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City's 2017 budget marked by familiar challenges

MILWAUKEE – *Monday, October 17, 2016* – The City of Milwaukee's budget continues to be threatened by flat intergovernmental revenues and growing Milwaukee Police Department (MPD) expenditure needs, according to the Public Policy Forum's annual review of the Mayor's proposed budget. Those were the two "glaring red lights" identified by the Forum in [Making Ends Meet](#), its recently released assessment of the City's overall financial condition.

"With intergovernmental revenue up by only 0.9%, the budget uses a 2.75% property tax increase – the largest in seven years – to generate an extra \$7 million to help balance the budget," says the 2017 City of Milwaukee budget brief. "Meanwhile, MPD receives a \$25 million expenditure increase – which is linked in part to retroactive salary increases tied to new labor agreements – but which nonetheless chews up most new expenditure capacity while providing no increase in police staffing."

Despite those challenges, the analysis finds that the budget maintains service levels and makes reasonable demands on taxpayers.

"The proposed budget is able to meet the City's most pressing financial needs, including increased salaries and wages for Police and Fire department union members produced by new labor agreements, a \$4.1 million spike in levy-supported debt service, and continued financing of the City Hall repair project," says the report. "It also is able to use grant funds to enhance spending on a variety of initiatives related to the City's big challenges, ranging from violence prevention to lead water line remediation to foreclosures."

This year's budget brief focuses on six "keys" to understanding the proposed 2017 City budget. In addition to the two issues cited above, those include developments in the City's employee health care budget, growth in its property tax levy-supported debt, the continued prioritization of street and bridge repairs, and investments in Milwaukee neighborhoods.

With regard to neighborhood investments, the report cites the importance of several initiatives included in the 2017 proposed budget, but also notes the City's limited capacity to make such investments with its constricted local resources.

"The City's ability to pursue these initiatives is predicated largely on its ability to secure resources from other levels of government," says the report. "This demonstrates again that City leaders have limited wherewithal to embark on their own upon the types of bold new spending initiatives that many feel are needed to address Milwaukee's most pressing challenges."

As in previous years, the budget brief analyzes 2017 budget decision-making with an eye toward future budgets. It warns that while the 2017 budget is fiscally sound and lacks workforce reductions or service cuts, 2018 could be a much more challenging year.

"With health care costs poised to rise and Tax Stabilization Fund withdrawals poised to diminish, two of the primary tools used in 2017 to provide resources for expenditure demands may be exhausted," says the report. "Meanwhile, the City's employer contribution to its pension fund will be re-set in 2018, which may create a substantial added demand for expenditures if the fund's interest rate assumption is lowered."

The report concludes by noting that while these factors by no means portend a fiscal "crisis" looming for 2018, "they do suggest that the City's ability to address the needs of MPD and its aging infrastructure without negatively impacting service levels in other departments is growing short."

The City of Milwaukee budget brief can be downloaded at www.publicpolicyforum.org. The Forum's 2017 Milwaukee County budget brief was released on Friday and also is available on the website.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.