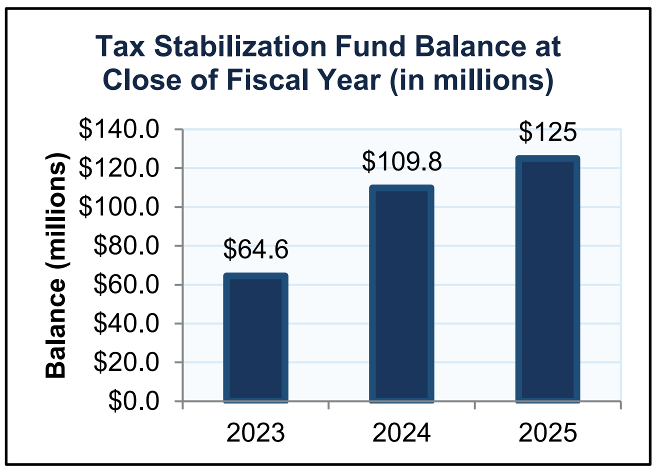
In recent years, the City has relied on one-time revenues and reserve resources as part of its budget-balancing strategy. As of the end of 2025, the City's reserves are in a relatively strong position. The City's three main reserves, the Tax Stabilization Fund, the Pension Reserve, and the Public Debt Amortization Fund totaled a combined $281.1 million at the end of fiscal year 2025. While these resources provide important near-term flexibility, continued reliance on reserves to support recurring operations would reduce long-term financial capacity and could create structural imbalance if ongoing expenditures exceed ongoing revenues.

The City must therefore distinguish between sustainable reserve strategies and one-time reserve use. Reserve drawdowns may be appropriate to manage timing differences, mitigate temporary pressures, or support a transition plan; however, recurring operating gaps should ultimately be addressed through recurring revenue, expenditure, or policy actions. The section below provides insight on each of the City's three main reserve funds.

Tax Stabilization Fund

The Tax Stabilization Fund (TSF) is one of the City's primary tools for managing General Fund volatility and supporting budget stability. The 2025 year-end balance was $125 million. Per City ordinance, the maximum annual withdrawal is 50 percent of the TSF balance, resulting in a maximum withdrawal of approximately $62.5 million for the 2027 budget.

Recent favorable experience, including higher-than-estimated sales tax and other revenues combined with lower-than-budgeted expenditures in some areas, contributed to Tax Stabilization Fund growth in 2022, 2023, 2024, and 2025. This strengthened the City's near-term reserve position; however, similar levels of favorable variance should not be assumed as sales tax projections become more precise and budgets become tighter.

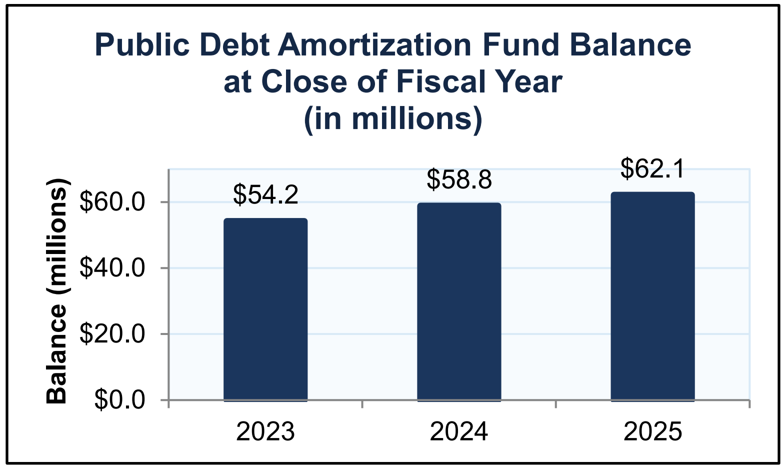


Large recurring drawdowns from the Tax Stabilization Fund would reduce fund balance and may create bond-rating concerns, potentially increasing the City's borrowing costs. The City must also account for the $35.3 million advance from the Tax Stabilization Fund to the Transportation Fund until the Transportation Fund is restored to a positive cash position.

Public Debt Amortization Fund

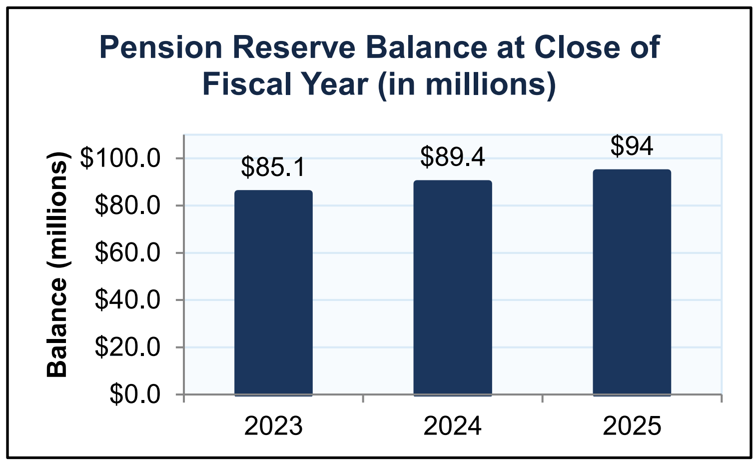
The Public Debt Amortization Fund (PDAF) is used to support annual debt service payments and reduce the amount of property tax levy needed for debt service. The 2025 year-end balance was $62.1 million. The fund is replenished through its own interest earnings and one-third of the City's pooled cash interest earnings.

The five-year forecast assumes a sustainable annual withdrawal of $6 million from the Public Debt Amortization Fund. Higher withdrawals may be possible with Public Debt Commission approval, but larger drawdowns would reduce future flexibility. Wisconsin statutes establish a minimum PDAF balance of $2 million, while current Public Debt Commission (PDC) policy sets a higher minimum balance equal to 5 percent of outstanding levy-supported debt. This policy would require a projected minimum PDAF balance of $37 million in 2027, limiting large scale withdrawals from the PDAF that would take the balance below that amount. The policy could be modified if desired by the PDC, but it currently presents an obstacle to large-scale drawdowns from the PDAF.



Pension Reserve

The Pension Reserve had a 2025 year-end balance of $94 million. The reserve may be used only to fund the ERS employer contribution, thereby reducing the amount of sales tax and property tax revenues otherwise needed to make the required employer contribution. The Pension Reserve grows based on investment earnings and is invested in higher-yielding securities than the City’s other reserve funds.



Revenue Forecast

The following table summarizes projected General Fund revenues for the five-year forecast period. Amounts are intended to support the City's assessment of recurring revenue capacity over the forecast horizon. Details on assumptions used for major revenue categories can be found in Appendix A. Revenues are forecasted to grow 2.4 percent each year of the forecast.

Revenues	2027	2028	2029	2030	2031
Property Tax Levy	$346,251,855	$355,946,907	$365,913,421	$376,158,997	$386,691,448
State Shared Revenue	$260,142,946	$265,866,091	$271,715,145	$277,692,878	$283,802,121
Local Sales Tax	$217,400,000	$222,835,000	$228,405,875	$234,116,022	$239,968,922
Departmental Charges for Service	$62,501,313	$63,063,825	$63,631,400	$64,204,082	$64,781,919
Solid Waste Fee	$52,223,315	$53,946,684	$55,726,925	$57,565,914	$59,465,589
Other Intergovernmental	$29,330,234	$29,623,536	$29,919,772	$30,218,969	$30,521,159
Local Street Aids	$31,254,054	$31,597,849	$31,945,425	$32,296,825	$32,652,090
Non-Tax ERS	$28,076,631	$28,918,930	$29,786,498	$30,680,093	$31,600,495
Stormwater Fee	$28,043,114	$28,996,580	$29,982,464	$31,001,867	$32,055,931
Other Taxes and PILOTs	$19,765,455	$20,773,493	$21,832,941	$22,946,421	$24,116,689
Fringe Benefit Offset	$26,000,000	$26,806,000	$27,636,986	$28,493,733	$29,377,038
Licenses & Permits	$21,140,379	$21,499,765	$21,865,261	$22,236,971	$22,614,999
Other Miscellaneous Revenue	$20,598,950	$20,804,940	$21,012,989	$21,223,119	$21,435,350
Vehicle Registration Fee	$12,100,000	$12,100,000	$12,100,000	$12,100,000	$12,100,000
Snow and Ice Control Fee	$11,976,874	$12,300,250	$12,632,356	$12,973,430	$13,323,713
Street Lighting Fee	$10,545,084	$10,787,621	$11,035,736	$11,289,558	$11,549,218
Fines and Forfeitures	$2,020,000	$2,040,200	$2,060,602	$2,081,208	$2,102,020
Extra Garbage Cart Fee	$1,868,000	$1,868,000	$1,868,000	$1,868,000	$1,868,000
Deferred Comp Admin	$560,222	$577,589	$595,494	$613,954	$632,987
Total Revenues	**$1,181,798,426**	**$1,210,353,260**	**$1,239,667,289**	**$1,269,762,040**	**$1,300,659,689**

Expenditure Forecast

This table summarizes the projected General Fund expenditures for the five-year forecast period. Amounts are intended to project baseline expenditures with no major policy or service level changes. Details on assumptions used for major revenue categories can be found in Appendix A.

Expenditures are forecasted to grow 4.6 percent from 2027 to 2028, driven largely by increases to Employer Pension Contributions and Debt Service. Annual expenditure growth stabilizes thereafter, at 2.8 percent in 2029 and 2030 with 2.9 percent growth in 2031.

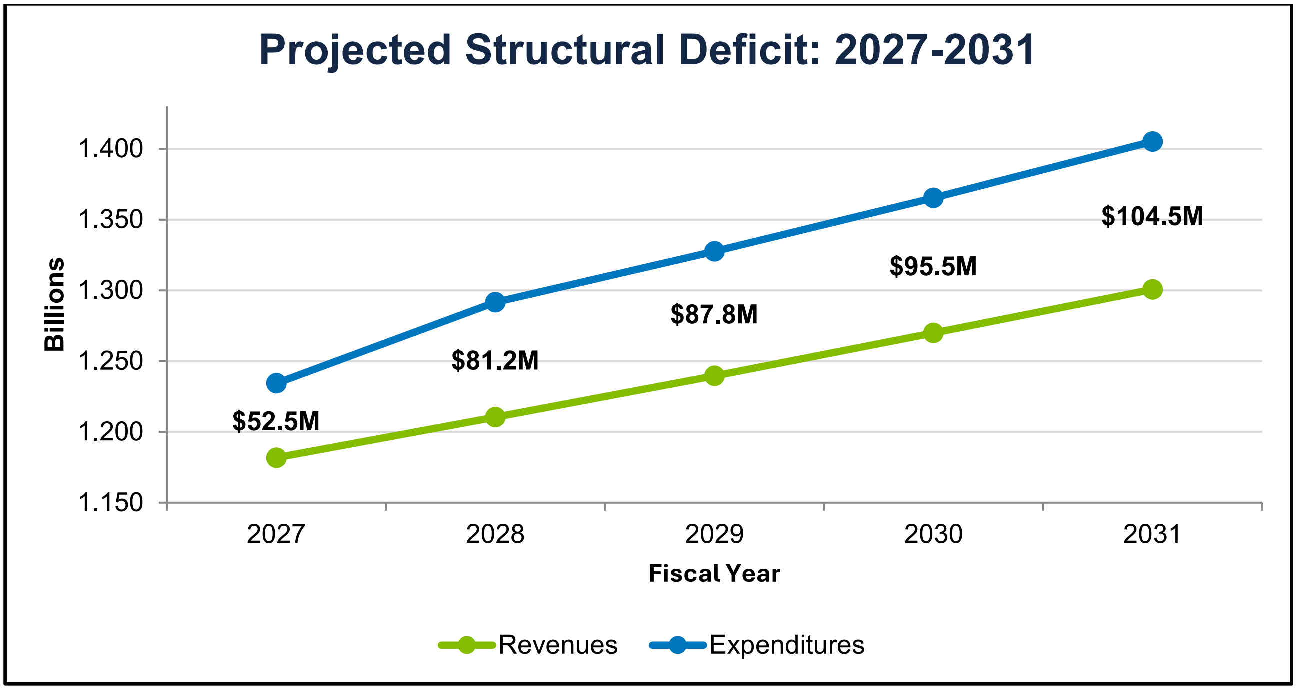
Expenditure Category	2027	2028	2029	2030	2031
General City Departments	$311,111,028	$324,280,475	$338,112,003	$352,645,294	$367,922,765
Police Department	$245,057,267	$253,114,415	$261,449,038	$270,071,023	$278,990,648
Employer Pension Contribution-ERS	$197,700,000	$206,500,000	$196,300,000	$189,200,000	$182,500,000
Employee Health Care Benefits	$128,881,480	$134,036,739	$139,398,209	$144,974,137	$150,773,103
Fire Department	$125,248,710	$130,507,781	$136,075,008	$141,975,747	$148,238,003
Debt Levy Expenditures	$109,132,817	$118,500,000	$123,800,000	$126,300,000	$128,800,000
Other Retirement Provisions	$58,736,990	$60,557,836	$62,435,129	$64,370,618	$66,366,107
Miscellaneous Special Purpose Accounts	$23,564,173	$24,082,585	$24,612,402	$25,153,875	$25,707,260
Employer Pension Contribution-WRS	$16,500,000	$21,200,000	$26,100,000	$31,000,000	$35,900,000
Workers' Compensation	$12,372,000	$12,755,532	$13,150,953	$13,558,633	$13,978,951
Contingent Fund	$5,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000
Capital- Cash Levy Expenditures	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Total Expenditures	**$1,234,304,465**	**$1,291,535,364**	**$1,327,432,743**	**$1,365,249,328**	**$1,405,176,836**

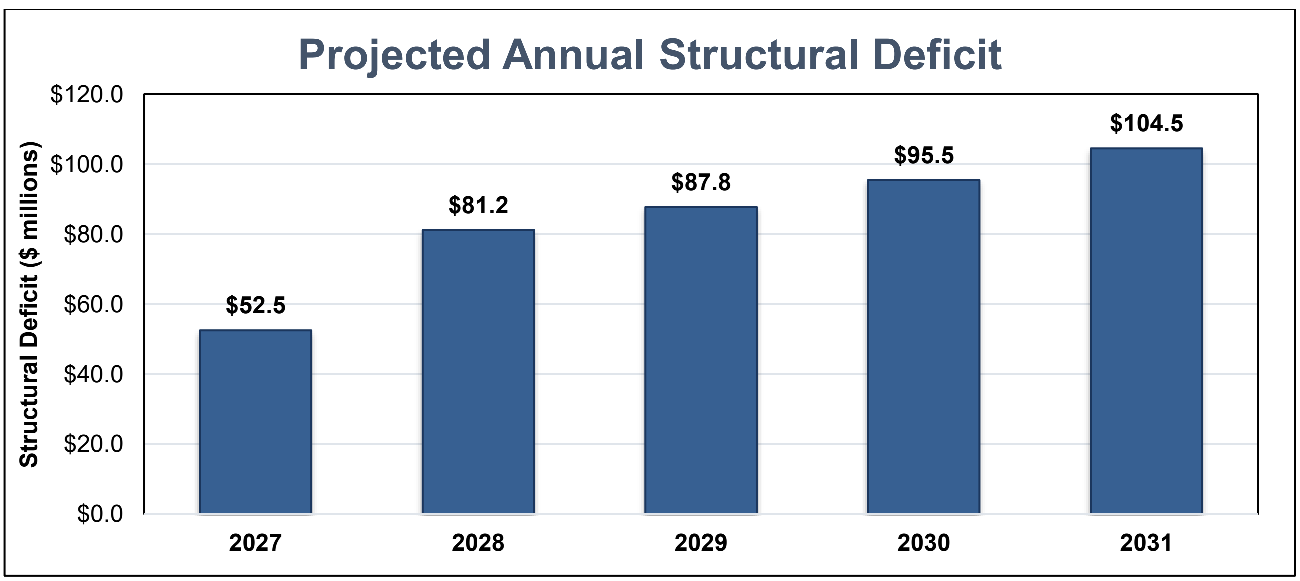
Structural Deficit Forecast

This section illustrates the City's forecasted structural deficit and the widening gap between revenues and expenditures under the current forecast trajectory. As expenditures continue to grow faster than revenues, the structural budget gets larger each year of the forecast.

Forecast Summary

Year	Revenues	Expenditures	Structural Deficit
2027	$1,181,798,426	$1,234,304,465	**$52,506,038**
2028	$1,210,353,260	$1,291,535,364	**$81,182,104**
2029	$1,239,667,289	$1,327,432,743	**$87,765,454**
2030	$1,269,762,040	$1,365,249,328	**$95,487,288**
2031	$1,300,659,689	$1,405,176,836	**$104,517,147**



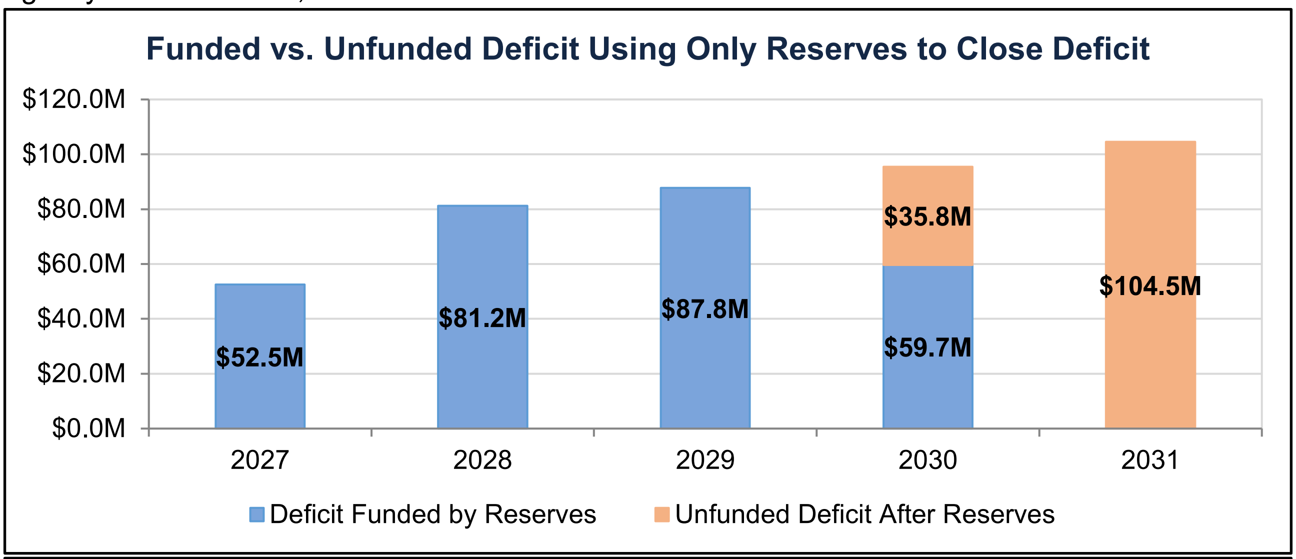


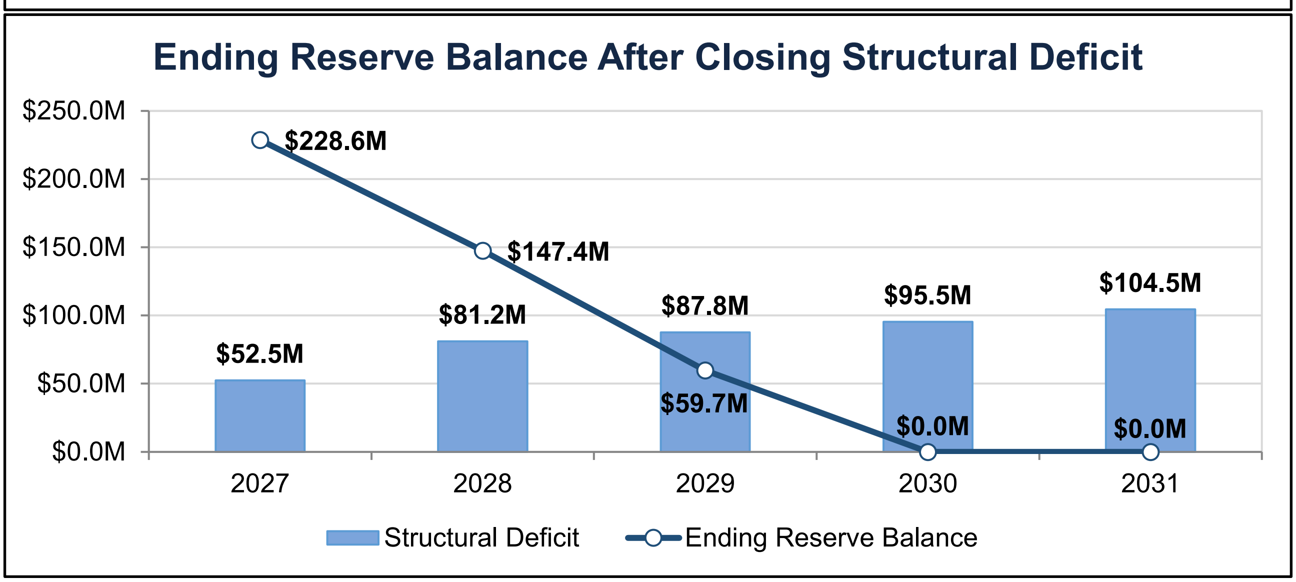
Reserve-Only Structural Deficit Scenario

This scenario illustrates the effect of closing each projected annual structural deficit solely through the City's three key reserves: the Tax Stabilization Fund, the Pension Reserve, and the Public Debt Amortization Fund. The analysis begins with a combined reserve balance of $281.1 million as of end of fiscal year 2025, and assumes, for simplicity, that legal, ordinance, and policy constraints on the use of reserves are lifted. It also assumes that reserves are not replenished, do not earn interest, and do not otherwise grow over the forecast period.

Under these assumptions, the projected structural deficits would exhaust the combined reserve balance during 2030. This indicates that a reserve-only strategy would not be sufficient to sustain budget balance over the full five-year forecast period and would leave the City without reserve capacity to address economic volatility, emergencies, or other unanticipated fiscal pressures.

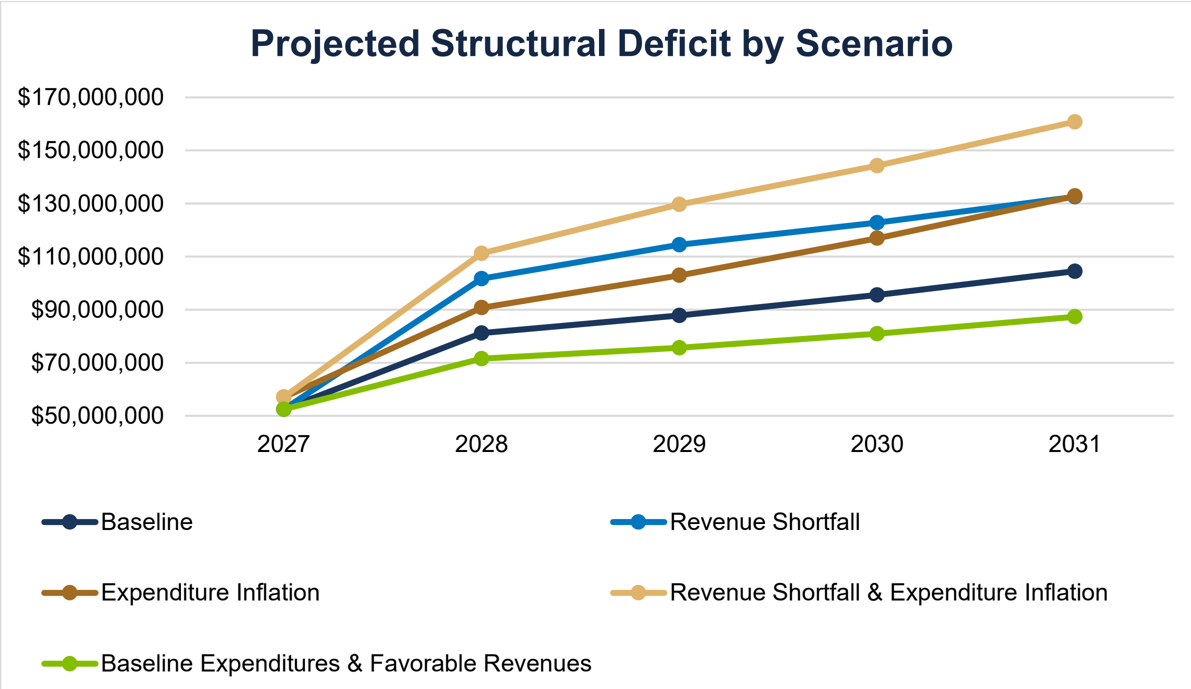
Because this presentation is intended as an illustrative stress test, it should not be interpreted as a recommended funding plan. Actual use of the Tax Stabilization Fund, Pension Reserve, and Public Debt Amortization Fund would be subject to applicable statutes, ordinances, fiscal policies, rating-agency considerations, and Council action.





Scenario Analysis: Structural Deficit Forecast

This section compares the projected General Fund structural deficit under five revenue and expenditure scenarios. Deficits are presented as positive amounts to emphasize the magnitude of the projected operating gap.



Scenario Assumptions

Scenario	Assumptions
Baseline	Same assumptions as main forecast model
Revenue Shortfall	Same as main model except: 1) Sales tax revenue down 4.3% in 2028, then returning to 2.5% in 2029 and after 2) State Shared Revenue is flat in 2028 and 2029, then returning to 2.2% in 2030 and after
Expenditure Inflation	Same as main model except: 1) Adds 1.5% to all departmental operating and equipment accounts 2) Adds 2.4% to employee health care benefit expenditures
Revenue Shortfall & Expenditure Inflation	Combines the assumptions of the Revenue Shortfall and the Expenditure Inflation scenarios
Baseline Expenditures & Favorable Revenues	Same as main model except: 1) Sales tax revenue increases 6% in 2028, then returns to 2.5% in 2029 and after 2) State Shared Revenue increases by 3% in 2028 and after

Projected Structural Deficit for Each Scenario

Scenario	2027	2028	2029	2030	2031
Baseline	$52.5M	$81.2M	$87.8M	$95.5M	$104.5M
Revenue Shortfall	$52.5M	$101.7M	$114.5M	$122.8M	$132.5M
Expenditure Inflation	$57.0M	$90.8M	$103.0M	$116.9M	$132.8M
Revenue Shortfall & Expenditure Inflation	$57.0M	$111.3M	$129.7M	$144.2M	$160.8M
Baseline Expenditures & Favorable Revenues	$52.5M	$71.5M	$75.7M	$80.9M	$87.3M

Interpretive Observations

- All five scenarios project a structural deficit in each year of the forecast period.
- The combined revenue shortfall and expenditure inflation scenario produces the largest projected gap, increasing from approximately $57.0 million in 2027 to $160.8 million in 2031.
- Even the favorable revenue scenario does not eliminate the projected deficit; it reduces the 2031 gap to approximately $87.3 million, compared with $104.5 million under the baseline.
- The results indicate that forecast risk is asymmetric: adverse revenue or expenditure changes materially increase the deficit, while favorable revenue performance narrows but does not resolve the imbalance.

Key Risks and Sensitivities

The five-year forecast is based on the City's current understanding of recurring General Fund revenues, operating expenditure requirements, and known policy or statutory conditions. Actual results may vary from the baseline forecast due to changes in economic conditions, labor market pressures, statutory requirements, capital-related operating needs, and pension contribution requirements. The following risks should be monitored because each could materially affect the City's General Fund outlook, structural balance, or reserve position over the forecast period.

Act 12 Maintenance of Effort Requirements

A significant near-term risk is the City's ability to maintain compliance with Act 12 maintenance of effort requirements for public safety. Recent Police Department recruitment and retention challenges could make compliance more difficult if staffing levels do not remain aligned with statutory requirements. A finding of noncompliance would reduce the City's State Shared Revenue payment by 15 percent, or approximately $40 million, creating a substantial General Fund impact.

Inflation and Labor Market Pressures

Inflation remains an important sensitivity within the forecast. Maintaining competitive compensation for City employees is necessary to recruit and retain the workforce required to deliver essential services, but higher-than-forecast wage growth would place additional pressure on salary expenditures. Continued inflation or renewed cost escalation in energy, parts, materials, supplies, and contracted services could also increase General Fund operating costs above the levels assumed in the baseline forecast. Global trade disruption and overseas conflicts may further contribute to volatility in these cost categories.

Potential Repeal or Modifications to WI Act 10

Wisconsin Act 10 significantly limited collective bargaining for most local government employees excluding sworn public safety employees, generally restricting negotiations to base wages within inflationary limits and increasing employee contributions toward pension and health insurance costs. Potential repeal or modification of Wisconsin Act 10 remains a material forecast sensitivity, but the outcome and timing of the judicial process remain uncertain. If Act 10 were ultimately repealed, narrowed, or otherwise modified in a way that restores broader collective bargaining rights or changes current limitations on bargaining over wages, benefits, and employee contributions, the City could face additional personnel-related costs over the forecast period. Potential fiscal impacts could include higher negotiated wage growth, increased employer costs for health insurance and retirement contributions, greater administrative and labor-relations costs, and reduced flexibility to manage compensation within levy-limit and budget constraints.

Capital-Related Operating Impacts

Although the Capital Improvements Program is outside the scope of this forecast, the condition of the City's infrastructure, facilities, vehicles, and equipment may affect the General Fund operating budget. Aging assets can result in emergency repairs, higher maintenance costs, or other unplanned expenditures that are borne by the operating budget. In addition, unplanned major capital maintenance or reconstruction needs could require additional borrowing, which would increase future levy-supported debt service obligations and reduce General Fund flexibility.

Pension Contribution Risk

Employer pension contributions present risk in both the City's Employes' Retirement System and the Wisconsin Retirement System. Investment losses or changes in actuarial experience could result in employer contributions that exceed forecasted levels and could delay the projected peak in ERS employer contributions. Because the City has more limited experience with WRS employer contribution patterns, current projections carry additional uncertainty. A faster pace of hiring and filling formerly vacant positions could also accelerate growth in WRS employer contributions above what's reflected in the forecast.

Forecast Monitoring

These risks should be reviewed as part of each forecast update and annual budget cycle. The City should monitor the magnitude, timing, and likelihood of each risk and, where appropriate, incorporate alternative assumptions into scenario analysis. Particular attention should be given to risks that affect recurring revenues, recurring expenditures, or compliance with statutory requirements.

Potential Upside Factors

Circumstances that could improve the City's financial position relative to the forecast include stronger-than-anticipated revenue collections, improved economic conditions leading to greater than forecasted revenues for things like the sales tax, favorable changes in State funding streams such as State Shared Revenue, lower-than-projected expenditure growth, successful cost-containment efforts, improved investment earnings, or operational efficiencies that reduce ongoing budget pressures. While these factors are uncertain and should not be assumed in the base forecast, they represent areas where actual results could develop more favorably and help strengthen the City's overall fiscal outlook.

Fiscal Implications and Policy Considerations

The five-year forecast indicates that, under current service levels and existing revenue authority, General Fund expenditures are projected to continue growing faster than recurring revenues. This creates an ongoing structural imbalance that is expected to widen over the forecast period unless corrective action is taken or additional recurring revenue capacity becomes available.

In recent budget cycles, the City has relied in part on one-time revenues and reserves to close annual budget gaps. While these resources can provide short-term budgetary stability and allow time for policy decisions to be developed, they do not resolve the underlying mismatch between recurring revenues and recurring expenditures. Continued reliance on nonrecurring resources to support ongoing operations is not sustainable over the long term.

Revenue and Expenditure Constraints

The most direct options for addressing a structural deficit are to increase recurring revenues, reduce recurring expenditures, or implement a combination of both. For the City, however, both sides of the budget are significantly constrained by State law, service obligations, and the structure of the General Fund.

On the revenue side, the City does not have unilateral authority to generate sufficient additional recurring revenue to fully close the projected structural gap. State-imposed limits and restrictions affect the City's ability to increase locally controlled revenues at the scale necessary to offset projected expenditure growth.

On the expenditure side, the City faces substantial limits on the portion of the budget that can be reduced without affecting required services or legally constrained operations. Requirements related to Police Department and Fire Department staffing place upward pressure on two of the City's largest departmental budgets. In addition, Public Works represents another major driver of costs in the operating budget, but a significant portion of its activity is supported by user fees. Reductions in fee-supported expenditures would generally be accompanied by corresponding reductions in fee revenue and therefore would not necessarily improve the General Fund's structural position.

The share of the General Fund budget that can reasonably be characterized as scalable or discretionary is very limited relative to both the size of the overall budget and the magnitude of the projected structural deficit.

Use of Reserves

Reserves remain an important financial management tool and can help the City manage timing issues, economic uncertainty, and short-term budget transitions. However, reserves should not be viewed as a permanent solution to an ongoing structural deficit. Using reserves to support recurring expenditures reduces future flexibility, weakens the City's capacity to respond to emergencies or economic downturns, and can place additional pressure on future budgets.

The forecast therefore reinforces the need to treat reserve use as a temporary bridge strategy rather than a recurring operating strategy. Any use of reserves should be evaluated in relation to adopted reserve policies, projected year-end balances, and the City's ability to restore reserves over time.

Policy Considerations

The forecast points to the need for continued long-term planning and coordination with State partners to identify durable solutions to the City's structural fiscal challenges. In the absence of additional recurring revenue authority or other structural changes, the City will need to evaluate difficult tradeoffs involving service levels, staffing, expenditure controls, revenue policies, and the timing and extent of reserve use.

The forecast should be used as a framework for decision-making during the annual budget process. Its purpose is not to predict exact results in each year, but to clarify the direction and scale of the fiscal challenge, identify the major drivers of the imbalance, and support decisions that improve long-term financial sustainability.

Appendix A: Revenue and Expenditure Forecast Assumptions

City of Milwaukee Five-Year General Fund Financial Forecast

This appendix summarizes the principal revenue and expenditure assumptions used to develop the City of Milwaukee's five-year General Fund financial forecast. The assumptions are intended to provide a consistent and transparent basis for projecting major operating revenues and expenditures. Where warranted, assumptions rely on specific source estimates, actuarial projections, departmental or Budget and Management Division input, or historical trend analysis.

The assumptions should be reviewed and updated during each forecast cycle as actual results, budget decisions, labor agreements, statutory requirements, and economic conditions change.

Revenue Assumptions

Category	Forecast Assumption	Methodology/Notes
Property Tax Levy	2.8% annual growth	Ten-year average annual growth. Subject to property tax levy limits
State Shared Revenue	2.2% annual growth	Wisconsin Legislative Fiscal Bureau Shared Revenue and Tax Relief memorandum.
Local Sales Tax	2.5% annual growth	Based on the 2027 Comptroller revenue estimate, with subsequent growth informed by historical data and economic forecasts.
Departmental Charges for Service	0.9% annual growth	Seven-year average annual growth.
Solid Waste Fee	3.3% annual growth	Ten-year average annual growth.
Other Intergovernmental	1.0% annual growth	Reflects a 2027 reduction for the known decrease in the Municipal Services Payment, followed by a conservative growth assumption due to historical volatility.
Local Street Aids	1.1% annual growth	Ten-year average annual growth.
Non-Tax ERS	3.1% annual growth	Projected to reflect wage and inflationary growth.
Stormwater Fee	3.4% annual growth	Ten-year average annual growth.
Other Taxes and PILOTs	5.1% annual growth	Seven-year average annual growth, calculated from a 2024 baseline because the 2026 Budget included known one-time revenues.
Fringe Benefit Offset	3.1% annual growth	Based on the 2027 Comptroller revenue estimate, with subsequent growth aligned to projected general City wage growth.
Licenses & Permits	1.7% annual growth	Seven-year average annual growth.
Other Miscellaneous Revenue	1.0% annual growth	Reflects a 2027 reduction for the known decrease in the Municipal Services Payment, followed by a conservative growth assumption due to historical volatility.
Vehicle Registration Fee	Specific estimate / no annual growth assumption	Updates the 2027 revenue estimate to reflect 12 months of the higher fee implemented in 2026; assumes no additional fee increases thereafter.
Snow and Ice Control Fee	2.7% annual growth	Ten-year average annual growth.
Street Lighting Fee	2.3% annual growth	Five-year average annual growth.
Fines and Forfeitures	1.0% annual growth	Conservative growth assumption reflecting historical volatility.
Extra Garbage Cart Fee	Specific estimate / no annual growth assumption	Assumes no growth and no fee increase.
Deferred Comp Admin	3.1% annual growth	Assumes growth consistent with projected general City salary growth.

Expenditure Assumptions

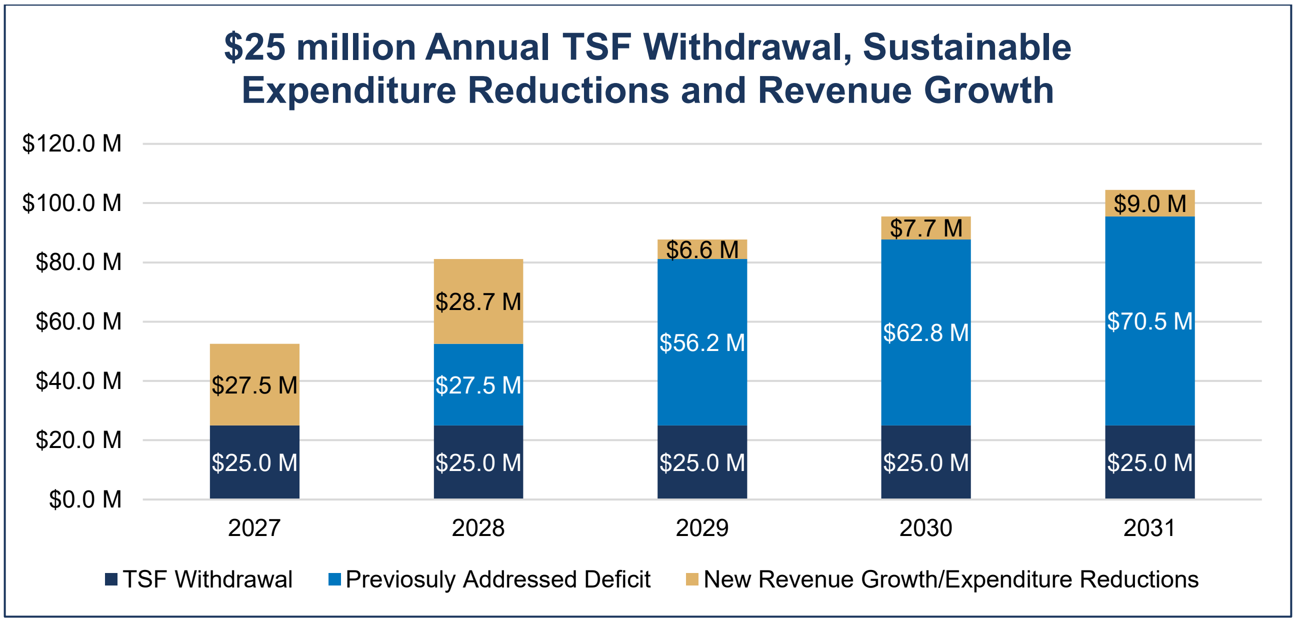
Category	Forecast Assumption	Basis / Methodology
Police Salaries	2.73% plus fixed amount for additional 10 officers annually	Based on a blend of recent Milwaukee Police Association and Milwaukee Police Supervisors' Organization wage increases with the general City projected increase applied to civilian staff. Limited flexibility due to maintenance of effort requirements.
Police Operating	5.4% annual growth	Ten-year average annual growth.
Police Equipment	5.5% annual growth	Ten-year average annual growth.
Police Special Funds	2.5% annual growth	Three-year average annual growth.
Fire Salaries	2.75% plus fixed amount for additional 5 firefighters annually	Based on recent Local 215 wage increase history. Limited flexibility due to maintenance of effort requirements.
Fire Operating	8.1% annual growth	Ten-year average annual growth.
Fire Equipment	15.9% annual growth	Ten-year average annual growth.
Fire Special Funds	9.5% annual growth	Two-year average annual growth.
Other Department Salary	3.1% annual growth	Five-year average annual growth.
Other Department Operating	5.3% annual growth	Three-year average annual growth.
Other Department Equipment	5.0% annual growth	Three-year average annual growth.
Other Department Special Funds	8.5% annual growth	Four-year average annual growth.
All Other Misc SPA	2.2% annual growth	Ten-year average annual growth.
Workers' Comp SPA	3.1% annual growth	Tied to projected general City salary growth.
All Health Care Benefits SPA	4.0% annual growth	Based on the 5.4% CMS hospital and physician spending growth projection, with a qualitative downward adjustment reflecting limited growth in City health care costs since 2019.
Employer Pension Contribution-ERS	Specific estimate / no annual growth assumption	Based on the ERS-commissioned actuarial report.
Employer Pension Contribution-WRS	Specific estimate / no annual growth assumption	Based on projection developed by the Budget and Management Division.
Other ERS	3.1% annual growth	Tied to projected general City salary growth.
Social Security Tax	3.1% annual growth	Tied to projected general City salary growth.
Deferred Comp Admin	3.1% annual growth	Tied to projected general City salary growth.
Capital Cash Levy Expenditures	Specific estimate / no annual growth assumption	Based on historical budget allocations.
Debt Levy Expenditures	Specific estimate / no annual growth assumption	Based on the 2027 forecast, with 2.0% annual growth thereafter.
Contingent Fund	Specific estimate / no annual growth assumption	Based on historical budget allocations.

Appendix B: Additional Scenario Analysis

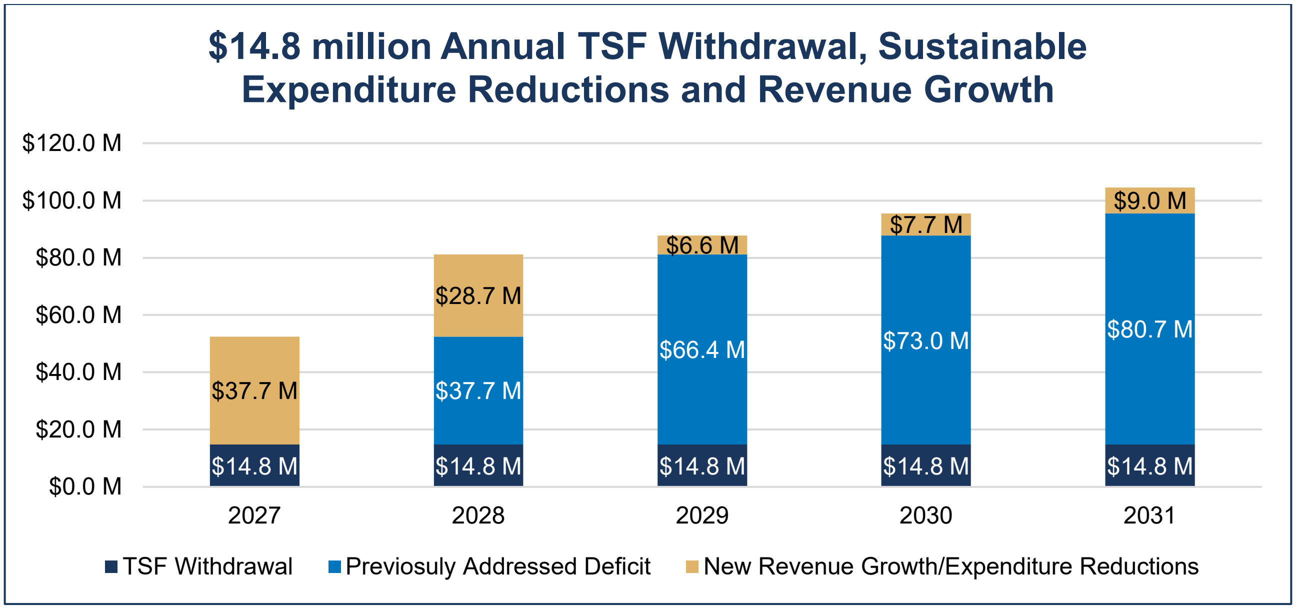
Alternative Presentations of Projected Budget Deficits

This appendix includes discussion of three scenarios intended to give the reader a better sense of what future budget deficits could look like if the City were to limit the use of reserves to balance future budgets by implementing ongoing expenditure reductions and/or identify opportunities to grow recurring revenues as a strategy for closing future budget deficits.

Scenario #1: $25 million Annual Tax Stabilization Fund Withdrawal
Under this scenario the $125 million balance of the TSF is drawn down evenly over the five forecast years, with the remaining deficit being addressed by a combination of revenue increases greater than what is assumed in the baseline forecast and expenditure reductions. By 2031, this scenario would require the City to make a cumulative $79.5 million of expenditure reductions and/or revenue increases.



Scenario #2: $14.8 million Annual Tax Stabilization Fund Withdrawal
Under this scenario the average TSF withdrawal over the last 10 years, $14.8 million is drawn down each year over the five forecast years, with the remaining deficit being addressed by a combination of revenue increases greater than what is assumed in the baseline forecast and expenditure reductions. By 2031, this scenario would require the City to make a cumulative $89.7 million of expenditure reductions and/or revenue increases.



Scenario #3: No Tax Stabilization Fund Withdrawal
Under this scenario the entire deficit is addressed by a combination of revenue increases greater than what is assumed in the baseline forecast and expenditure reductions. By 2031, this scenario would require the City to make a cumulative $104.5 million of expenditure reductions and/or revenue increases.