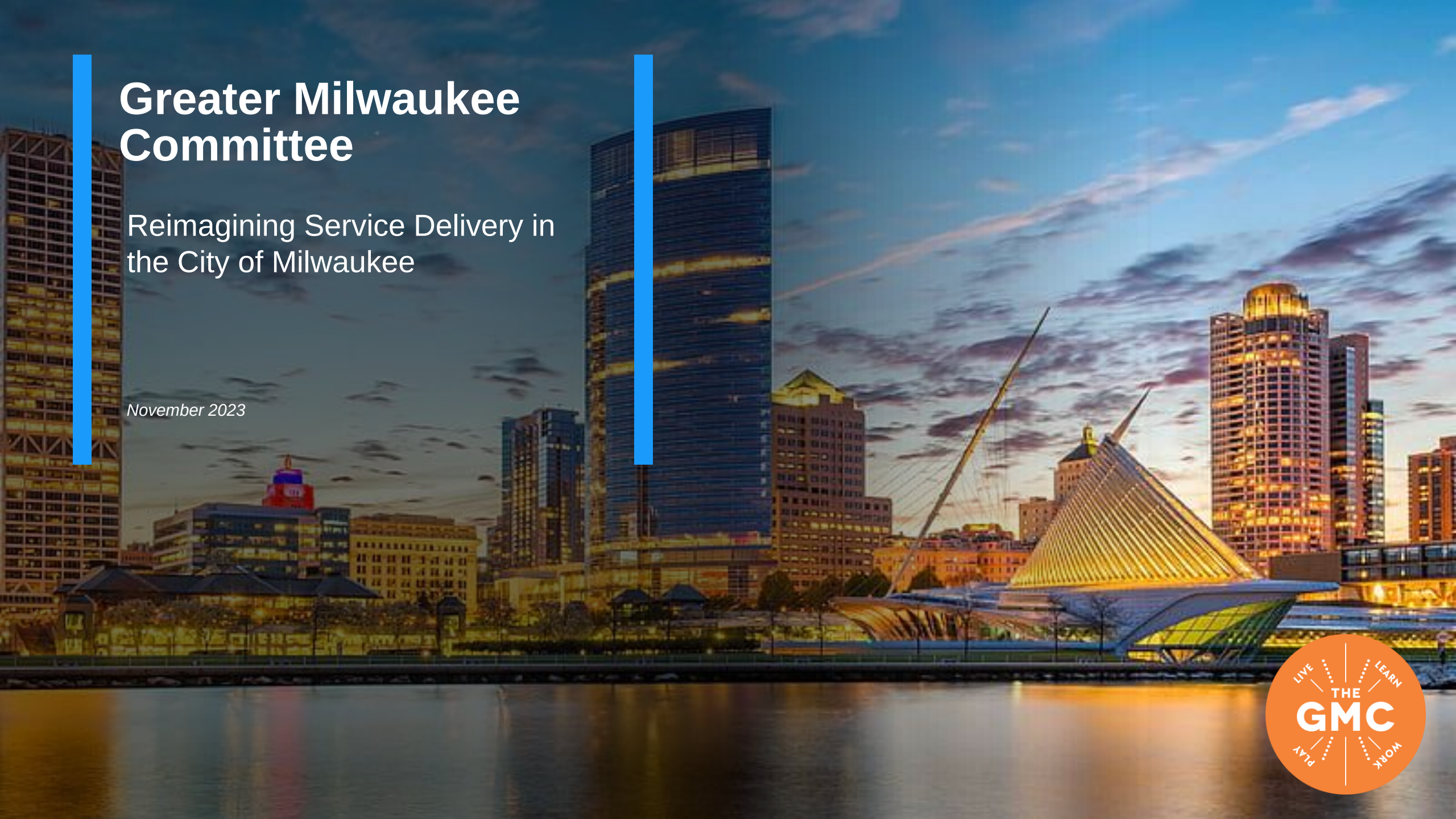
# Greater Milwaukee Committee

## Reimagining Service Delivery in the City of Milwaukee

*November 2023*



November 9, 2023

Mayor Cavalier Johnson
City Hall, Room 201
200 E. Wells Street
Milwaukee, WI 53202

Dear Mayor Johnson:

As you know, the City of Milwaukee (the "City") faces the most challenging fiscal situation in its 177-year history. The expiration of one-time federal funds, combined with increasing pension costs, cuts to state shared revenue and the City's limited capacity to raise local revenue combined to create a perfect storm that until recently forecasted looming annual deficits of $150 million. Actions in 2023 by the Wisconsin State Legislature and the Milwaukee Common Council have staved off the worst-case scenario and preserved the basic services at risk, but clearly, our community has more work to do. Even with the immediate crisis averted, a sustainable future demands a comprehensive and focused response. Significant, bold steps must be taken to ensure the City can improve services, including public safety, public works and public health. These services are especially critical to historically marginalized groups, and equity must be at the center of the City's ongoing fiscal strategy.

The Greater Milwaukee Committee ("GMC"), a cross-sector consortium of local civic leaders, believes that the City's fiscal sustainability is essential to the well-being of Milwaukee residents and the economic vitality of the region. In partnership with the City, we commissioned a comprehensive review to identify options that could address immediate fiscal challenges and achieve long-term fiscal health. The effort sought to uncover cost savings, enhance service delivery, and build on reforms undertaken over the last decade. This report represents the culmination of that collaborative effort.

A guiding focus of this project is to provide alternatives that can be feasibly implemented. The report details options that could generate hundreds of millions in cost savings and revenue over the next decade without increasing taxes or fees through steps like optimization of service delivery, asset leveraging, and pension and health benefit reforms. After 20 years of austerity and budget reductions, limited "easy" options remain, but the attached report is highly actionable. Every option in the report is evaluated for its fiscal, performance and equity impacts.

Evaluating all options in the review led to an important conclusion. The City could not achieve fiscal sustainability through internal measures alone. Partnership with State Government through the authorization of a local option sales tax was essential to pull the City back from the brink and set it on a sustainable fiscal course. Cooperation with the State on a serious and meaningful long-term revenue solution is the most important first step, and you are to be congratulated for successfully navigating this existential issue.

The review took place over several months, during which the fate of a local option sales tax was uncertain. Acknowledging that uncertainty and the fact that the sales tax increase may not satisfy all long-term revenue needs, the effort also explored alternative revenue options, some that the City could enact on its own and others requiring state authorization. These options are included in the report, though most will be unnecessary with the adoption of the local option sales tax. Those requiring state authorization are unlikely to be enacted – or even considered anytime soon – by the Wisconsin State Legislature.

The GMC does not endorse all these reform ideas; instead, we offer them for thoughtful evaluation and consideration by your Administration and the Milwaukee Common Council. Some of these ideas will generate controversy and elected officials may find some unpalatable or too challenging to undertake in the near future. That is no surprise when you are compelled to put "everything on the table" as was the charge in this effort. We expect this review to deepen the conversation as you seek reimagine operations and enhance service delivery to every community resident.

On a personal level, I want to thank you and your management team for engaging deeply in our joint work. The options developed would not have been possible without cooperation across City departments. We are grateful to the professionals at EY, a national consulting firm with expertise in these types of efforts, for supporting us through this project. This work product represents a tremendous partnership opportunity, and we pledge to continue our work together to ensure implementation in the coming months and years.

Sincerely,

Joel T. Brennan

Joel Brennan
President, Greater Milwaukee Committee

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# Key insights

## The City's new partnership with the State is a lifeline, but more work needs to be done

The City of Milwaukee ("City") has already taken multiple steps to stabilize its finances, and Act 12 averts unmanageable deficits. Despite this, the **City still faces structural deficits** as American Rescue Plan Act of 2021 ("ARPA") funds expire.

The City can take **additional steps on its own to further stabilize its finances**, including delivering key city services more efficiently and cost-effectively, monetizing city-owned assets, and managing long-term liabilities to reduce costs.

The City could **partner with neighboring communities and jurisdictions** on options such as relocating and modernizing the recycling and fleet maintenance facilities, tree nursery and greenhouse operations, and health lab test processing

The City could achieve **hundreds of millions of cost savings and incremental revenue** over the next 10 years without having to increase taxes or fees to City residents, including up to $140M of cost savings by delivering city services more efficiently

From the outset, it was clear that the steps the City could take on its own to deliver services more efficiently would not be enough to fully offset projected deficits and close future budgetary gaps. The City's work with the State to **increase shared revenue payments and expand local revenue options** is the most important step in the long-term sustainability of Milwaukee. However, the **City cannot and should not stop there**

# Overview of the City of Milwaukee's challenges

## Multiple steps taken over the last two decades were not enough to stave off a fiscal crisis

The City faced **significant fiscal pressures** due to declining state shared revenue and state limits on the local property tax levy, and rising fixed costs, including rapidly rising pension obligations, crowding out funding for services to the community

Absent relief from the State, the City **faced annual structural budget deficits in excess of $100 million**, ~15-20% of its general fund budget, and more than double what the City has experienced in the recent past

Statutory limitations by the state severely **restrict the City's ability to raise new revenues** to pay for needed services

Federal funding has provided relief, but **only temporarily**; starting in 2025, the City must find other ways to balance its budget

Having staved off the worst-case scenario by securing additional state aid and expanded taxing authority, the City seeks **long-term fiscal health** through more efficient service delivery and other cost-saving measures

### The City **has already taken multiple steps** to stabilize its finances

| | |
|---|---|
| **"3R" budget strategy** | In 2013, the "Resize, Restructure, and Reinvest" strategy was introduced to formalize a budget-balancing approach |
| **Reduced workforce** | From 2000 to 2022, the city workforce was reduced by 1,000+ funded positions, a 12.4% decrease representing $80m in annual savings |
| **Supplemented pension reserve fund** | Leveraged ARPA funds to build pension reserves |
| **Increased user charges** | City service fees (e.g., stormwater, solid waste management, street lighting, snow and ice control) increased significantly over the past 20 years |
| **Controlled employee benefit costs** | The City introduced or increased employee contributions to retirement health benefits representing $39m in annual savings |
| **Reformed workers' compensation** | The City implemented workers' compensation reforms to reduce costs by $5m |

# The City's baseline financial projection

## Budget projections indicate that the sales tax is not enough to fully address the budgetary deficits

Before the enactment of Act 12, 2023, the City was projecting a budgetary gap of $183M and $193M in FY2024 and FY2025, respectively. However, Act 12 is expected to have a positive impact on the City's financial situation

### *Impact of Act 12 includes:*

1. A 10% increase in 2024 State Shared Revenue and a ~3% annual increase thereafter
2. Enactment of a 2% City sales tax
3. Switching the retirement system from City of Milwaukee Employees' Retirement System (CMERS) to Wisconsin Retirement System (WRS)
   - Shifting to WRS will result in a lower discount rate (7.5% to 6.8%) and will increase the City's annual pension costs in the short-term, but will result in savings in the long-term

### *Act 12 will:*

1. Expand the City's revenue options for the first time in over a generation
2. Immediately avert the City's looming fiscal cliff
3. Prevent drastic service cuts to key City services
4. Stabilize the City's long-term pension costs
5. Ensure that tourists and commuters help pay for services via the sales tax

### Est. fiscal impact of Act 12 *($ in M)*

| | FY2024 | FY2025 | FY2026 | FY2027 |
|---|---|---|---|---|
| Pre-Act 12 estimated fiscal gap[1] | ($183.0) | ($193.0) | ($203.0) | ($213.0) |
| Additional Pension costs from Act 12[2] | (45.6) | (43.9) | (43.2) | (42.4) |
| Additional sworn strength costs from Act 12[3] | - | (5.7) | (11.6) | (17.8) |
| Outstanding FY2023 pension balance[4] | (25.5) | - | - | - |
| **New gap** | **(254.1)** | **(242.6)** | **(257.8)** | **(273.2)** |
| State Shared Revenue increase | 21.7 | 28.9 | 36.3 | 43.9 |
| ARPA funds | 93.0 | - | - | - |
| Est. City sales tax | 190.2 | 195.9 | 201.8 | 207.8 |
| **Net surplus/(gap)** | **$50.8** | **($17.8)** | **($19.7)** | **($21.5)** |

***Per State Law, the incremental sales tax must be spent on increasing sworn strength up to an estimated annual cost of $23M***

| | | | | |
|---|---|---|---|---|
| Estimated sales tax in FY2024 | $190.2 | $190.2 | $190.2 | $190.2 |
| Sales tax estimates in future years | 190.2 | 195.9 | 201.8 | 207.8 |
| **Difference from 2024 baseline** | **-** | **5.7** | **11.6** | **17.8** |

Note: projections exclude the use of the pension reserve fund
1. '24 budget GAPs is real, '25-'27 are projections
2. Preliminary estimates from actuary using old data
3. Incremental sales tax (using FY24 as baseline) must be spent on increasing sworn strength up to an estimated annual cost of $23M
4. Includes 7.5% interest (~$1.8M) on the $23.7M that was not pre-paid

# Overview of the analysis

## Options for the City to improve its fiscal situation were identified and prioritized

**This review presents options for the City to consider**, including ways to deliver services more cost-effectively, leverage assets, reform pension and health benefit programs, generate new own-source revenue, and share or consolidate services with Milwaukee County and other jurisdictions.

- During the course of the work, the following sources of information were analyzed and relied upon:
  - Meetings and discussions with Directors, Managers, and Analysts at City agencies, including the Budget and Management Division, Public Works, Neighborhood Services, Public Library, Health, Fire, Police, Parking, Retirement Systems, and Treasurer's Office
  - Financial data provided by the City and publicly available benchmarking data

***The analysis focused on three primary areas:***

### Service Optimization

- Reviewing City's budget at the service level
- Identifying City's highest cost services to study options for savings
- Interviewing department heads, program managers and other staff
- Researching peer cities and best practices
- Mapping business processes for automation
- Developing efficiency options

### Financial Planning

- Benchmarking Milwaukee's tax capacity and effort versus peer cities
- Developing options for increasing revenue from taxes and fees
- Reviewing the City's pension and health benefit plans
- Examining options to monetize City assets, such as real estate and infrastructure

### Innovation Infrastructure

- Facilitating employee work groups to develop initiatives for performance improvement in accountability, data analytics, employee-driven innovation, and budgeting
- These initiatives will help Milwaukee deliver better results to its residents and businesses

- Some options identified are potential "quick wins" that can likely be readily implemented. Other options are more complex, and likely require further study, discussion and debate, and in some cases could take several years to complete. Furthermore, these numbers are estimates, subject to material change, and are not necessarily additive
- The analysis also highlights best practices for improving fiscal and operational management and presents four initiatives, developed with a team of City employees, to promote innovation and continuous improvement

**Each option was examined through an equity lens** and included in the report considerations of how the option may affect historically marginalized groups or result in other kinds of disparities.

# Benchmarking peer group

## A set of 12 peer cities was identified for purposes of financial and performance benchmarking

- Data was obtained from peer cities to compare tax and fee rates and service delivery models; where appropriate, other cities were used
- These cities were selected because they have economic, demographic, and governance characteristics similar to the City of Milwaukee. The peer cities have annual budgets greater than $650M and populations ranging from ~270K to ~1M

| Peer city | Population[1] | Annual budget[2] | Median household income[1] |
|---|---|---|---|
| Milwaukee, WI | 569,330 | $1.7B | $45,318 |
| Baltimore, MD | 576,498 | $4.1B | $54,652 |
| Buffalo, NY | 278,349 | $1.6B | $40,669 |
| Cincinnati, OH | 308,935 | $1.5B | $42,733 |
| Cleveland, OH | 367,991 | $1.5B | $35,562 |
| Columbus, OH | 906,528 | $1.1B | $58,202 |
| Detroit, MI | 632,464 | $2.2B | $36,140 |
| Kansas City, MO | 508.394 | $1.7B | $63,396 |
| Memphis, TN | 628,127 | $750M | $44,317 |
| Minneapolis, MN | 425,336 | $1.7B | $69,397 |
| Pittsburgh, PA | 300,431 | $657M | $57,821 |
| St. Louis, MO | 293,310 | $1.1B | $49,965 |
| Tucson, AZ | 542,242 | $1.9B | $50,306 |


[1] Source: U.S Census Bureau
[2] Source: Peer City Budget Documents

# Overview of findings: Service Optimization

## The identified options are estimated to have an impact of up to $140 million over 10 years

### Key Observations

- The 41 service optimization options are estimated to generate **up to $140M in savings over a 10-year period** (net of any upfront investments)[1]
- These options allow the City to **deliver its core services in a more cost-efficient way** and likely will afford opportunities for further innovation in City government

| | | | | Est. 10-year impact ($M) | |
|---|---|---|---|---|---|
| | **Category** | **Sub-category** | **# of options** | **Quick Wins** | **Longer-term** |
| **Service optimization** | **Dept. of Public Works (DPW) Infrastructure Services** | Bridge Operations and Maintenance | 1 | 4 | - |
| | | Underground Communications | 4 | 2 | - |
| | | Street Maintenance | 3 | - | 2 |
| | **DPW Operations** | Forestry Services | 5 | 27 | 3 |
| | | Fleet Services | 4 | 8 | - |
| | | Sanitation, Street Sweeping, Recycling, Leaf | 3 | 9 | - |
| | **Dept. of Neighborhood Services (DNS)** | Residential Code Enforcement | 3 | 7 | 1 |
| | | Special Enforcement | 1 | 7 | - |
| | | Development Center and Inspections | 5 | 12 | 1 |
| | **Fire** | Emergency Paramedic Services | 3 | (0.4) | 19 |
| | **Health Department** | Health services | 4 | - | 1 |
| | **Public Library** | Central and circulation | 4 | 6 | 7 |
| | **Police** | Districts and specialized units | 2 | - | 20 |
| | **Other** | Special events | 1 | 6 | - |
| | | Department of Administration | 1 | - | - |
| | | | **41** | **88** | **52** |

1. Savings are cumulative over the 10-year period, not annual savings

Note: Amounts shown are estimates and subject to material change. Furthermore, amounts represent the total estimated envelope of potential options, are not necessarily additive, and are based on best available information.

# Overview of findings: Financial Planning

## Asset Leveraging, Pension and OPEB options could have an impact of more than $450 million over 10 years

### Key Observations

- **The City owns multiple assets that could be monetized** for one-time/ongoing revenue
- **Changes to pension and health programs** could reduce cost and risk and give employees options[1]
- **Modifications to the full cost of service delivery** could help the City achieve significant fiscal impact
- The City has several functions that are **candidates for alternative sourcing or shared services**
- $156M in incremental tax and fee revenue could be achieved over 10 years **without State approval**, including increasing the wheel tax and voluntary PILOT payments, and levying an urban forestry fee

| | Category | Sub-category | # of options | Est. 10-year impact ($M) Quick Wins | Est. 10-year impact ($M) Longer-term |
|---|---|---|---|---|---|
| Financial planning | Asset leveraging | Real estate asset monetization / facility consolidation | 9 | 17 | 13 |
| | | Parking and transportation | 4 | - | 144 |
| | | Municipal advertising | 2 | 48 | - |
| | | | **15** | **65** | **157** |
| | Pension, OPEB, and healthcare | Pension | 7 | - | 83 |
| | | OPEB and Healthcare | 8 | 7 | 140 |
| | | | **15** | **7** | **223** |
| | Revenue options | Taxes | 2 | - | 99 |
| | | Fees, charges, and cost recovery | 2 | 417 | 57 |
| | | | **4** | **417** | **156** |

1. This review was undertaken during a time when the outcome of Act 12 was uncertain. The recommended pension options would need to be re-assessed based on the recently enacted Act 12
2. Note: Amounts shown are estimates and subject to material change. Furthermore, amounts represent the total estimated envelope of potential options, are not necessarily additive, and are based on best available information.

# Scoring of city options

## Options categorized by estimated fiscal impact and feasibility

Initial higher priority
Initial lower priority
Case-by-case evaluation

***For most options, "tear sheets" were developed which include a description of the option; assessment of feasibility and impact; an analysis of specific financial, performance, and equity impacts; implementation considerations; and a ten-year projection of cost savings or revenue***

*More feasible*

- Evaluate selling carbon credits for trees (MD) ●
- Increase fees for use of the conduit system (CC) ●
- Consider charging non-paying customers of the conduit system (MD) ●
- Market dark fiber connectivity to private customers (MD)
- Third-party certification pilot program for plumbing inspections (CC)
- Evaluate ability to engage in fleet warranty recovery (MD) ●
- Cross-train DPW and DNS inspectors and virtual follow-ups (MD) ●
- Utilize Smart City technology to optimize sanitation routes (MD) ●
- Generate revenue from external customers at health lab (MD)
- Monetize vacant space owned by the Public Library (MD)
- Autoenrollment into HDHP plan for new hires (MD)
- Identify root cause for variation in energy use in Fire Department facilities (MD)
- Transition all departments to the city credit card program (CC)
- Community risk assessment and standards of cover analysis (MD) ●

- Transition all moveable bridges to remote-operated (MD)
- Purchase road patchers to support street maintenance (MD)
- Compete tree maintenance functions (MD) ●
- Reduce maintenance needs for City boulevards (MD) ●
- Implement submission fee for electronic plan review (CC) ●
- Expand municipal advertising on digital billboards (CC)
- Explore municipal advertising on trash containers and bins (CC) ●
- Increase the wheel tax (CC)
- Pair HDHP with HSA, align pricing (CC)
- Align labor practices to minimize impact on pensions (MD)
- Explore retrofits to achieve energy targets in Admin complex (MD)
- Create a dashboard for real estate assets to organize the City's data (MD)

- Acquire log loader trucks for forestry services (CC)
- Examine competing secondary services (leaf and sweeping) (MD)
- Expand the use of revision fee for plan review (MD)
- Implement phase fee for plan review (CC)
- Modify staffing model and service offerings at library branch locations (CC)
- Transition to contracted custodial services for all library locations (MD)
- Implement a 10% fee to recover special event costs (CC)
- Right-size DNS special inspectors to better reflect the current demand (MD) ●
- Acquire new customers to fill out unused portion of the conduit system (MD)
- Levy an urban forestry fee (CC)
- Consolidate admin complex and sell 809 building (CC)
- Ground emergency medical transport revenue from State of Wisconsin (SL)

**Implementation feasibility**

- Utilize expedite fee to fund an Expedited Plan Review Program (MD)
- Repurpose under-utilized health clinics (MD)
- Create internal fund to generate fleet-specific revenues (MD) ●
- Monetize assets held by the Public Library (MD)
- Shift participation for new hires to state pension plan (CC, SL)
- Increase parking fines (CC)

- Consolidation of City and County tree nurseries and greenhouses (CC)
- Digitize the code violation inspections to eliminate redundancies (MD)
- Civilianize Forensics Division of the Police Department (MD)
- Increase reinspection fees for code non-compliance (CC)
- Reduce staffing at health labs (MD)
- Utilize telehealth for clinical and community programs (MD)
- Improve work order management. and scheduling for DPW (MD) ●
- Modify Police Department overtime policy (N)
- Explore retrofits to achieve energy targets across the real estate portfolio (CC)
- Adjust pricing and employee cost sharing for medical plans (MD)
- Alternative response and mobile integrated health – community paramedicine (MD)

- Explore option for Central Library to be a state resource library (SL)
- Modernize and consolidate the City's fleet maintenance facility (MD)
- Relocate and modernize the City's recycling facility (MD)
- Evaluate gainsharing to incentivize DPW employees (CC)
- Reevaluate and repurpose Health Department clinics (MD)
- Develop a capital plan for preventive street maintenance (CC) ●
- Levy a 2% city sales tax (SL)
- Adjust fees for major DPW services (CC)
- Monetization of City's water works (CC)
- Adjust dependent cost sharing structure for medical plans (CC)
- Provide lump sum option for retirees (CC)
- Implement risk sharing in pension COLAs for employees / retirees (CC)
- Explore strategic alternatives for riverside DPW properties (CC)
- Explore concession or sale of parking assets (CC)
- Explore sale of select parking garages (CC)
- Explore options for monetizing streetlights (CC)
- Shift Milwaukee Police Dept. capital spend to higher priority needs (CC)
- Modify retiree medical coverage for active employees (CC)

*Less feasible*

- Levy an amusement tax (SL)
- Increase cable franchise tax (SL)
- Levy a parking tax (SL)
- Freeze pension plan and transition to defined contribution plan (CC)

- Increase chargeable parking spots on Saturdays (CC)
- Introduce spousal surcharge for medical plans (CC)

- Implement risk sharing in employee contributions for pension (CC)
- Update pension contribution calculation assumptions and methods (CC)
- Levy a ridesharing tax (SL)
- Levy a local service tax (SL)
- Increase PILOTs for exempted properties (MD)
- Reform governance structure of existing pension (CC, N)
- Eliminate pension COLA for retirees (CC, N)
- Reform new entrant benefits for the pension system (CC, N)
- Reduce eligibility pre-65 for OPEB (CC, N)
- Implement caps / move towards HRA contributions for OPEB (CC, N)
- Automatically issue speed and red-light tickets using cameras (SL)

*Lower value* — **Potential value** — *Higher value*

Key:
CC = Common Council
MD = Mayor's Discretion
N = Negotiation
SL = State Legislation

● Quick wins (<6 months to implement)

● Identified as best practices and other options

# Path to fiscal sustainability

## Even after State action, the City can take specific steps to improve its long-term fiscal outlook

- The City has already taken multiple steps to stabilize its finances. However, additional steps are needed to address the projected budgetary gaps once the ARPA funds expire – many of which are highlighted below
- Many of these steps can be taken by the City without State authorization

**Fiscal sustainability**

**Explore options for service optimization to reduce costs**
- Street sweeping
- Library janitorial
- Nursery and greenhouse
- Log loaders
- Pilot gainsharing
- Inspector staffing

**Implement additional changes to pension and health programs to reduce costs**
- Lump sum pension
- COLA risk sharing
- HDHP with HSA
- Reduce/eliminate OPEB

**State authorization is required to implement most tax and fee options**
- Admissions/amusement tax
- Local service tax

*With the approval of the local option sales tax, most other tax and fee options utilized in other cities will not be required in the near term*

**Current fiscal situation** → **Assets** → **Shared services and process improvement** → **Full costing** → **Pension** → **Own revenue** → **State support and authorization**

**Leverage city-owned assets for one-time sale proceeds and/or ongoing revenue**
- Parking assets
- 809 N. Broadway
- Riverfront properties
- Water Works

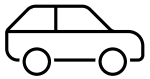
**Improve cost recovery for key city services**
- User fee full cost recovery
- MPD overtime policy
- Special events policy

**Identify new revenue sources without having to raise taxes or fees**
- Non-profit PILOT
- Municipal advertising
- Carbon credits
- Health labs

# Asset leveraging options highlights

## The City has assets that could be leveraged for additional revenue

***To realize savings from these options, significant further study, discussion and debate is required, and in some cases may take years to complete. The City could explore how these proceeds could be used to improve structural fiscal condition or address deferred capital maintenance***



Concessions
**$56m to $116m[1]**
Sale impact
**$25 to $55m[1]**

### Parking assets

***Description***

Multiple options to potentially monetize parking related assets

***Key considerations***

- **Meters and garages concession –** A one-time payment of $56m to $116m in consideration for future parking garage and meter revenues, depending on concession duration/sale and other assumptions
- **Parking lot sales –** Subject to further due diligence, lots at 841 N James Lovell St, 1001 N Water St, and 724 N 2nd could potentially generate estimated one-time sale value of $25m to $55m
- **Maintain parking cash flow –** Options for updating fee and fine policies to reflect full-service cost

10-yr impact
**Up to ~$17m[1]**

### 809 N. Broadway

***Description***

Consolidate administrative complex and sell 809 N. Broadway building for a one-time sales proceed plus savings in annual Operating Expenses and capital investments

***Key considerations***

- **Utilization –** Post COVID, the building is only ~20-25% utilized
- **Hybrid policy –** Need to distribute peak office usage days to consolidate overall footprint
- **IT Infrastructure –** Building has important IT infrastructure which may be expensive to move and is not reflected in the figures above – further study will be required to determine full impact

One-time impact
**$3m to 22m[1]**

### Riverfront properties

***Description***

DPW identified 3 buildings of value (Central Repair Garage, Municipal Service Building, and Material Recovery Facility) for potential sale

***Key considerations***

- **Public private partnership ("P3") / Disposition / Ground lease –** Multiple monetization options that could unlock long-term value and promote economic development
- **Consolidation –** New fleet and recycling facilities could improve efficiency and generate shared service revenue
- **Zoning and environmental –** Further study required to determine highest / best use

One-time impact
**$TBD**

### Water Works

***Description***

Significant monetization option through a P3 concession or an outright sale

***Key considerations***

- **Previous study –** Comptroller proposed a utility concession in 2009 for 75-100 years in exchange for payment of $550m to $600m
- **Market precedents –** Cities of Indianapolis, Allentown, Bayonne have been successful in monetizing their respective water systems
- **Further study –** Initial options appraisal and feasibility could be conducted within 12 months

*This option would have been necessary to consider immediately without action on the local option sales tax, and is less relevant than service optimization and other alternatives*

[1] Amounts provided are estimates. Final savings is dependent on design, utilization, assumptions, experience and other factors which could impact the ultimate level of savings or revenue projections. Additional analysis will be required when refining estimates and design. Savings are directional and may not be additive

# Shared services options highlights

## Certain functions could be candidates for alternative sourcing or shared services

***To realize savings from these options, significant further study, discussion and debate is required, and in some cases may take years to complete.***

10-yr impact
**Up to ~$9m[1]**

### *Street sweeping / leaf*

***Description***

Compete leaf collection and secondary sweeping services to external vendors

***Key considerations***

- **Vacancies –** Vacancies in the department have reduced street sweeping, so alternative sourcing could restore service levels
- **Capital cost avoidance –** Street sweeping, and leaf collection equipment is expensive to buy and repair, so outsourcing could save the City money in equipment costs
- **Competitive sourcing –** Labor unions can be invited to compete with private bidders to continue providing the services

10-yr impact
**Up to ~$6m[1]**

### *Library janitorial*

***Description***

Transition the custodial staff to be fully contracted throughout Milwaukee Public Library (“MPL”) system

***Key considerations***

- **Timing –** MPL could replace its current custodial workers as natural attrition occurs, or could contract out all custodial workers in the current fiscal year
- **Vacancies –** Given trend of vacancies throughout the City’s other Departments, custodial workers affected by this initiative could potentially fill other open positions

10-yr impact
**Up to ~$3m[1]**

### *Nursery and greenhouse*

***Description***

Consolidate the tree nurseries and greenhouse operations of the City and County – County has relatively small operation and the City can realize revenue from space usage and plant sales

***Key considerations***

- **Staffing –** Additional staffing may be needed to manage the growth in inventory, but volunteers may also be sufficient depending on skill requirements
- **Changing demand –** Further study is needed to determine type of flowers and trees expected to be utilized by both the City and the County
- **Sales –** City can sell trees and plants to other municipalities and the public

10-yr impact
**$TBD**

### *Health clinics*

***Description***

Milwaukee’s Health Department (“MHD”) could consider shifting from providing direct clinical services to funding non-profit clinics that are more cost-effective

***Key considerations***

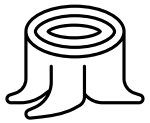
- **Utilization –** 2 of the MHD’s 3 clinics are underutilized
- **Further study –** A robust study is needed to determine feasibility due to lack of available data from the department
- **Other MHD options–** MHD can make greater use of telehealth technology and explore shared services with other municipal health departments in the county

[1] Amounts provided are estimates. Final savings is dependent on design, utilization, assumptions, experience and other factors which could impact the ultimate level of savings or revenue projections. Additional analysis will be required when refining estimates and design. Savings are directional and may not be additive

# Process improvement and automation options highlights

## Streamlining and automating processes could reduce costs

***To realize savings from these options, significant further study, discussion and debate is required, and in some cases may take years to complete.***



10-yr impact
**Up to ~$20m[1]**

### *Log loader trucks*

***Description***

The City must remove 3,600 trees every year, and could realize significant savings by investing in 3 log loader trucks (1 per district) to make tree removal more efficient

***Key considerations***

- **Upfront cost –** Significant upfront cost of $250K to 300K each
- **Pilot study –** Forestry has conducted a pilot study where both stumps and trunks were removed simultaneously, and significant efficiencies were realized
- **Other uses –** Also used for tree planting and stump debris removal in addition to tree removal, which could present additional efficiencies

10-yr impact
**Up to ~$8m[1]**

### *Pilot gainsharing*

***Description***

A gainsharing program would incentivize DPW technicians to improve efficiencies in fleet repairs and maintenance and increase fleet availability

***Key considerations***

- **Benchmark –** Any performance and efficiency metrics would be benchmarked to industry standards to ensure a leveled approach
- **Comeback rates –** Could be included in the performance review to ensure engineers are not rushing repairs to increase their numbers
- **Broader application** – If successful in fleet, gainsharing could be used in a range of other service areas

10-yr impact
**Up to ~$6m[1]**

### *Inspector staffing*

***Description***

The number of special enforcement code violations have decreased. Thus, the City could consider eliminating budgeted, vacant positions to better reflect the demand for the service

***Key considerations***

- **Timing –** Consider eliminating the budgeted, vacant positions over 2-3 years to allow for the demand trends to stabilize
- **Current employees –** Would eliminate budgeted, vacant positions, and would not affect current employees

10-yr impact
**Up to ~$4m[1]**

### *Remote bridges*

***Description***

The City could continue transitioning the remaining 10 moveable bridges to be remote-operated

***Key considerations***

- **Increase operator capacity –** Currently a remote bridge operator operates 2 bridges, consider increasing to 3
- **One-time costs –** an up-front cost will be incurred to add the necessary remote devices and hardware
- **Public safety concerns –** Previous accidents could make it difficult to increase the number of remote operated bridges

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# Cost recovery options highlights

## Modifications to service costing could achieve significant fiscal impact

***To realize savings from these options, significant further study, discussion and debate is required, and in some cases may take years to complete.***

10-yr impact
**Up to ~$417m[1]**

### *User fee full cost recovery*

***Description***

The City can charge fees to recover the cost of providing services such as sanitation, forestry, and snow and ice control, but is currently underestimating the full cost of providing the services

***Key considerations***

- **Additional costs –** City could consider including the cost of OPEB, unfunded pension liability, shared building and property costs, recycling grants, and other indirect overhead
- **Impact on citizens –** Increasing fees will directly impact the cost to citizens and may be met with negative publicity. Therefore, the City must consider the impact that incremental fees could have on the City's residents, particularly the most vulnerable groups, and try to minimize such impact
- **User fee policy** – Best practice to review service costs regularly for all fees and adjust annually for inflation

10-yr impact
**Up to ~$24m[1]**

### *MPD overtime policy*

***Description***

The Milwaukee Police Department ("MPD") could consider modifying its overtime policy such that overtime is only eligible to be earned after 80 hours has been worked in a single pay period – under current overtime policy, leave hours, such as vacation or holiday, count towards hours worked in a week for each employee

***Key considerations***

- **Hours worked –** Modifying the overtime policy will not change the number of hours worked per employee. The change in policy ensures employees are paid an overtime rate once an employee reaches 80 hours of regular paid time in a pay period
- **Labor considerations –** Changes to overtime for Police is likely covered under the existing bargaining agreements and would require renegotiation with applicable labor unions

10-yr impact
**Up to ~$6m[1]**

### *Special events policy*

***Description***

Current special events process appears to be ad hoc and arbitrary, with significant leakage in recoverable costs

***Key considerations***

- **Administrative fee –** Special events could charge an administrative fee, in line with the 10% administrative fee being charged for extra duty, and in line with best practices from peer cities (i.e., City of San Francisco 14% fee).
- **Milwaukee Fire Department –** Fire suppression / emergency medical services ("EMS") services could be included
- **Formal policy –** A codified set of procedures could be established to define the types of events, evaluation steps, and criteria for permit approval, and level of sponsorship or subsidy

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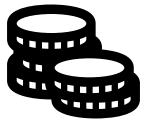
# Pension and health options highlights

## Changes to current programs can reduce cost and give employees options

***To realize savings from these options, significant further study, discussion and debate is required, and in some cases may take years to complete.***



10-yr impact
**Up to ~$90m[1]**

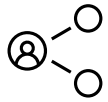
### *Lump sum pension*

***Description***

Provide members the option at retirement / termination to elect a lump sum and offer a one-time window to current vested terminated members. Savings depend on take rate, final design, and assumptions utilized

***Key considerations***

- **Potential negative publicity –** Previous scandals with lump sum payments will require careful messaging if this option is pursued
- **Design considerations –** Will require weighing savings per member generated by the lump sum option and resulting take rate
- **Labor considerations –** Will require significant engagement and education with labor unions and their members



10-yr impact
**Up to ~$83m[1]**

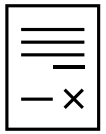
### *COLA risk sharing*

***Description***

Leading practice is to set cost of living adjustments ("COLAs") based on trust returns to share investment risk with retirees. Estimated savings above is based on full COLA elimination for Actives hired after 2011

***Key considerations***

- **State system –** The State system, WRS, primarily provides retirees adjustments based on trust returns, assumes hurdle rate of 5%, and smooths over 5 years
- **Investment behavior** – Design will most likely have to consider impact on investment strategy



10-yr impact
**Up to ~$7m[1]**

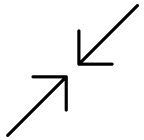
### *HDHP with HSA*

***Description***

A High Deductible Health Plan ("HDHP") paired with a Health Savings Account ("HSA") can be an attractive option for healthy employees and may result in overall savings to both the employer and employee

***Key considerations***

- **Efficiency –** Employees on a HDHP learn to utilize their healthcare spending more efficiently, leading to lower utilization and costs over time
- **Education –** Current HDHP plan is not well communicated, and significant effort will be required to educate employees
- **Peer systems –** 42% of government employers offer HSA plans and 55% contribute to the account



10-yr impact
**$TBD**

### *Reduce / Eliminate OPEB*

***Description***

Reduction or complete elimination of future coverage provides long term savings. 2020 Governmental Accounting Standards Board ("GASB") normal costs currently exceeds $70M for active members

***Key considerations***

- **Current employees –** City already eliminated retiree subsidy for general employees hired after 1/1/2017
- **Pushback –** Likely to produce negative reaction from employees
- **Feasibility –** Recent Wisconsin Employment Relations Commission ("WERC") City of Racine ruling may suggest post-retirement health benefits can be eliminated without adjustments to collective bargaining terms

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# New own revenue options highlights

## The City can likely generate new ongoing revenue without raising taxes

***To realize savings from these options, significant further study, discussion and debate is required, and in some cases may take years to complete.***

10-yr impact
**Up to ~$77m[1]**

### *Non-profit PILOT*

***Description***

Non-profit entities (e.g., hospitals, universities, and cultural organizations) that are exempt from property taxes may choose to make payment in lieu of taxes ("PILOT") to the City

***Key considerations***

- **Peer cities –** City of Boston identified 47 private educational, medical, and cultural institutions with property values over $15m and received $36m in PILOTs
- **Fair share agreement –** City cannot force exempt property owners to make PILOT payments but can ask exempt properties to consider voluntarily paying through Fair Share Agreement. These payments could help sponsor a library, fund a service at a health clinic, or fund other key City services

10-yr impact
**Up to ~$49m[1]**

### *Municipal advertising*

***Description***

Collect advertising revenue through digital billboard programs and leasing trash cans and containers for companies to place their logos or ads

***Key considerations***

- **Maintenance cost –** Private company would handle with no incremental cost to the City
- **Peer cities –** Several cities in the US have digital billboards or street furniture programs
- **Win-win –** Collaborate with the contracted media company to ensure a mutually beneficial outcome for both parties
- **Other options** – Ads can be placed on trash cans, city vehicles, buildings, bills, etc.

10-yr impact
**Up to ~$1m[1]**

### *Carbon credits*

***Description***

Could consider monetizing the City's ~195k trees for carbon credits to capitalize on this untapped revenue source, and strengthen the City's commitment to sustainability

***Key considerations***

- **Market study –** Understanding of the competitiveness of the market for carbon credits is necessary, as well as an outlook of how the market may evolve
- **Requirements –** No additional maintenance work is anticipated on the part of City staff

10-yr impact
**$TBD**

### *Health labs*

***Description***

MHD could identify opportunities to right size its current test menu to achieve efficiencies and operating savings. The focus should be on cutting costs by eliminating tests that have high cost-to-benefit ratios

***Key considerations***

- **Other jurisdictions –** Part of this effort will require working with the Wisconsin State Lab of Hygiene to reduce redundancy
- **Workload –** Need to ensure that the elimination of certain tests does not materially compromise the current service to City residents

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# Other revenue options highlights

## Other tax and fee options could be explored, but may require state authorization

***To realize savings from these options, significant further study, discussion and debate is required, and in some cases may take years to complete.***

10-yr impact
**Up to ~$57m[1]**

### *Urban forestry fee*

***Description***

Madison created a special urban forestry charge to help recover the costs to maintain the City's urban forest – the City of Milwaukee can do the same. Milwaukee currently does not levy a separate urban forestry fee but funds forestry via stormwater fees

***Key considerations***

- **Feasibility –** State of Wisconsin limits the amount of money that can be raised through property tax levy to pay for urban forestry maintenance
- **Impact –** City could reduce stormwater fee and / or increase funding for other stormwater management activities

5-yr impact
**Up to ~$41m[1]**

### *Speed and red-light cameras*

***Description***

Pending State approval, the City could use up to 75 red-light cameras to issue more traffic violation tickets, which could generate incremental revenue and reduce reckless driving

***Key considerations***

- **State law –** The State decides whether "Safe Roads Save Lives Act" will be passed. Similar bills introduced in previous years have not become law
- **Pilot –** The bill allows a five-year pilot program for speed and red-light cameras and will need renewal
- **Best practices –** Revenue will decline over time so could be used for one-time purposes, such as pension, capital, etc.

10-yr impact
**Up to ~$17m[1]**

### *Wheel tax*

***Description***

For automobiles in Milwaukee, the annual registration fee is $145, $30 of which goes to the City and $85 is collected by the State. The City could increase its fee from $30 to $40

***Key considerations***

- **State law –** Wisconsin state law allows the City to collect wheel tax and does not specify the amount – however, the City must use the tax revenue for transportation-related purposes
- **Best practices –** Periodic review and adjustments are necessary to ensure the tax keeps pace with the costs of providing transportation infrastructure and services. The City's Transportation Fund is currently in deficit and not able to support the General Fund

10-yr impact
**Up to ~$21m[1]**

### *Admissions/amusement tax*

***Description***

The City of Milwaukee could collect a 2.5% tax on amusement and entertainment events, which would increase the total tax on amusement events (including 5.5% sales tax) to 8%

***Key considerations***

- **Peer cities –** Cleveland, Columbus, Cincinnati, Minneapolis, and Tucson collect a city amusement tax
- **State law –** State of Wisconsin already levies sales taxes on admissions to amusement and would need to provide approval to the City
- **Equity** – Raises revenue from non-residents who utilize city services

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# Other revenue options highlights

## Other potential savings options exist, but feasibility is uncertain

***To realize savings from these options, significant further study, discussion and debate is required, and in some cases may take years to complete.***

10-yr impact
**Up to ~$247m[1]**

### *Pension assumptions*

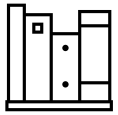
***Description***

Pension Board recently voted to keep rates at 7.5% - while not unreasonable, use of a higher rate may be justified given change in economic environment in 2022. The City could also consider resetting its amortization period

***Key considerations***

- **Amortization –** Reset requires amending City Charter Chapter 36-15-15. Charter also requires an affirmative vote by 5 board members and written certification from Board's actuary that changes comply with Actuarial Standards of Practice to change amortization
- **Governance –** Governance structure likely limits City ability to implement any change

** With the enactment of Act 12, the need for this options has been significantly reduced or may no longer be applicable*



10-yr impact
**Up to ~$67m[1]**

### *State resource library*

***Description***

The MPL could consider initiating a joint effort with the State of Wisconsin to make the Milwaukee's Central Library location a State Resource Library

***Key considerations***

- **Feasibility –** A State Resource Library agreement would likely involve additional conditions and requirements that MPL will need to fulfill to maintain its status, which would require close attention and effort from MPL
- **State law –** Achieving this initiative would require legislative action from the State, which could make the timeline long and uncertain

10-yr impact
**Up to ~$117m[1]**

### *Local service tax*

***Description***

City of Milwaukee could collect a $52 tax from employees who make more than $15K per year

***Key considerations***

- **Peer Cities –** The City of Pittsburgh charges $52 tax on the income of all individuals who are employed in Pittsburgh. This includes those who commute to Pittsburgh for work
- **Taxing commuters –** 224,000 employees work in the City of Milwaukee, including 135,000 commuters and 88,000 residents
- **State law –** Would require State approval

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# GMC stakeholder group

## Civic and business leaders generated further ideas to explore beyond the timeline of this engagement

The stakeholder group was selected by the GMC

The stakeholder group worked collaboratively to sound out options for financial sustainability and service optimization

The stakeholder group met four times during the engagement to review progress, discuss options identified, and recommend further options for the City to explore beyond the timeline of this engagement

City of Milwaukee may look to **monetize the rooftops of City owned buildings**, i.e. leasing the rooftop to a telecom company so they can place cell towers

City of Milwaukee may look to reduce food waste in landfills by creating or contracting out to processing facilities that can create **compost biofertilizers or biofuels**

City of Milwaukee may look to **collaborate with other local health departments in the county**

City of Milwaukee may look to generate additional revenues at the **Port of Milwaukee**

City of Milwaukee is well underway in the unification efforts of the **Department of Emergency Communications**, and may look to realize further efficiencies by cooperating with the County

City of Milwaukee may look to generate efficiencies by **sharing IT infrastructure, licenses, and exploring a broader consolidation with the County**

# Innovation Team

## Fostering a culture of innovation and continuous improvement

Four working groups within the Innovation Team identified recommendations around complementary strategies to drive performance and innovation

### Employee-driven innovation

- Scale up successful Ideas Group within Water Works at the Department of Public Works
- Volunteer agency teams trained on innovation practices
- Transparent process for recommendations submitted up the chain

### City analytics unit

- Replicate successful model of The Lab @ DC
- Central team in Mayor's office partners with agencies to use analytics to help solve pressing challenges
- Pursue foundation start-up funding, just like The Lab

### PerformanceStat

- Create MAPP-Go meetings around Mayor's top 5 goals, on 6-week rotating basis (housing and jobs separate mtgs.)
- Complement to regular MAPP meetings
- MAPP-Go meetings would be cross-department, data-driven, and results-focused, not show and tell

### Budgeting for outcomes

- Align budgets to the Mayor's priority goals
- Develop key indicators and "Requests for Results" to guide service-level budget proposals
- Encourage cross-department collaboration

# Service optimization options

- Approach and overview
- Department of Public Works
- Department of Neighborhood Services
- Milwaukee Public Library
- Department of Health
- Milwaukee Fire Department
- Milwaukee Police Department
- Special events
- Business process automation

# Key focus areas

## Key focus areas evaluated based on survey results and City input

### Process for identifying options:

- For service optimization alternatives, analysis focused on identifying options within key City services with the aim of improving efficiencies and reducing costs
- Data was gathered on the City's highest cost services to identify options for efficiency savings
- A survey was sent to City agencies soliciting feedback on services agencies felt could be reformed in some fashion
- Survey analysis was augmented through interviews with department heads, program managers and other staff, researching peer cities, identifying best practices, and targeting business processes to develop the list of top efficiency options
- Each option was analyzed for its potential financial impact and implementation requirements as well as for equity considerations

### Focus areas prioritized for service optimization options:

**Public Works**
- Fleet Services
- Forestry Services
- Sanitation, Street Sweeping, Leaf Collection, Snow and Ice
- Bridge Operations and Maintenance
- Street Maintenance
- Underground Communications

**Neighborhood Services**
- Inspection Services
- Development Center
- Residential Enforcement
- Special Enforcement

**Public Library**
- Circulation Bureau
- Custodial Services
- Asset monetization

**Health**
- Lab
- Health Clinics
- Telehealth

**Police**
- Overtime Policy
- Forensics Division

**Fire**
- Emergency paramedic services

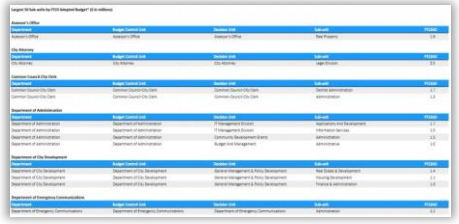
**Special Events**
- Cost recovery

# Approach and methodology

## The survey results helped identify the key focus areas for optimization

### 1 Initial scope

- Reviewed Milwaukee's Adopted FY2023 Budget to understand the budget hierarchy - from department down to the sub-unit ("service")
- Identified the services with the highest budgeted salary expense as the initial focus areas for service optimization



*Services with highest budgeted salary expenses*

### 2 Survey

- Sent the Service Optimization Survey to the initial focus areas, which comprised 11 departments and over 60 services
  - The survey provided additional details for each service, including cost and efficiency
- Survey responses were scored to identify the services that were the strongest candidates for optimization


City of Milwaukee Services Survey

Overview

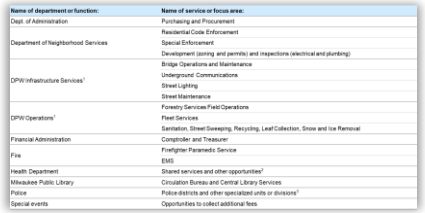
The City of Milwaukee has been under financial strain for decades and has responded by implementing new revenue sources and strategically reforming and streamlining services. However, the city is expected to face significantly larger budget deficits in the coming years due to growing pension costs, flat state revenue sharing, and restrictions on local taxing authority.

Mayor Johnson has asked Cabinet members to identify additional opportunities for the City of Milwaukee to operate more efficiently, generate local revenue, and promote continuous improvement for the benefit of its residents. This project kicked off on January 30, 2023, and will run for approximately three months. During this time, the Ernst & Young (EY) team will work collaboratively with City Hall and departments to research and analyze options for achieving a more cost-effective government while minimally impacting the quality of service.

*Services optimization survey*

### 3 Align

- Aligned the focus areas for service optimization based on survey scorings and conversations with City leadership



| Name of department or function: | Name of service or focus area: |
|---|---|
| Dept. of Administration | Purchasing and Procurement |
| Department of Neighborhood Services | Residential Code Enforcement |
| | Special Enforcement |
| | Development (zoning and permits) and inspections (electrical and plumbing) |
| DPW Infrastructure Services[1] | Bridge Operations and Maintenance |
| | Underground Communications |
| | Street Lighting |
| | Street Maintenance |
| DPW Operations[1] | Forestry Services Field Operations |
| | Fleet Services |
| | Sanitation, Street Sweeping, Recycling, Leaf Collection, Snow and Ice Removal |
| Financial Administration | Comptroller and Treasurer |
| Fire | Firefighter Paramedic Service |
| | EMS |
| Health Department | Shared services and other opportunities[2] |
| Milwaukee Public Library | Circulation Bureau and Central Library Services |
| Police | Police districts and other specialized units or divisions[3] |
| Special events | Opportunities to collect additional fees |

*Key focus areas*

### 4 Analysis

- Met with City officials to identify preliminary options for optimization
- Prioritized the optimization options using a feasibility matrix and conversations with City leadership
- Completed research and analysis, including benchmarking against peer cities, to estimate the revenue gains and/or cost savings associated with each option
- Developed detailed tear sheets for the prioritized options
- Fiscal impact classification: Small <$2m, Medium $2-5m, Large >$5m over 10 years

# Scoring of service optimization options

## Options prioritized based on estimated fiscal impact and feasibility

Initial higher priority
Initial lower priority
Case-by-case evaluation


Key:
CC = Common Council
MD = Mayor's Discretion
N = Negotiation
SL = State Legislation

● Quick wins (<6 months to implement)

● Identified as best practices and other options

# Department of Public Works (“DPW”)

# Fleet Services

## Department of Public Works - Operations



### Background

- Fleet services maintains and operates a centralized fleet of ~4k pieces of equipment, and provides maintenance and repair services for DPW and other City agencies
- 2022 saw a slight decrease in various efficiency KPIs, including equipment availability percentage, work orders completed, and preventative maintenance orders conducted
- Currently, the service is not keeping up with preventative maintenance, and majority of work orders completed are reactive
- The department is also sacrificing vehicle availability in order to stay within budget for FY23

### KPIs

Service optimization survey[1]

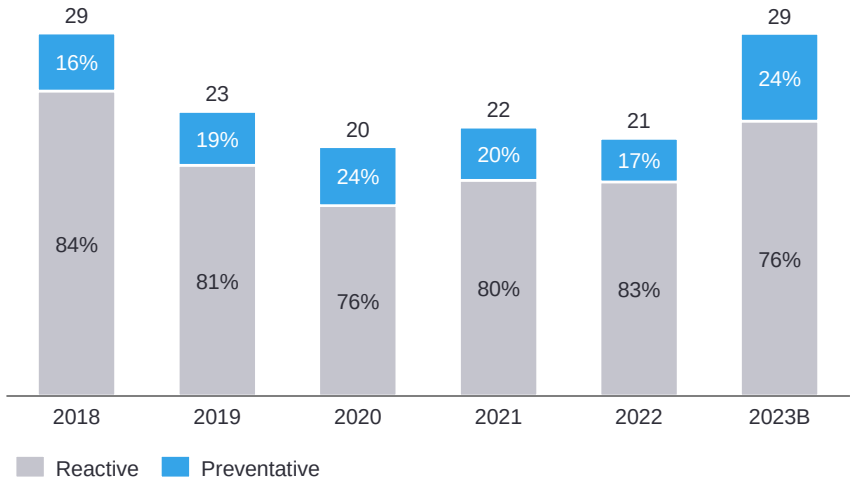
| | |
|---|---|
| 2023 Budget | $29.4m |
| 2023 Budgeted FTEs | 183 |
| 2023 Vacant FTEs | 17 |

Service specific[2]

| | |
|---|---|
| Vehicle Availability Goal | 85% (2023) |
| Preventative Work Goal | 70% |
| Reactive Work Goal | 30% |

### Key Insights[3]

**Total work orders completed per year** *(figures shown in thousands)*




### options

1. Consolidate the fleet maintenance facility
2. Evaluate gainsharing to incentivize employees

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed in the Top Ten Performance Measures for Fleet Managers
3. Based on KPIs listed in the BMD-10 forms

# Modernize and consolidate the fleet maintenance facility

## A consolidated state-of-the-art facility may improve efficiencies and generate revenue

- **Fleet services**
- Forestry services
- Sanitation, sweeping, snow and ice
- Bridge operations and maint.
- Street maint.
- Underground communications

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / 0-5 yrs / **5-10 yrs** / 10+ yrs |

### Description

- The City has a central repair garage where it conducts maintenance and repairs for the motorized fleet of DPW and other City agencies
- The garage occupies about 10 acres of land next to the Menomonee River, and it is near the Potawatomi Hotel and Casino
- The City could consider selling this asset, which is in a prime location, and building a state-of-the-art fleet facility on another public parcel
- The new facility could be a joint effort with the County and other City agencies, including Police and Fire

### Impact

**Fiscal**

- The City would receive one-time sale proceeds
- If designed correctly, the new facility could reduce operating expenses (e.g., utilities) and capital improvements expenses, resulting in savings for the City
- With a newer, larger facility, the City could consider taking on additional repair orders from neighboring jurisdictions as additional revenue

**Performance**

- A modern facility could improve productivity of maintenance and repair work, resulting in a higher fleet availability rate

**Equity**

- The re-development of the current garage could improve the surrounding neighborhood. However, the City could work to address the negative impacts of gentrification
- The placement of the new facility could follow an extensive review to ensure all social and environmental impacts are well understood and addressed

### Considerations

- The City has two other facilities in the same area. The City could consider selling all these assets together as part of a broader economic development effort to revitalize the area
- The County and Fire Department could also consider selling their existing maintenance facilities and use these one-time proceeds to help fund the project
- With a newer facility, the City could consolidate all preventive maintenance for the Police Department, which currently is being sent out to third-party repair shops for a higher cost
- A similar consolidation effort was recently completed by the City of Madison with its new Nakoosa Trail Fleet Facility Project

### Estimated fiscal impact

- The estimated cost for building a state-of-the-art facility of a similar size to the current facility (~150K sq. ft.) is ~$45M. A facility that is 20% larger than the current one (~180K sq. ft.) is estimated to cost ~$54M. A larger facility might be needed to accommodate additional motorized vehicles from the County and other City departments
- Closing the current facility would eliminate the need for the City to fund the projected capital expenditures, which total ~$13.4M for the next 20-year period[1]
- The City will need to conduct additional analysis to understand the estimated cost and requirements for the construction of a new facility, including the borrowing cost and annual debt payments that would be incurred as part of this effort

1. Capital improvements cost include one-time expenses by the city, such as: (i) relocation of the tire shop, (ii) upgrades to the compressed natural gas ("CNG") ventilation system, and (iii) construction of a third CNG fueling facility

# Evaluate gain-sharing to create efficiencies

## By aligning incentives with outcomes, the City could see equipment repair efficiencies

- **Fleet services**
- Forestry services
- Sanitation, sweeping, snow and ice
- Bridge operations and maint.
- Street maint.
- Underground communications

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | **State** / Local / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- A need exists within Fleet Services for more efficient operations and quicker turnaround
- Gainsharing is the process by which cost savings are identified via service and operations efficiencies and a portion of those savings are shared with employees
- A gainsharing program would incentivize technicians to improve efficiencies and turnaround time. In this program, DPW leadership would work closely with fleet technicians, etc. to identify cost and service optimization areas
- Any performance and efficiency metrics would be benchmarked to industry standards to ensure a leveled approach
- A percentage of the incremental savings would be passed on to the employees based on negotiated terms

### Impact

**Fiscal**

- The City may achieve an estimated total savings of ~ $12.9M over the 10-year period assuming it implements efficiencies in its fleet maintenance
- A total of ~$5.2M would be shared with the participating employees
- The City would retain the remaining of the savings to be used for other purposes

**Performance**

- Fleet maintenance would be delivered more cost-effectively due to employees being incentivized to complete work quickly and accurately
- A higher variable performance-based compensation could help attract and retain talent

**Equity**

- Empowering technicians to receive additional compensation based on improved performance may have net positive effects on their economic situation, especially those who may be lower on the pay scale

### Considerations

- Comeback rates could be included in the performance review to ensure technicians are not rushing repairs to increase their numbers
- All gainsharing would be based on team results not individual performance. Reform could minimize the incentive for more senior technicians to pick up the easier repairs
- The teaming component and positive peer influence may result in higher attendance rates at work
- Gainsharing could boost employee morale due to increase transparency around compensation criteria and expectations
- The City can replicate this model in other departments and services

**Estimated fiscal impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost savings | 0.0 | 0.7 | 1.1 | 1.5 | 1.5 | 1.6 | 1.6 | 1.6 | 1.7 | 1.7 | 12.9 |
| Gainsharing expense | 0.0 | (0.3) | (0.4) | (0.6) | (0.6) | (0.6) | (0.6) | (0.6) | (0.7) | (0.7) | (5.2) |
| **Net Impact** | **0.0** | **0.4** | **0.6** | **0.9** | **0.9** | **0.9** | **1.0** | **1.0** | **1.0** | **1.0** | **7.7** |

1. Mitchell 1 is a set of industry standards around the amount of time it could take to conduct certain fleet repairs. Cost savings are estimated to be in-line with the savings achieved by the City of Baltimore. Targets for cost saving will need to be agreed to by the City and fleet employees and are subject to change. Gainsharing is estimated to be in-line with the gains shared to employees by the City of Baltimore.

# Fleet maintenance gainsharing case study

## Baltimore‘s pilot program achieved higher efficiency and about $1m in cost savings



### Baltimore Fleet Management Division

- The Fleet Management Division is responsible for the overall administration of a fleet of over 5,600 pieces of motorized equipment that are used by 29 City agencies
- Technicians provide scheduled maintenance, repair, inspections, and road call services

### Gainsharing program overview

- The first phase of the City’s Gainsharing Plan ran from July to December 2018
- The program was implemented by the Department of General Services’ (“DGS”) Fleet Management Division in collaboration with its Labor Organization Partners

### Gainsharing pilot program achievements

#### *Cost savings*

Total cost savings during the pilot program were **over $950K**, of which $450K were shared with participating employees who was incentivized to achieve these savings and work more efficiently

The 227 participating employees **each received ~$2K** over and above their regular pay

#### *Process efficiencies*

On average, technicians completed **40 more work orders each month** utilizing internal staff, rather than outside contractors

Roughly two-thirds of the savings (~$640K) came from in-house completion by employees of work that had **previously been sent to outside vendors**

Employees worked more than 1,300 additional direct labor hours without a significant change in the number of technicians, indicating that **employees were more efficient** with their time

Leave time during the pilot program period **fell by 6%,** and vehicle availability for citywide agencies increased

Source: www.mayor.baltimorecity.gov/

# Forestry Services

## Department of Public Works - Operations



## Background

- Forestry is responsible for maintaining and servicing ~195k trees and plants located in the public right of way, which is fully funded via the sewer maintenance fee
- The team utilizes the "TreeKeeper" software to map inventory and monitor tree health and growth. However, needs are increasing for more advanced technology and mechanized equipment to further support these efforts
- An inability to retain employees has contributed to a decline in workforce experience and increased vacancies
- Additionally, large volumes of tree waste is difficult to get rid of at low cost
- Tree maintenance costs have risen since 2020 due to increases in cost per unit (salaries/fringe and contractor costs), and the ability to manage more trees with labor crews post-COVID-19

## KPIs

Service optimization survey[1]

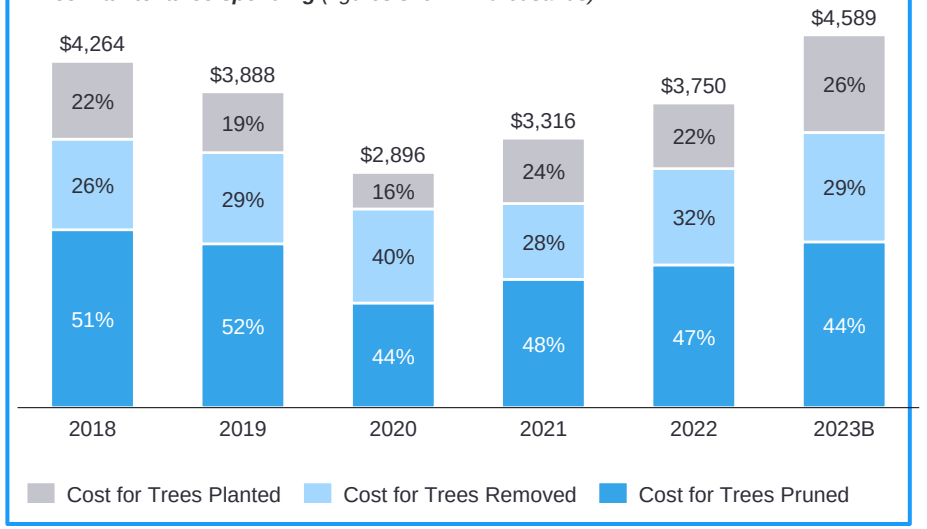
| | |
|---|---|
| 2023 Budget | $11.3m |
| 2023 Budgeted FTEs | 174 |
| 2023 Vacant FTEs | 12 |

Service specific[2]

| | |
|---|---|
| Boulevard Maintained | 120 miles |
| # of Flower Beds | 320 |
| Turf to Mow | 383 Acres |

## Key Insights[2]

***Tree maintenance spending*** *(figures shown in thousands)*




## options

1. Acquire additional log loader trucks
2. Compete tree maintenance functions
3. Reduce maintenance needs for City boulevards
4. Consolidate City and County nurseries and greenhouses
5. Evaluate selling trees for carbon credits

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed from data requests to the City

# Acquire additional log loader trucks

## 3 additional loaders would result in an overall net savings of $19.5m over 10 years

- Fleet services
- **Forestry services**
- Sanitation, sweeping, snow and ice
- Bridge operations and maint.
- Street maint.
- Underground communications

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- Each year, approximately 3,600 trees must be removed. Currently, this is a very manual process and crews will need to travel to a site at least twice - once to remove the hazardous crown and again to remove the trunk
- The City could invest in 3 log loader trucks (they currently do not own any), a truck designed to help with tree removals to make tree removal more efficient
- A log loader could reduce the number of times crews need to be deployed for a tree removal by half, as it enables both the crown and trunk to be removed at the same time
- Forestry has conducted a pilot study where both stump and trunk were removed simultaneously, and significant efficiencies were realized

### Impact

**Fiscal**

- The cost of log loader trucks (~$250-300k each) would be an upfront investment for the City
- Estimated 10-year total savings are ~$19.5m resulting from lower personnel cost as loaders would help streamline the process and would reduce the number of times crews need to be deployed

**Performance**

- This option is expected to streamline the tree removal process, allowing the team to complete work orders more quickly
  - Assume that the use of a log loader would require 5 employees to remove a tree, whereas the manual process requires 8 employees (2 crews of 4 people)

**Equity**

- The City will need to ensure that the improved efficiency of tree removal is realized across the City, not just in downtown or wealthier areas

### Considerations

- Log loader trucks are also used for balled and burlap tree planting and stump debris removal in addition to tree removal, which could present additional efficiencies
- The City could explore renting any idle time from these machines to neighboring cities and counties for a fee
- It is assumed that the City purchases 3 loaders in 2024. However, the City could also consider spreading out the purchases over the 10-year period

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | (0.9) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.9) |
| Revenue gain/cost savings | 0.0 | 2.1 | 2.1 | 2.2 | 2.2 | 2.3 | 2.3 | 2.4 | 2.4 | 2.5 | 20.4 |
| **Net Impact** | **0.0** | **1.2** | **2.1** | **2.2** | **2.2** | **2.3** | **2.3** | **2.4** | **2.4** | **2.5** | **19.5** |

1. Assume that there are 260 working days per year that trees are removed, and that 2 trees can be removed per day by each log loader. Assume an average price of $300k for each log loader

# Compete tree maintenance functions

## Utilizing an external third party may be able to save the City $3m over 10 years



**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | **High**

**Jurisdiction requirement**: State | Local | **None**

**Implementation timeline**: **Quick win** | 0-5 yrs | 5-10 yrs | 10+ yrs

### Description

- The City is responsible for pruning trees in the public right of way. Currently, the City does this in-house using forestry crews
- The City could consider competing certain tree pruning services, specifically preconstruction and on-demand pruning. Based on current market rates, it could be less expensive to outsource this service than doing it in-house
- By competing this task, the City could eliminate approximately 8 of the budgeted, vacant positions and reduce personnel costs

### Impact

**Fiscal**

- Estimated 10-year total savings are $3.0m resulting from eliminating budgeted, vacant positions and reducing the overall personnel expense

**Performance**

- The contractor selected would be expected to complete tree pruning on par with the City's current quality standards, therefore minimizing any impact on performance
- The City would need to have oversight over the contractor to ensure it is completing the task promptly

**Equity**

- No material impact on equity is anticipated from this option

### Considerations

- DPW staff may need to be assigned to oversee and provide quality control of the work that will be outsourced
- The City will need to conduct any bidding process fairly and ensure that all contracts ensure performance accountability
- Reduction in FTEs could affect staffing for snow and ice removal teams, but potential exists to draw from water & sewer teams
- Emergency Tree Services could be another area for outsourcing, which could be helpful in winter as DPW employees would be fully available for snow and ice operations. Additional analysis is required to support this option

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue gain/cost savings | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 3.0 |
| **Net Impact** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **3.0** |

1. Assume 684 trees pruned each year (request & pre-construction only). Assume the contractor costs for pruning 1 tree range, on average, from $250-$550. Assume approximately 5% of Forestry FTEs are allocated to these specific pruning services. Tree pruning costs were sourced from the following peer cities: Baltimore, Buffalo, Cincinnati, Cleveland, Columbus, Detroit, Kansas City, Memphis, Minneapolis, and St. Louis

# Reduce maintenance needs for City boulevards

## Implementing a perennial, tree and turf environment could save $2.4m over 10 years



**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | **High**

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | 0-5 yrs | **5-10 yrs** | 10+ yrs

### Description

- Currently, ~55% of all flowers are annual plants (plants that only live for one growing period). Hence, the City must grow and install new plants every year for the beautification of City boulevards
- Instead of flower beds comprised mainly of annual plants, which have an annual maintenance cost of ~$3 per flower, the City could move towards having more perennial plants (plants that regrow every spring). Perennial plants are lower maintenance and have an annual maintenance cost of ~$1 per flower
- Moving to perennial plants could save the City money as the City would not have to buy or grow new flowers annually and the annual maintenance cost is lower

### Impact

**Fiscal**

- Replacing annual flowers with perennials may save an estimated $2.4m over 10 years
- Shifting towards perennials will free up City nursery capacity that can be monetized

**Performance**

- No anticipated reduction in service provided to the public when it comes to the level of beautification the City provides
- Less maintenance could result in forestry crews having more time to focus on other priorities within the department

**Equity**

- No material impact on equity is anticipated from this option

### Considerations

- Volunteers may be utilized in the plant growing process to further cut down on maintenance costs. Volunteers could also pick up litter from boulevards where safe to do so.
- Any use of volunteers would need to be contained to low-skill tasks with few safety concerns (away from highways, etc.)
- The City wants to ensure a beautiful general appearance in its public spaces, so fauna is still important
- The City may also consider installing low-mow grass on boulevards to reduce mowing needs, but this would require that boulevards be re-specified to have low-mow grass during full road construction projects. The costs and savings from this option require further study.

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost savings | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 2.4 |
| **Net Impact** | **0.1** | **0.1** | **0.2** | **0.2** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **2.4** |

1. Assume that the City will go from needing to maintain 180k flowers to 140k flowers due to the adoption of more perennials. Assume that approximately 78k of flowers are currently perennials in FY23, and that will grow by 10% each year through FY26. Assume that the price for a perennial flower is 5x more expensive than an annual flower, but that the maintenance cost for an annual flower is 3x the price of maintenance for a perennial flower

# Consolidation of City and other municipal nurseries and greenhouses

## Consolidating operations could generate $2.7m in revenues over 10 years

**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Currently, the City and the other neighboring municipalities maintain their own nurseries and greenhouses. These jurisdictions should consider consolidating these operations
- Milwaukee County maintains a few greenhouses near the Mitchel Domes, and grows about 500 trees per year
- Based on conversations with DPW, the City could have capacity to take on the operations from the County and other neighboring municipalities without needing to expand its current facility or making any significant investments
- The City could charge these local municipalities a fee to rent out space, purchase plants, and perform maintenance work

### Impact

**Fiscal**

- Revenue potential may be realized from charging the other local municipalities for the purchase price of flowers and new trees as well as annual maintenance costs
- Approximately $2.7m in revenues can be gained from this consolidation over the 10-year period

**Performance**

- No material impact on performance is anticipated from this option

**Equity**

- No material impact on equity is anticipated from this option

### Considerations

- More information is needed from the County and other local municipalities to understand the exact annual demand for flowers, and therefore help the City understand the full potential of this additional revenue stream
- Additional staffing may be needed to manage the growth in inventory, but volunteers may also be sufficient depending on skill requirements
- The County and other municipalities would be able to consider monetizing its greenhouse to realize further revenues, which would benefit the City via receipt of any property taxes from the sale of County greenhouses if they are located on City property
- The City could potentially market plants and trees housed in City facilities to other municipalities and the general public

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from Greenhouses & Nurseries | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 2.7 |
| **Net Impact** | **0.0** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **2.7** |

1. Assume that the County has 60,000 flowers and 500 trees that it could consolidate with City greenhouse (this is based on the fact that the City is reducing its number of flowers from 200k to 140k due to its transition away from annual flowers). Assume that the prices of each plant will rise with inflation, and are the following: 1) $7.00 for one perennial flower 2) $1.00 for one annual flower and 3) $300 per tree

# Evaluate selling carbon credits for trees

## The City may be able to generate $1m over 10 years from carbon credits



**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | **High**

**Jurisdiction requirement**: State | **Local** | **None**

**Implementation timeline**: **Quick win** | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Milwaukee could consider selling carbon credits in order to capitalize on this untapped revenue source, and strengthen its commitment to sustainability
- Carbon credits are tradeable certificates for carbon sequestration. They are purchased by organizations to offset their carbon generating operations, often to achieve net zero emission goals.
- ~195K trees are maintained by the City. Projects to plant, preserve or replace trees could serve as the basis for a forestry carbon credit program

### Impact

**Fiscal**

- The City could realize an estimated $1m in incremental revenues over the 10-year period by selling carbon credits. No material investments or one-time costs are expected from this option

**Performance**

- No material impact on performance is anticipated from this option

**Equity**

- The City will need to ensure that the benefits from this new revenue stream are distributed across Milwaukee's communities, whether that is within forestry services or more broadly

### Considerations

- The City has data on the carbon sequestration and storage of its trees as well as a strong inventory of its trees, presenting an option to identify anticipated carbon sequestration for newly planted trees and therefore the amount received in carbon credits
- Trees do not need to be removed or altered in order to receive carbon credits, and no additional maintenance work is anticipated to support this option
- The City may need to educate the residents and the business community on this option to further promote carbon credits
- The price for carbon credits are subject to market forces, and may fluctuate according to supply and demand

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue gains | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 1.0 |
| **Net Impact** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **1.0** |

1. Assume that approximately 25k tons of carbon dioxide are sequestered annually each year from FY23 through FY32 (based on the current 195k trees). Assume that the average price of 1 carbon credit is $16.00 (information from Seattle & California). Assume that 10% of the City's current number of trees could be planted and sold in FY23, and that rate of growth would continue until 30% of the City's current number of trees were planted and sold by FY32.

# Minneapolis Urban Tree Carbon Offset Program

## Voluntary carbon offset market is primed to achieve 5x growth by 2030



### Minneapolis Park and Recreation Board carbon offset program

| | |
|---|---|
| **Program** | ▸ 23,755 trees were planted by the Minneapolis Park and Recreation Board (“MPRB”) from 2019-21<br>▸ Over its 25-year duration, the project is estimated to store 48,865 metric tons of carbon<br>▸ This program is designed to address the most harmful impacts of climate change, and it is part of a 20-year program to increase the metro area’s tree canopy<br>▸ City Forest Credits has provided third-party verification and acts as the broker to sell these credits |
| **Funding** | ▸ Green Minneapolis derives its funding from both public and private sources (through contributions and donations)<br>▸ 23% of the total funding comes from individuals, families, foundations, and corporations<br>▸ 72% of the total funding comes from the City |
| **Carbon Credits** | ▸ 48,865 carbon credits are available over the 25-year period<br>▸ 4,868 carbon credits were issued in 2022 (for year 1) by City Forest Credit registry after due verification process<br>▸ **750 carbon credits have been sold so far at an average price of $25 per credit** |
| **Revenue[4]** | ▸ Green Minneapolis has compensated the MPRB a total of $19,000 from this sale.<br>▸ Proceeds from the sale of the remaining carbon offsets generated by this project are projected to grow to $1.3 million dollars over the 25-year life of the project |

### Commentary

- Green Minneapolis works with City Forest Credits (third-party carbon credit registry) to verify and sell carbon credits
- Other cities that have sold carbon credits on City Forest Credits platform include[1]
  - Lake County, IL sold 615 credits
  - Re-foresting Des Moines, IA sold 157 credits
- The total carbon credit offset market was worth about $2 billion in 2021, and is expected to grow to $10-40 billion in value by 2030
- The market is expected to transact up to 1.5 billion tons of carbon dioxide equivalent, compared with 500 million tons currently[2]
- In current carbon markets, the price of one carbon credit ranges from **$15 to $20/mtCO2e for forestation or reforestation projects**, and $100 or $300/mtCO2e for tech-based carbon removal projects[3]

Source: Green Minneapolis Annual report
1.City Forests Credit Carbon Registry; 2. Reuters; 3. Voluntary carbon markets: how they work, how they’re priced and who’s involved, S&P Global Commodity Insights; 4. https://www.greenminneapolis.org/minnesotas-first-urban-tree-carbon-project-sells-offsets/

mtCO2e = One metric ton of CO2 or equivalent green house gases (GHG)

# Sanitation, Street Sweeping, Leaf Collection, Snow and Ice

## Department of Public Works - Operations



### Background

- The department is responsible for the collection and disposal of residential solid waste and recycling, and oversees leaf collection and street sweeping
- The City owns 2 transfer stations, 2 drop off centers for residential waste, and 1 recycling facility
- The snow and ice removal service is seasonal, and the crew is largely made up of sanitation and forestry workers
- Inefficiencies exist around identifying & disposing of bulk trash, which contributes to illegal dumping

### KPIs

Service optimization survey[1]

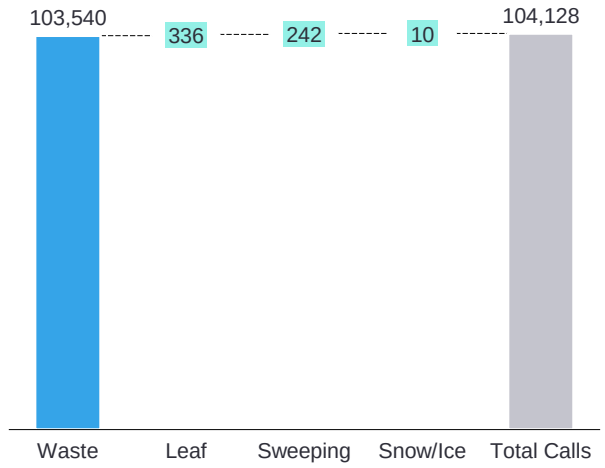
| | |
|---|---|
| 2023 Budget | $44.3m |
| 2023 Budgeted FTEs | 377 |
| 2023 Vacant FTEs | 56 |

Service specific[2]

| | |
|---|---|
| Tons Collected - Waste | 185,500 ('22) |
| Tons Collected - Sweep | 7,120 (2022) |
| Tons Collected - Leaf | 17,000 (2022) |

### Key Insights[2]

***2022 Sanitation calls for service by type***




Leaf, Sweeping & Snow/Ice had a sum of 588 calls for service in 2022 out of a total 104,128 service calls

### options

1. Examine competing secondary services (e.g., leaf removal and street sweeping)
2. Relocate and modernize the City's recycling facility

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed from data requests to the City

# Examine competing secondary services (leaf and sweeping)

## The City can expect to generate $8.9m in savings over 10 years



| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- The City is responsible for leaf collection and street sweeping. Currently, the City completes these services in-house using sanitation crews
- The City could consider competing these services. Based on current market rates, it could be cheaper to outsource these services than doing them in-house
- By outsourcing this task, the City could eliminate approximately 27 of the budgeted, vacant positions and reduce personnel costs

### Impact

**Fiscal**

- Estimated 10-year total savings are $8.9m, resulting from eliminating budgeted, vacant positions and reducing the overall personnel expense and other OpEx

**Performance**

- The contractor selected would be expected to complete these services on par with the City's current quality standards, therefore minimizing any impact on performance
- The City would need to oversee the contractor to ensure it is meeting performance standards

**Equity**

- If services are outsourced, the City could arrange for the vendor to hire displaced employees and/or place displaced employees in vacant positions

### Considerations

- The City would look to compete the services, potentially allowing unions to bid vs. private vendors
- Street sweeping and leaf collection equipment is expensive to purchase and repair, so outsourcing could save the City money in equipment costs
- Vacancies in the department have reduced the frequency of street sweeping, so alternative sourcing could restore service levels
- Snow and ice crews may face staffing reductions, but a potential solution could be to supplement these crews with water and sewer employees
- Peer cities such as Baltimore and Minneapolis utilize contractors to successfully conduct these services at lower costs than in-house provision
- Lack of local contractors may impact the City's ability to outsource this service

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTE Savings | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 3.6 |
| OPEX Savings | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 5.3 |
| **Net Impact** | **0.9** | **0.9** | **0.9** | **0.9** | **0.9** | **0.9** | **0.8** | **0.9** | **0.9** | **0.9** | **8.9** |

1. Assume 7k total lane miles are affected by street sweeping & leaf collection each year, and that streets are swept and leaves collected 4x a year. Assume 27 FTEs and 20% of OPEX are allocated to these services. Assume that the average contractor costs for sweeping 1 lane miles range from $12-$16, and the average contractor costs for leaf collection per lane mile range from $26-$40 (this data is pulled from peer cities that are utilizing contractors for these services including, but not limited to: Baltimore, Buffalo, Cincinnati, Cleveland, Columbus, Detroit, and Minneapolis).

# Relocate and modernize the City's recycling facility

## The City has a significant option to modernize its operations leading to savings

Fleet services
Forestry services
**Sanitation, sweeping, snow and ice**
Bridge operations and maint.
Street maint.
Underground communications

**Fiscal impact**
Small | Medium | **Large**

**Feasibility**
Low | **Medium** | High

**Jurisdiction requirement**
State | Local | **None**

**Implementation timeline**
Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Currently, the City's material recovery facility is located at 1313 W. Mount Vernon Ave., which is a riverfront location near the Potawatomi Hotel and Casino
- The City could consider selling the current recycling facility, given its prime location, and building a state-of-the-art facility elsewhere
- The City may be able to split the construction cost of the new facility with Waukesha County due to its current recycling partnership agreement with the City
- The City could also expand the recycling facility to serve additional surrounding communities, beyond Waukesha, for a fee
- The new facility could result in cost savings (e.g., lower utilities and capital improvement needs). Similarly, a more efficient facility could help automate processes and reduce staffing needs

### Impact

**Fiscal**

- The City may generate one-time proceeds from the sale of the riverfront facility and gain property tax revenue from new development
- The new facility could be built to be energy-efficient therefore reducing annual OpEx
- The City would most likely need to issue debt to finance the new facility, which would result in additional annual operating costs

**Performance**

- A newer recycling facility could help automate and streamline processes, which would improve efficiency and enable new and expanded recycling services

**Equity**

- The redevelopment of the current recycling plant could improve the surrounding neighborhood. The City could work to address the negative impacts of gentrification, although the area is currently not zoned for residential development and will likely remain reserved for industrial use
- The placement of the new facility could follow an extensive review to ensure all social and environmental impacts are well understood and addressed

### Considerations

- The City has two other facilities in the same area (the Municipal Service Building and the Central Repair Garage). The City could consider selling all these assets together as part of a broader economic development effort to revitalize the area
- The sale of the current facility to a third-party developer would result in additional property taxes for the City
- Hauling costs may change for both Milwaukee and Waukesha County, depending on the location of the new facility
- A new facility could include food waste recycling, with potential to reduce landfill tipping fees and generate revenue from compost

### Estimated fiscal impact

- The City will need to conduct additional analysis to understand the estimated cost and requirements for the construction of a new facility, including the borrowing cost and annual debt payments that would be incurred as part of this effort and potential for revenue from shared services with other jurisdictions.

# Bridge Operations and Maintenance

## Department of Public Works - Infrastructure



### Background

- The bridge operations and maintenance team oversees the operation and maintenance of 188 bridges (20 of which are moveable)
- The maintenance teams consist of carpenters, masons, electricians, iron workers, and some contractors who perform bridge inspections and complete any repairs to ensure the integrity of the bridges
- Recently, labor crews have become smaller due to budget restrictions and labor shortage. In-budget contractors are also limited in numbers
- As a result, a backlog of bridge maintenance and repairs has emerged
- Additionally, staff aren't accurately logging Program Code information due to nonintuitive nature of the system, which leads to lack of accurate data

### KPIs

Service optimization survey[1]

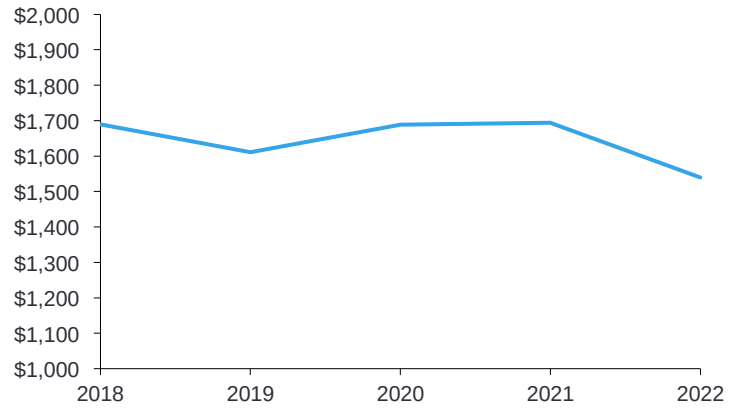
| | |
|---|---|
| 2023 Budget | $9.6m |
| 2023 Budgeted FTEs | 71 |
| 2023 Vacant FTEs | 6 |

Service specific[2]

| | |
|---|---|
| # of Bridges | 188 |
| # of Moveable Bridges | 20 |
| # of Bridge Raisings | 27,769 (2021) |

### Key Insights[2]

***Costs for moveable bridge openings by year*** *(figures shown in thousands)*




### options

1. Transition all moveable bridges to remote-operated

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed from data requests to the City

# Transition all moveable bridges to remote-operated

## 1 worker operating 3 remote bridges each can save DPW $4.1m over 10 years



**Fiscal impact**: Small | Medium | Large

**Feasibility**: Low | Medium | High

**Jurisdiction requirement**: State | Local | None

**Implementation timeline**: Quick win | 0-5 yrs | 5-10 yrs | 10+ yrs

### Description

- Transition the remaining 10 bridges that are currently manually operated to remote operated, and increase the number of remote operated bridges operated by 1 worker from 2 to 3
- Labor crews have become smaller due to budget restrictions in what is already a seasonal operation reliant on temporary workers
- 1 worker can remote operate up to 4 bridges, with the majority operating 2 for safety reasons
- In-budget contractors are limited in number in the Milwaukee area
- Making all bridges remote-operated would ease the labor shortage and require fewer workers for the bridge maintenance department, thus saving them time and money

### Impact

**Fiscal**

- Reduce personnel cost for operating a bridge by 50-75%
- Energy costs anticipated being reduced by 50%
- Create an estimated $4.1m in savings over 10 years from transitioning the remaining bridges to remote-operated
- Fiscal impact estimate based on transitioning 1 bridge per year

**Performance**

- Bridge operations will be able to run more efficiently remotely, saving the department both time and money
- Lack of personnel may cause issues in troubleshooting or maintenance, so the City will need to have a robust plan in place

**Equity**

- This option will likely result in needing to hire fewer employees, most of whom are retirees or college students who are available for seasonal work
- Need to ensure reliability of the cameras utilized in the remote system to be able to recognize people of diverse ethnicities for safety concerns

### Considerations

- The City could also consider building a single command center from which all bridges are operated, which could improve safety by having multiple staff watching bridge openings from the same location
- Transitioning to remote-operation requires a one-time $200k cost per bridge to install the remote system
- Public safety concerns following a 2022 fatality could make it difficult to increase the number of remote bridges operated per FTE
- It may only be feasible to transition 1 bridge per year
- There would be a need for fiber and security installation, as well as overall network connectivity
- Some pushback may come from some DPW employees who feel that remote-operation is not suitable for all bridges

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OPEX Costs | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.1) | (0.1) | (0.1) | (0.1) | (1.6) |
| FTE Savings | 0.2 | 0.3 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 1.0 | 5.7 |
| **Net Impact** | **0.0** | **0.1** | **0.1** | **0.2** | **0.3** | **0.4** | **0.6** | **0.7** | **0.8** | **0.9** | **4.1** |

1. Assumes that for locally operated bridges there are 3 shifts per day for the 3 high traffic bridges, and 2 shifts per day for the remaining 7 low traffic bridges. Assumes that for remote operated bridges, the 10 bridges have an average of 2 shifts per day. Assume that 1 locally operated bridge can be transition to remote operated each year, and that 3 bridges can be remote operated by 1 employee due to the mix of high traffic and low traffic bridges. Assume all costs including salaries and wages, and all operating costs increase with inflation

# Street Maintenance

## Department of Public Works - Infrastructure



### Background

- The street maintenance team is responsible for conducting street and sidewalk repairs
- To a lesser extent, the team may also assist with bridge repairs and service bus stops requiring snow and ice removal
- Ideally the team's focus would be on preventive maintenance vs. reactive repairs (e.g., pothole filling). However, due to budget constraints, this is not always possible
- As pavement quality declines, the City has difficulty staying ahead on pothole repair, and a backlog for work orders has accumulated
- Recruiting difficulties have led DPW to drop employment requirement of a Commercial Driver's License; DPW is spending resources on certification for new employees

### KPIs

Service optimization survey[1]

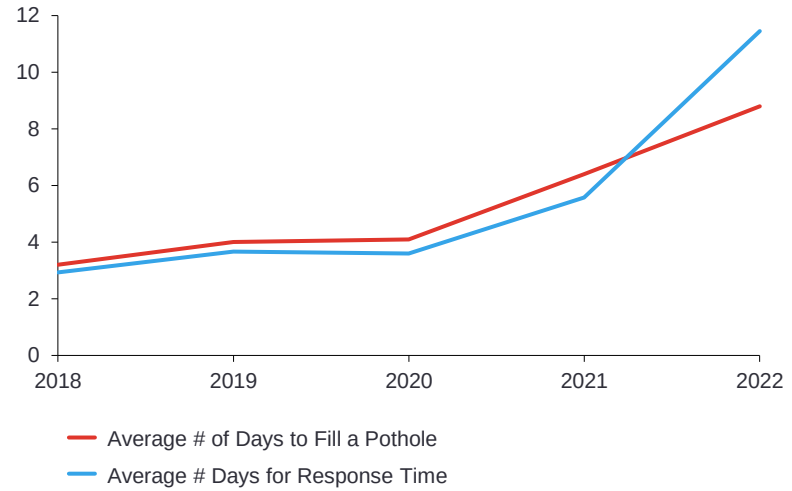
| | |
|---|---|
| 2023 Budget | $9.6m |
| 2023 Budgeted FTEs | 96 |
| 2023 Vacant FTEs | 16 |

Service specific[2]

| | |
|---|---|
| Lane Miles Maintained | 5,000 |
| Work Order Completion Rate | 100% |
| High Impact Prog. Costs | $250k / lane mile |

### Key Insights

***Pothole patching performance data by year*** *(figures shown in days)*




### options

1. Purchase road patchers to support street maintenance

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed from data requests to the City

# Purchase road patchers to support street maintenance

## The City could improve street servicing and maintenance by purchasing road patchers

Fleet services
Forestry services
Sanitation, sweeping, snow and ice
Bridge operations and maint.
**Street maint.**
Underground communications

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small · Medium · Large | Low · Medium · **High** | State · Local · **None** | Quick win · **0-5 yrs** · 5-10 yrs · 10+ yrs |

### Description

- Currently, DPW assigns 4 personnel to complete a road patching work order
- The team could consider purchasing a road patcher, which is an all-in-one solution truck for spray patching, to help streamline the process and make patching more efficient
- With a road patcher, the department would only need 1 person to complete a work order
- The road patchers would represent a one-time upfront cost for the City, but would allow the City to eliminate 9 vacant, budgeted positions, assuming 3 are purchased over the next 10 years
- This forecast assumes a cost of $150k for a new road patcher, as well as additional maintenance expense
- Additionally, it may help reduce the backlog as the team would be able to complete work orders more quickly

### Impact

**Fiscal**

- By reducing personnel costs, the department will be able to save roughly $1.8M over the course of ten years, with an estimated savings of $200K per year
- The road patchers are estimated to cost ~$150K each, but this cost would be offset by the savings

**Performance**

- By using the road patchers, the department may be able to complete work orders more quickly
- Completing these repairs more quickly, would allow the department to focus on preventative street maintenance, improving the overall efficiency of the department

**Equity**

- No material impact on equity is anticipated

### Considerations

- The department may need to spend time and money training staff on how to use this new equipment properly. Therefore, a learning curve can be expected before full efficiencies are achieved
- Incremental maintenance and repair costs will most likely arise with these new trucks
- It is assumed that the City purchases one road patcher in FY24, One in FY27, and one in FY30. The City could choose to spread out these purchases differently.
- The City could also consider renting any idle time to neighboring jurisdictions for a fee
- These efforts are already underway. The City has one road patcher and is expected to obtain four more patchers by 2025

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.00 | (0.16) | (0.01) | (0.01) | (0.18) | (0.02) | (0.02) | (0.20) | (0.03) | (0.03) | (0.65) |
| Revenue gain/cost savings | 0.00 | 0.12 | 0.12 | 0.13 | 0.26 | 0.26 | 0.27 | 0.41 | 0.42 | 0.43 | 2.43 |
| **Net Impact** | **0.00** | **(0.04)** | **0.11** | **0.12** | **0.08** | **0.24** | **0.25** | **0.21** | **0.39** | **0.40** | **1.78** |

1. Assumes that the price of a road patcher is roughly $150,000 and will increase with inflation. Additionally, this assumes that each road patcher will eliminate the need for 3 budgeted FTE's that all have an average salary of $39,500, which also increases with inflation. Lastly, the assumption is that there are incremental annual maintenance costs for each road patcher (assumed to be an annual maintenance cost equal to 5% of the cost of the patcher)

# Underground Communications

## Department of Public Works - Infrastructure



### Background

- The City has ~37K linear ft of conduit system that provide protection and routes for electrical wiring, enabling communication services
- The conduit system is a secure and weatherproof means of connecting cable across the City, and provides a reliable route for traffic signals and street lighting cable systems
- The City also rents excess capacity to private companies. However, currently the City is not collecting full bill rates due to disputes with telecom companies
- Additionally, given the high reliance on paper records, no detailed map of the conduit system exists, which may limit the optimization and monetization of the system
- No long-term capital plan or funding allocation is directed specifically to underground communications

### KPIs

Service optimization survey[1]

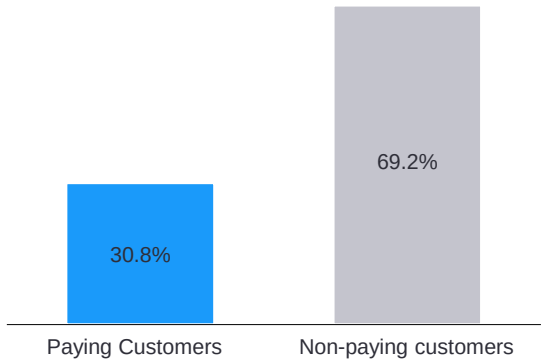
| | |
|---|---|
| 2023 Budget | $3.6m |
| 2023 Budgeted FTEs | 26 |
| 2023 Vacant FTEs | ~6 |

Service specific[2]

| | |
|---|---|
| % System Used | 50% |
| # Paying Customers | 16 |
| # Non-paying Customers | 36 |

### Key Insights[2]

***Percent of customers paying vs. non-paying (n=52)***




### options

1. Increase fees for use of the conduit system
2. Consider charging non-paying customers
3. Market dark fiber connectivity to private customers
4. Acquire new customers to fill the unused portion of the conduit system

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed from data requests to the City

# Increase fees for use of the conduit system

## The City can expect to receive an additional $1.3m in revenues over 10 years

- Fleet services
- Forestry services
- Sanitation, sweeping, snow and ice
- Bridge operations and maint.
- Street maint.
- **Underground communications**

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | **Quick win** / 0-5 yrs / 5-10 yrs / 10+ yrs |

### Description

- Milwaukee could consider raising its conduit rates to be in line with peers and earn incremental revenue
- Fees for the underground conduit system are capped by the City according to Chapter 98, which is currently being re-negotiated with clients
- Chapter 98 has not been revised in ~10 years, and the rate caps are below peers. As part of this re-negotiation, it is expected that the rate will be increased
- Milwaukee retained an outside consultant to evaluate the fee increase, and the recommendations fall in the 1-3% range, applicable to Class1-4 conduits
- Milwaukee retains full control over how much fees will be raised, and when these increases will be implemented

### Impact

**Fiscal**

- Revenues may be realized from increasing fees for the use of the conduit system
- No additional cost associated with this option
- Estimated revenue impact of $1.3M over the next ten years

**Performance**

- No performance implications for the use of the conduit system, as increasing the fees will only have an impact on the revenue captured from conduit customers

**Equity**

- Consideration could be taken when evaluating the potential rate increases for non-profits, hospitals, and other social impact organizations

### Considerations

- All pricing increases could be part of a robust pricing plan to ensure that the City's conduit system remains competitive
- Class 5 categorization is for specialized institutions such as theaters that have discounted rates, and may not be subject to the increase in fees

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue gain/cost savings | 0.03 | 0.05 | 0.07 | 0.09 | 0.11 | 0.14 | 0.17 | 0.19 | 0.22 | 0.25 | 1.30 |
| **Net Impact** | **0.03** | **0.05** | **0.07** | **0.09** | **0.11** | **0.14** | **0.17** | **0.19** | **0.22** | **0.25** | **1.30** |

1. Assumes a 2% increase from current conduit rates in FY23, and that fees will grow by inflation starting in FY24. Furthermore, the assumption is that the annual growth rate for the number of conduit feet utilized by paying customers is 1%

# Consider charging non-paying customers

## The City can obtain an additional revenue of $850k over 10 years

- Fleet services
- Forestry services
- Sanitation, sweeping, snow and ice
- Bridge operations and maint.
- Street maint.
- **Underground communications**

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / 0-5 yrs / **5-10 yrs** / 10+ yrs |

### Description

- Milwaukee could consider charging non-paying customers for use of its underground conduit system
- Approximately 36 customers currently utilize Milwaukee's conduit system without paying any fees for its use
  - The majority of these customers are universities and hospitals
  - Other customers include museums, high schools, and community organizations
- Untapped revenue potential exists due to the number of non-paying customers, many of which are large institutions with considerable financial means

### Impact

**Fiscal**

- ~$850K in incremental revenue could be realized from charging current non-paying customers for the use of the conduit system
- No additional cost increases associated since this is a change that Milwaukee has full control over, and would only require notifying current customers

**Performance**

- No material impact on performance is anticipated from this option

**Equity**

- Equity considerations could be taken when proposing fees to some of these organization that service the community, particularly given that some organizations may have more financial means than others

### Considerations

- New customers are already charged regardless of their status as a non-profit. This option would focus on ensuring that all existing customers are treated the same as new customers
- Politically, certain non-paying customers may be easier to convince on this new fee structure
- Some customers provide other types of value to the City, so those may need to be considered prior to charging them
  - One customer provides the City with internet at no cost
  - Another customer exchanges fiber routes with the City

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Revenue gain | 0.07 | 0.07 | 0.07 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.77 |
| **Net Impact** | **0.07** | **0.07** | **0.07** | **0.08** | **0.08** | **0.09** | **0.09** | **0.09** | **0.10** | **0.10** | **0.85** |

1. Assumes a 2% increase from current conduit rates, and that fees will grow by inflation starting in FY24. Furthermore, assumes that the growth rate for the number of feet utilized by paying customers is 1% annually.

# Market dark fiber connectivity to private customers

## The City can obtain an additional revenue through optimizing existing dark fiber network

- Fleet services
- Forestry services
- Sanitation, sweeping, snow and ice
- Bridge operations and maint.
- Street maint.
- **Underground communications**

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small ✓ / Medium / Large | Low / Medium ✓ / High ✓ | State / Local / None ✓ | Quick win / 0-5 yrs ✓ / 5-10 yrs / 10+ yrs |

### Description

- Approximately 100-200 miles of dark fiber is owned by the City, and 50-67% may be available for leasing
- Milwaukee could consider leasing out its excess capacity of dark fiber to third-party users and private companies for a fee
- Doing so could result in incremental revenue for the City
- Leasing the dark fiber would involve a one-time activation fee of $750 per mile per strand on top of an annual maintenance fee of $150

### Impact

**Fiscal**

- Incremental revenue could be realized from charging new customers for use of the City's existing dark fiber network
- Minimal costs may be associated with acquiring these new customers via a marketing campaign (direct mail appeal, programmatic advertisements, etc.)

**Performance**

- No material impact on performance is anticipated from this option

**Equity**

- The City should consider the rates charged to any new customers that may be non-profits or other social impact organizations

### Considerations

- The dark fiber is confined to certain routes, some of which may have more value than others
  - A grant from one organization ultimately fell through due to the fact that available fiber routes did not align with their needs
- The City does not have strong data on the geographic distribution of the dark fiber, which will likely have implications for which routes may be marketable to customers
- The City could also consider a shared build model with telecom providers, which could expand the amount of fiber it could market in partnership with another company
- The City could further study the potential to generate revenue from dark fiber within state law constraints.

### Estimated fiscal impact

- The City will need to conduct additional analysis to better understand its inventory of available dark fiber. This will be crucial to understanding the financial implications of this option.
- No significant cost is anticipated for the acquisition of new customers
- If implemented correctly, this option has the potential to generate significant incremental revenue for the City

1. Assumes that fees will grow with inflation over time. And that 55% of dark fiber miles are available to lease per year. This also assumes that the percentage of miles leased will grow over time, reaching 100% in FY27.

# Acquire new customers to fill out unused portion of system

## The City could generate additional revenue by marketing its unused conduit



| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / Medium / **High** | State / Local / **None** | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- Approximately 50% of Milwaukee's conduit system is unused
- Milwaukee could consider acquiring new customers to fill out the unused portion of its underground conduit system
- The City has historically not marketed or attempted to proactively increase usage. However, leasing the system to third-party users or private companies could result in incremental revenue for the City

### Impact

**Fiscal**

- Revenues may be realized from charging new customers for use of the City's existing underground conduit system
- A reasonable estimate of leasing 10% of the unused capacity could generate additional revenues of ~$31M over 10 years
- Some costs may be associated with acquiring these new customers via a marketing campaign (direct mail appeal, programmatic advertisements, etc.)

**Performance**

- Due to the customers needing to conduct their own inspection of the system, the City may be able to improve some portions based on any repairs that need to be made to ready the conduit for lease use

**Equity**

- The City could prioritize leasing the excess capacity to companies that could provide internet/broadband services to low-income communities

### Considerations

- A few smaller companies have reached out with interest in leasing conduit, but current market demand does not appear to be strong
- The City does not yet have a good understanding of where the conduit system is, but near-term adaptation of a mapping software will rectify that and provide a map of the entire system
- The conduit system is not evenly distributed across all the geographic areas of Milwaukee, so some portions of unused conduit may not be marketable
- The City requires new customers to conduct their own inspections of the conduit system instead of doing the work in-house
- The City will need to further explore any state limitations or restrictions on having cities or municipalities as internet service providers

### Estimated fiscal impact

- The City will need to conduct additional analysis to better understand its inventory of available conduits. This will be a crucial step to being able to lease the unused portion of the system
- No significant cost is anticipated for the acquisition of new customers
- If implemented correctly, this option has the potential to generate significant incremental revenue for the City

# Department of Neighborhood Services (“DNS”)

# Inspections Services (Trades)

## Service Summary

### Background

- The electrical and plumbing inspection services assure that residential and commercial properties are built and maintained according to established electrical and plumbing code requirements
- The challenges faced by electrical and plumbing services include:
  - Vacancies are difficult to fill due, in part, to perceived limited experienced / skilled workers in the talent pool, and inability to hire in a timely manner
  - Lack of formal plan review means that the inspectors may need to review the plan, increasing duration of inspection process
- Additional inspectors would reduce workload for individual inspectors and allow more inspections to be performed in a timely manner

### KPIs

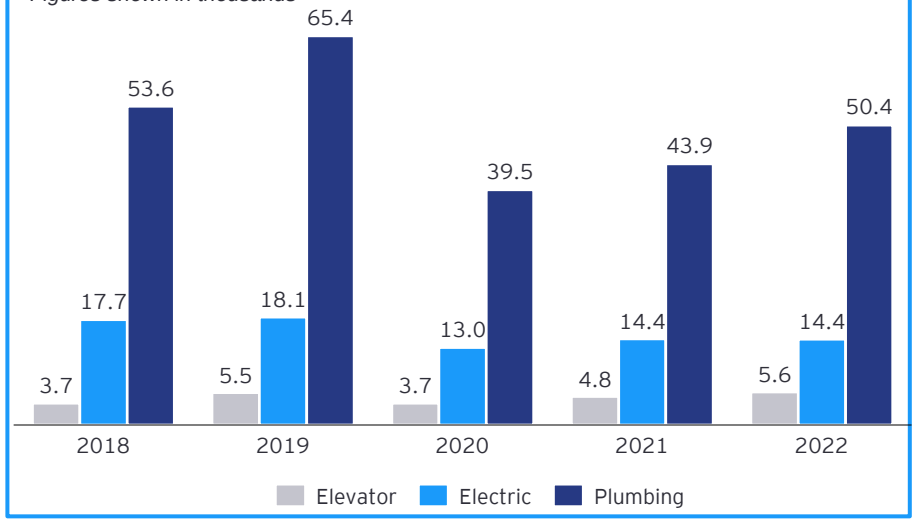
**Service optimization survey[1]**

| | |
|---|---|
| 2023 Budget | $2.17m |
| 2023 Budgeted FTEs | 23 |
| 2023 Vacant FTEs | 2 |

| **Service specific[2]** | **2022 Actual** |
|---|---|
| Elevator inspections | 5,564 |
| Electrical inspections | 14,390 |
| Plumbing inspections | 50,417 |

### Key Insights[2]

**Number of inspections**
*Figures shown in thousands*




### options

1. Third-party certification pilot program for plumbing inspections

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed in the BMD-10 forms

# Third-party certification pilot program for plumbing inspections

## Allowing use of third-party inspectors would reduce workload for DNS inspectors

Inspection services
Development center
Residential enforcement
Special enforcement

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small | Low | State | Quick win |
| Medium | Medium | Local | 0-5 yrs |
| Large | High | None | 5-10 yrs |
| | | | 10+ yrs |

### Description

- DNS could consider introducing a third-party certification program for plumbing inspections, similar to other U.S. cities (e.g., Chicago)
- Under this program, third-party plumbing inspectors would be approved by DNS to complete certain inspections that are currently being done by DNS inspectors
- As a result, users requiring a plumbing inspection would have the option of choosing between a DNS plumbing inspector or an approved third-party inspector
- This approach would increase the number of inspections that can be completed without requiring additional resources, while maintaining the same level of quality for the inspections
- Additionally, DNS could charge a fee of $10 per use of third-party inspections to generate additional revenue

### Impact

**Fiscal**

- DNS could generate $1.6 million over 10 years by implementing a $10 fee for each third-party inspection performed. The user would be responsible for paying the fee of the third-party inspector plus the $10 fee to the City
- The utilization of approved third-party inspectors could enable DNS to increase its capacity for conducting plumbing inspections without incurring the additional costs associated with hiring new staff

**Performance**

- The inclusion of third-party plumbing inspectors as an option for users would provide relief for the existing DNS inspectors who are currently experiencing high workloads, improving their efficiency and ability to deliver quality inspections
- Users who opt for third-party inspections may benefit from quicker and more timely inspections, improving their overall experience with DNS

**Equity**

- Adding capacity with third-party inspectors would lighten workload of city inspectors, allowing them to complete inspections promptly, which would benefit all residents

### Considerations

- Implementing a third-party inspection program would require the City to set up a process for training and certifying inspectors, which would require time and resources
- Lack of certified inspectors might impact the prompt roll-out of this option
- The implementation of a third-party inspection program may create additional administrative burden for DNS
- The pilot program can be used as a template for third-party inspection models for various other inspections, including electrical inspections

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue gain/cost savings | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 1.6 |
| **Net Impact** | **0.0** | **0.1** | **0.1** | **0.2** | **0.2** | **0.2** | **0.2** | **0.2** | **0.2** | **0.2** | **1.6** |

1. Number of inspections performed for period FY23-FY32 based on inspection figures and growth rates
2. Assumes third-party inspections reach an adoption rate of 25% by FY26 and maintain a 25% adoption rate for remainder of forecast period
3. Totals may not foot due to rounding

# Development Center
## Service Summary



## Background

- The Development Center encompasses plan examination and permit issuance activity, which ensures all building designs are compliant with building, fire and zoning codes
- Staffing remains a key challenge for the Development Center:
  - Volume of workload is very high, while Development Center has lean staff
  - Recruiting and retaining talent is difficult for the Development Center
  - Lean staffing structure leads to longer process times, inhibits progress on projects to make the Development Center more efficient (e.g., electronic plan review)
- Development community members have vested interest in Development Center and would likely want to support its success

## KPIs

Service optimization survey

| | |
|---|---|
| 2023 Budget[1] | $3.13m |
| 2023 Budgeted FTEs | 31 |
| 2023 Vacant FTEs | 6 |

Service specific

| | |
|---|---|
| Permits Processed[2] | 34,443 |
| Plan Reviews[2] | 6,764 |
| Median Plan Review Time[3] | 20 days |

## Key Insights

| Plan Review Duration by Type *(7/15/21 - 7/14/22)* | Goal (days) | Median time (days) | Days from Goal |
|---|---|---|---|
| Filling or Grading | 21 | 67 | 46 |
| Commercial Footing & Foundation | 21 | 49 | 28 |
| Commercial Addition | 21 | 48 | 27 |
| Sign | 14 | 39 | 25 |
| Erosion Control | 21 | 36 | 15 |
| Solar PV | 14 | 28 | 14 |
| Commercial New Construction | 21 | 31 | 10 |
| Residential New Construction | 21 | 30 | 9 |
| Plumbing-Fire Protection | 21 | 30 | 9 |
| Fire Alarm | 21 | 27 | 6 |
| Residential Repair | 14 | 19 | 5 |
| HVAC General | 21 | 22 | 1 |
| Residential Alteration | 21 | 21 | 0 |
| Building Plumbing | 21 | 15 | -6 |
| Tank | 21 | 15 | -6 |
| Exhibit | 14 | 7 | -7 |
| Gas Piping | 21 | 10 | -11 |
| Miscellaneous | 14 | 3 | -11 |
| Residential Addition | 21 | 6 | -15 |
| Commercial Alteration | 21 | 5 | -16 |
| Commercial Repair | 21 | 2 | -19 |

## options

1. Expand the use of revision fee for plan review
2. Implement phase fee for plan review
3. Implement submission fee for electronic plan review
4. Utilize expedite fee to fund an Expedited Plan Review Program

1. Based on BMD10 form provided by City of Milwaukee.
2. Estimate based on plan submittals processed from 1/1/2022 – 9/30/2022
3. Review time based on plan reviews for period 7/15/2021 – 7/14/2022

# Expand the use of revision fee for plan review

## Further utilization of revision fee could generate revenue and improve submissions



| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- The Development Center could consider expanding its revision fee, whereby a fee is collected for each revision that is submitted by a user
- Currently, the Development Center does not charge a revision fee for many revisions as it is difficult to track when revisions are submitted
- However, the introduction of a new electronic plan review system will allow the Development Center to monitor revisions more easily
- By further expanding this fee, the Development Center could not only increase revenue, but could also discourage users from submitting numerous revisions. These revisions affect performance and efficiencies

### Impact

**Fiscal**

- Utilization of the revision fee has potential to yield $5.5 million over 10 years, and would come at virtually no additional cost to the Development Center

**Performance**

- A revision fee may encourage users to improve the quality of initial submissions, leading to a potential reduction in the workload

**Equity**

- Higher fees could disproportionately affect lower-income residents and smaller businesses

### Considerations

- The increased utilization of the revision fee could be clearly communicated to users of the Development Center
- Development Center staff could be transparent about the fee, and note that the fee has existed previously, but was not utilized fully. Transparent communication may minimize the negative reception and backlash from residents
- All proposed fee hikes could be analyzed with a broader lens focused on keeping the City competitive and attractive for investors and developers
- To potentially mitigate the equity impact, the revision fees could be restructured to be a percentage of the total permit cost, similar to how other city permits are structured

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| Revenue gain/cost savings | 0.0 | 0.3 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | **4.9** |
| **Net Impact** | **0.0** | **0.3** | **0.5** | **0.5** | **0.5** | **0.6** | **0.6** | **0.6** | **0.6** | **0.6** | **4.9** |

1. Number of plan reviews performed for period FY23-FY32 based on historical plan review figures and growth rates
2. Based on discussions with DNS, forecast assumes 30% of plan reviews require significant revisions
3. Forecast assumes revision fee of $200 per Department of Neighborhood Services fee schedule
4. Totals may not foot due to rounding

# Implement phase fee for plan review

## A phase fee could generate revenue and incentivize complete plan review submissions



**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | Local | **None**

**Implementation timeline**: Quick win | 0-5 yrs | **5-10 yrs** | 10+ yrs

### Description

- The Development Center charges a fee to review the plans for a project – including projects with multiple phases
- However, the Development Center staff frequently reviews individual phases of a single project, which is time consuming as they need to revisit the same project for each phase
- To ensure that the Development Center can manage its resources effectively and provide a fair and accurate reflection of the cost of reviewing complex projects, it could implement a phase fee structure
- This option would involve charging a fee for each phase of the project plan review process to better reflect the work being done by the City staff
- Implementing a phase fee structure would allow the Development Center to collect additional revenue

### Impact

**Fiscal**

- Implementing a phase fee could yield an additional $3.1 million over 10 years, and would come at virtually no additional cost to the Development Center

**Performance**

- This fee may encourage developers to submit all plans for the project at the same time, rather than in different phases. This could eliminate some redundancies and improve efficiency

**Equity**

- It is assumed that the multi-phase projects are usually for large developments, and therefore it would have minimal impact on low-income residents or small businesses

### Considerations

- All proposed fee increases could be analyzed with a broader lens focused on keeping the City competitive and attractive for investors and developers
- Currently, the forecast utilizes a $75 flat fee for each phase assumed to be submitted for review in the Development Center. However, the phase fee structure could be driven by square footage or number of fixtures, similar to the plan review fee structure

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** |
| Revenue gain/cost savings | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | **3.1** |
| **Net Impact** | **0.0** | **0.3** | **0.3** | **0.3** | **0.3** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **3.1** |

1. Number of plan reviews performed for period FY23-FY32 based on historical plan review figures and growth rates
2. Assumes 20% of plan reviews are submitted by phase based on discussions with Department of Neighborhood Services
3. Assumes an average of 2.5 phases per plan review for plan reviews submitted by phase based on discussions with Department of Neighborhood Services
4. Phase fee assumed to be $75 based on discussions with Department of Neighborhood Services
5. Totals may not foot due to rounding

# Implement submission fee for electronic plan review

## Fee could generate $2.3 million of new revenue over 10 years

Inspection services
**Development center**
Residential enforcement
Special enforcement

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| **Small** Medium Large | Low **Medium** High | State Local **None** | Quick win **0-5 yrs** 5-10 yrs 10+ yrs |

### Description

- The Development Center could consider implementing a fee of $100 for certain online plan review submissions
- Currently, residents and developers are required to submit their plans for review in-person and in hard copy
- The Development Center is in the process of introducing a new online plan review system for its users
- The forthcoming shift from in-person plan submissions to an online system provides an option for the Development Center to create revenue through user fees, thereby offsetting the costs associated with establishing and maintaining the online plan review system
- The fee would be levied on specific online plan review submissions, based on the project's cost

### Impact

**Fiscal**

- The implementation of an electronic plan submission fee will represent a new revenue stream for the Development Center
- This fee could allow the Development Center to recover expenses associated with developing and maintaining the system, as well as recover other costs that the Development Center is not recovering currently in its operations

**Performance**

- No material impact on performance is anticipated

**Equity**

- An electronic plan submission fee would only apply to those submitting plans for review online and for projects that exceed a certain dollar amount, thereby exempting lower income residents or smaller developers from paying the fee
- Submitting electronic plan reviews online will reduce customers' cost for large format printing required to submit plans in-person, as well as reduce time spent by the customer submitting plan in-person

### Considerations

- Additional capabilities may need to be included in the electronic submission portal to the extent that they are not currently available, such as a payment portal for the electronic fee
- By implementing a fee structure that applies to plan reviews with high project costs, it is unlikely that the fee would disincentivize electronic plan submissions

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | **(0.1)** |
| Revenue gain/cost savings | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | **2.2** |
| **Net Impact** | **0.0** | **0.1** | **0.2** | **0.2** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **0.3** | **2.2** |

1. Number of plan reviews performed for period FY23-FY32 based on historical plan review figures and growth rates
2. Assumes 10-30% of plan reviews will be subject to an electronic submission fee over period FY23-FY32
3. Assumes $5,000 annual maintenance cost to maintain electronic submission fee system
4. Totals may not foot due to rounding

# Utilize expedite fee to fund an Expedited Plan Review Program

## Expedited Plan Review Program could improve service and generate revenue



| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- The Development Center could consider further utilizing its expedited review fees to create an Expedited Plan Review Program, with a dedicated team to perform expedited plan reviews
- At a high level, the program would be as follows:
  - The developer submits a plan and marks it for expedited review
  - The team reviews the application and either accepts or denies it
  - If accepted, the team completes the review and, if needed, schedules a working session with the developer to review the plans
  - During the working session, the team collaborates with the developer to resolve all corrections

### Impact

**Fiscal**

- Assuming an expedite fee is charged on ~5% of total plan reviews, DNS could generate an additional $1.1 million over 10 years for the Development Center
- The additional revenue has the potential to fund four additional positions to operate the Expedited Plan Review Program, which is reflected in the 10-year forecast

**Performance**

- The Expedited Plan Review Program would expedite the plan review process for users who opt for this service, leading to increased satisfaction
- The program would entail the creation of new positions for the Expedited Plan Review team, which would assume a portion of the current workload. This would enable the reallocation of existing resources to better serve other users

**Equity**

- This program may improve economic development in Milwaukee by streamlining the plan review process and attracting additional investments, thus creating economic options and activity for the City's residents
- However, a fee structure that is prohibitive for certain groups could exacerbate existing inequities and lead to unequal access to expedited services

### Considerations

- The Development Center currently has an expedite fee in place; however, it is not commonly used partly due to limited capacity
- Implementing the program would require the Development Center to fill vacancies, which could pose a challenge as the department currently struggles with staffing
- To ensure the best results, the members of the Expedited Plan Review Team would need to be experienced employees. This may result in less experienced employees working on non-expedited reviews
- Implementing the Expedited Plan Review Program would involve administrative activities and costs to set up and maintain the program

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.6) | (0.6) | (0.6) | **(4.8)** |
| Revenue gain/cost savings | 0.0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | **5.9** |
| **Net Impact** | **0.0** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **1.1** |

1. Forecast utilizes dollar value of plan reviews, which are based on 100 largest plan review types by dollar value for FY2022 grown at inflation
2. Forecast assumes 5% of plan reviews will be expedited
3. Expedite fees estimated to be 200% of plan review cost per Department of Neighborhood Services fee schedule
4. Forecast assumes 4 FTE will be funded to undertake workload of Expedited Plan Review Team
5. Totals may not foot due to rounding

# Residential enforcement

## Service summary



### Background

- DNS is responsible for conducting residential inspections in single-family homes, condos, and apartments to enforce the Code of Ordinances and ensure compliance
- DNS also conducts annual fire inspections, for which it receives ~$1.5M a year in State aid, and provides ancillary support to neighborhood organizations
- The service has had significant vacancies, with many employees leapfrogging to other jobs within City Hall or in the private sector
- During the second half of 2022, the department hired aggressively, reducing the vacancy rate to ~17%
- Given the steady number of complaints received (~30K) and the high number of vacancies, it is taking longer to address the complaints. The average days to resolve a complaint is estimated to be 25 days in 2023, compared to 16.3 days in 2022
- The department needs to identify options to increase efficiencies to promptly address the complaints

### KPIs

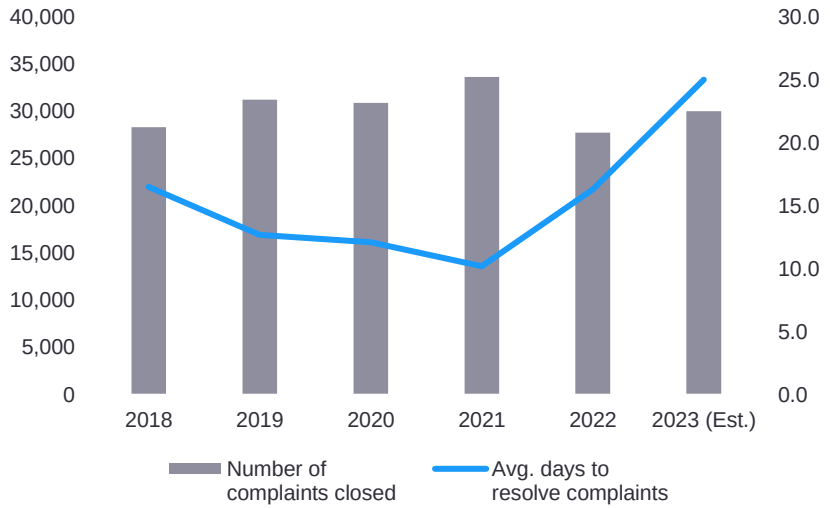
Service optimization survey[1]

| | |
|---|---|
| 2023 Budget | $2.4M |
| 2023 Budgeted FTEs | 47 |
| 2023 Vacant FTEs | 8 (~17%) |

Efficiency and performance KPIs[2]

| | |
|---|---|
| Average days to resolve complaints (est. 2023) | 25 |
| Number of complaints closed (est. 2023) | 30,000 |
| Reinspection fee revenue '22 | $4.0M |

### Key Insights[2]




### options

1. Digitize the code inspections to eliminate redundancies
2. Increase reinspection fees for code non-compliance

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed in the BMD-10 forms

# Digitize the code inspections to eliminate redundancies

## An updated LMS could result in more revenue and right-sizing of inspectors

Inspection services
Development center
**Residential enforcement**
Special enforcement

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- The ACCELA Land Management System ("LMS") was rolled out in 2016 to help automate the inspections process
- However, LMS is not a user-friendly interface and therefore, inspectors prefer to conduct the inspection manually and submit the violations from a desktop when they are back in the office, rather than using the iPad out in the field
- The City could consider hiring IT developers specifically for LMS to update the interface and incorporate more user-friendly functionalities
- A more robust LMS could allow inspectors to use the iPads on-site, and could reduce the need to drive back to the office to submit the violations using a desktop
- Overall, this would improve productivity, as inspectors could spend more time in the field conducting inspections

### Impact

**Fiscal**

- Improving LMS is estimated to have an annual average impact of ~$0.5M and a total impact of ~$4.7M over the 10-year period
- Estimates assume an increase in revenue (additional fees from more inspections) and a reduction in cost (right-sizing of inspectors as efficiencies materialize)
- Estimates include the hiring of IT software developers to focus specifically on LMS

**Performance**

- Using LMS out in the field would eliminate redundancies when submitting the information and would expediate inspections, therefore allowing inspectors to maximize their time and address complaints promptly

**Equity**

- No material impact on equity is anticipated

### Considerations

- LMS is being used by various teams across the City, so the salaries and benefits costs associate with the LMS IT developers could be spread across all the applicable departments
- The City could re-apportion three of vacant, budgeted inspector positions to fund these new positions for the LMS IT developers
- Continuous updates to the software's interface are assumed from 2024 until 2027, so efficiencies are anticipated to be phased-in during this time
- Inspectors could use best judgment on whether to use the iPad in order to ensure safety if they are working in high-risk neighborhoods or areas

**Estimated fiscal impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost | 0.0 | (0.1) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.3) | (2.0) |
| Revenue gains and cost savings | 0.0 | 0.1 | 0.3 | 0.6 | 1.0 | 1.0 | 0.9 | 1.0 | 0.9 | 0.9 | 6.7 |
| **Net Impact** | **0.0** | **0.0** | **0.1** | **0.4** | **0.8** | **0.8** | **0.7** | **0.7** | **0.7** | **0.6** | **4.7** |

- The cost assumes the City hires two IT developers to work on LMS starting mid-2024 at a cost of $105K per employee per year (grown by inflation)
- A more robust LMS is expected to increase efficiencies. Assumption is that there is an increase in inspections per day - from 10 inspections per inspector in 2023 to 14 inspections per inspector in 2027. This would allow the department to eliminate some of the budgeted vacant positions while still addressing the complaints violations promptly
- Given the improved efficiency, it is assumed that inspectors could be able to conduct additional inspections and collect more revenue from the reinspection fees

# Increase reinspection fees for code non-compliance

## A higher fee could result in ~$3.8M of additional revenue for the City

Inspection services
Development center
**Residential enforcement**
Special enforcement

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / **Local** / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- DNS charges a fee to reinspect properties that have a residential code violation
- If after the reinspection following the deadline (usually 30-90 days after the initial inspection), the violation remains, the department charges a reinspection fee
- The fee for the 1st reinspection was increased in 2023 to $200. The fee for any additional reinspection is $400, as it cannot be more than twice the 1st fee (per state law)
- DNS could consider increasing the 1st reinspection fee to $250 to increase revenue and continue to disincentivize non-compliance. Any additional reinspection would have a fee of $500, as limited by state law

### Impact

**Fiscal**

- Increasing the 1st and 2nd reinspection fee to $250 and $500, respectively, is estimated to have an annual average impact of ~$0.3M and a total impact of ~$3.8M over the 10-year period

**Performance**

- Increasing fees could improve code compliance

**Equity**

- To minimize the fiscal impact that the higher fees may have on low-income residents, the department can strengthen its relationship with community leaders. These local leaders can work with property owners in their neighborhoods to educate them on the residential code and ensure that they are compliant to help

### Considerations

- All fee increases could be proactively communicated to the residents via the City's website and other communication channels (e.g., the City's social media platforms)
- Close collaboration with community leaders could minimize the impact on low-income property owners, while also promoting compliance and helping ensure safer living conditions for all the City's residents
- Fee increases would not apply to existing open orders. All existing orders would maintain the fee schedule that was in place when the order was issued
- The City should further evaluate the impact that higher fees may have on low-income property owners, including increased number of foreclosures, prior to implementing this option

**Estimated fiscal impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue gains | 0.0 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 3.8 |
| **Net Impact** | **0.0** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **0.4** | **3.8** |

Note: Reinspection fees vary across peer cities, ranging from $75 for Tucson, AZ to $280 for Detroit, MI. A $250 proposed fee would be in-line with peer cities

- Estimated fiscal impact include increasing the fee for both residential and special enforcement inspections
- The fee increases of $50 and $100 for the 1st and 2nd reinspection fees, respectively, are projected to be implemented in FY24
- Assumes that 30% of the annual verifiable complaints pay a 1st reinspection fee, and 10% of those pay a 2nd reinspection fee

# Special Enforcement
## Service summary



## Background

- DNS is responsible for conducting special inspections for residential and commercial properties and zoning code violations
- Special enforcement focuses on more complex inspections, and works closely with the Police Department to address many of these complaints
- The service has significant vacancies (~33%), as many inspectors have retired. Given the complexity of the inspections, the Department can only recruit people with prior experience, which makes filling these positions challenging
- Given the vacancies, self-initiated inspections have decreased, and the majority of inspections are complaint-driven
- 2022 was a 5-year low for the number of complaints closed, in part because complaints coming from the Police Department have decreased and some zoning laws have been recently relaxed

## KPIs

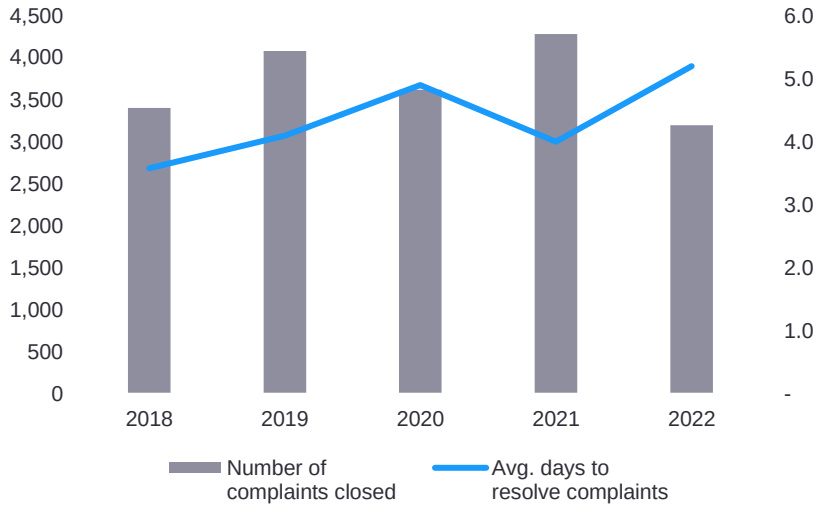
Service optimization survey[1]

| | |
|---|---|
| 2023 Budget | $1.2M |
| 2023 Budgeted FTEs | 18 |
| 2023 Vacant FTEs | 6 (~33%) |

Service specific

| | |
|---|---|
| Average days to resolve complaints (est. 2023) | 4 |
| Number of complaints closed (est. 2023) | 4,000 |

## Key Insights[2]




## options

1. Right-size inspectors to better reflect the current demand

1. Based on the Service Optimization Survey results, as completed by the department
2. Based on KPIs listed in the BMD-10 forms

# Right-size inspectors to better reflect the current demand

## Eliminating vacant positions could save the City ~$5.7M over 10 years



| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- Special enforcement inspectors conduct inspections for zoning violations and other more complex commercial and residential code violations
- 2022 was a 5-year low for the number of complaints closed, partly due to the changes in zoning regulations and fewer complaints being submitted by the Police Department
- Assuming the trend continues, the department could eliminate the budgeted, vacant positions
- Decreasing complaints would translate to reduced workload for the team. Therefore, current employees could be able to address the complaints promptly without the need of hiring additional inspectors
- Eliminating the 6 budgeted, vacant positions would reduce the department's budget and would better reflect the current demand for these inspections

### Impact

**Fiscal**

- Eliminating the budgeted, vacant positions is estimated to have an annual average impact of ~$0.6M and a total impact of ~5.7M over the 10-year period

**Performance**

- Only budgeted, vacant positions would be eliminated. Current employees would not be affected

**Equity**

- No material impact on equity is anticipated

### Considerations

- The Department would eliminate budgeted, vacant positions, and would not affect current employees
- The Department could consider eliminating the budgeted, vacant positions over multiple years to allow for the demand trends to stabilize before eliminating all vacant positions
  - Eliminating a portion of the positions would allow the department to achieve savings while also maintaining some positions available if the demand picks up

**Estimated fiscal impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cost savings | 0.0 | 0.3 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 5.7 |
| **Net Impact** | **0.0** | **0.3** | **0.6** | **0.6** | **0.7** | **0.7** | **0.7** | **0.7** | **0.7** | **0.7** | **5.7** |

- Assumes that 3 vacant positions are eliminated in 2024, and the remaining 3 positions are eliminated in 2025

# Milwaukee Public Library (“MPL”)

# Circulation and library services

## Service summary



### Background

- The Milwaukee Public Library ("MPL") operates in 13 locations, including its Central Library location and 12 branch locations
- The Central Library and branch locations offer circulation services, community programming, computer and wireless internet access to residents, and reserved spaces for activities and events
- The MPL system is currently operating an extremely lean staffing model at all branches, limiting the resources and services for the residents of the City
- Approximately 80% of the budget for MPL is dedicated to personnel related costs, which could be reduced with modified branch operations
- Through reimagined branch schedules and improved scheduling processes, MPL may be able to optimize services

### KPIs

**2023 Plan & Budget Summary**

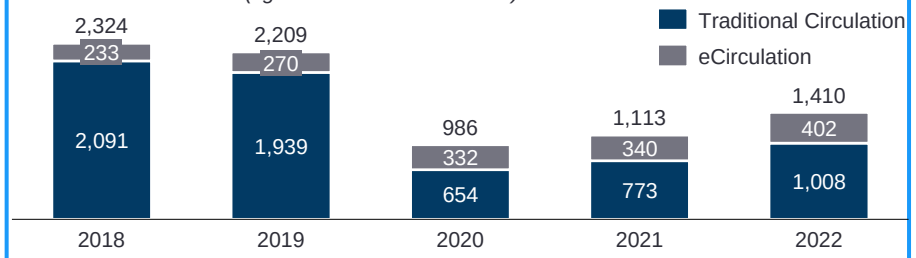
| | |
|---|---|
| 2023 Budget | $25.8m |
| 2023 Budgeted FTEs | 347 |
| 2023 Vacant FTEs[1] | 25 |

**Department KPIs (2023)**

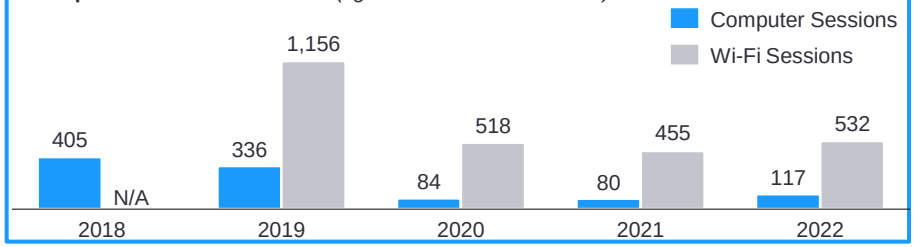
| | |
|---|---|
| Public service hours | 31,504 |
| Total circulation[2] | 1.8m |
| Public computer use hours | 126.6k |
| Wi-Fi connectivity sessions | 586.1k |

### Key Insights[2]

**Historical circulation** *(figures shown in thousands)*




**Computer and Wi-Fi Sessions** *(figures shown in thousands)*




### options

1. Modify staffing model and service offerings at branch locations
2. Transition to contracted custodial services for all locations
3. Explore option for Central Library to be a state resource library
4. Monetize vacant space owned by the Public Library
5. Monetize assets held by the Public Library

1. Represents vacancies for Branch Library Services Pool, Central Library Services Pool, Circulation Bureau Pool per survey results provided by MPL.
2. Circulation represents materials loaned by the MPL system. Includes traditional circulation of ~1.3m and eCirculation of ~0.5m

# Modify staffing model and service offerings at branch locations

## Updates to branch operations could yield ~$6.7m in cost savings

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / **Local** / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- MPL could consider modifying its branch operations to create 2 types of branches:
  - Limited-service branches: Programming will be limited at these branches and hours will be reduced to 37.5 from 45 hours per week, which allows for reallocation of resources to full-service branches. Core services will continue at limited-service locations
  - Full-service branches: Full-service branches will continue to offer current services, and can benefit from additional resources reallocated from limited-service branches
- Under this new branch staffing structure, limited-service branches will likely have ~24 dedicated FTEs and full-service branches will likely have ~60 dedicated FTEs, which would reduce the total FTEs
- New staffing structure would also provide savings in operating expenditures

### Impact

**Fiscal**

- Transitioning 6 branches to limited-service and enhancing 6 full-service branches with a new staffing model has the potential to yield ~$500k in personnel costs savings and ~$115k in operating cost savings on an annual basis
- The forecast assumes the elimination of 10 FTEs, including budgeted, vacant positions

**Performance**

- Limited-service branches will offer circulation services, reference services, computer and wireless internet access to community members, and other basic services. However, some services will not be offered, such as community programming
- Remaining full-service branches will be enhanced with a new staffing model, which will allow for greater service for patrons at these locations

**Equity**

- With this option, every branch remains open and continues to provide essential library services to all the communities MPL serves.
- By strategically choosing limited-service branch locations, MPL can ensure that each part of the city can still have access to a full-service library branch that offers a wide range of programming and services.

### Considerations

- MPL would need to determine which locations would be best suited to remain as a full-service location, and which locations would be best suited to transition to a limited-service location
- MPL could also consider the option to have rotating schedule of limited-service and full-service locations, to allow for limited-service models and full-service models to be offered at all MPL locations at regular intervals.
- Savings realized from modifying branch staffing model and services could allow for funding of mobile and/or pop-up services for underserved communities.

**Estimated Fiscal Impact ($millions)**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue gain/cost savings | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | **6.7** |
| **Net Impact** | **0.6** | **0.6** | **0.6** | **0.7** | **0.7** | **0.7** | **0.7** | **0.7** | **0.7** | **0.7** | **6.7** |

1. Branch staffing and cost adjustments based on discussions with Milwaukee Public Library and data provided by Milwaukee Public Library
2. Totals may not foot due to rounding

# Transition to contracted custodial services for all locations

## Contracting custodial worker positions could generate significant cost savings

**Fiscal impact**: Small | Medium | **Large**

**Feasibility**: Low | Medium | **High**

**Jurisdiction requirement**: State | Local | **None**

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- The MPL could consider transitioning the custodial staff to be fully contracted throughout the MPL system
- Due to the pandemic and subsequent staffing challenges, MPL began to outsource its custodial services to contractors
- Currently, MPL is contracting out custodial services for 6 of its budgeted FTE positions. All of the contracted custodial services are at branch locations
- MPL has 20 custodial workers across the MPL system that could be replaced with contracted custodial workers
- MPL could replace its current roster of custodial workers as natural attrition occurs, or could contract out all custodial workers in the current fiscal year

### Impact

**Fiscal**

- Contracting out all 20 custodial positions to contracted custodial services immediately could yield $600K per year, on average
- Phasing out the current 20 custodial positions to contracted custodial services over the course over the next 10 years could yield $3.1 million

**Performance**

- No material impact on performance is anticipated from this option

**Equity**

- An immediate phase out of custodial workers would affect low wage employees. However, the City could seek to place them to fill vacancies in other areas of the City government

### Considerations

- Given trend of vacancies throughout the City's departments, there would likely be positions that could be filled by custodial workers affected by this initiative
- The timing of this initiative would depend on MPL's desire of when to transition to custodial workers

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost savings for immediate phase out | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | **5.5** |
| Cost savings for incremental phase out | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 | 0.6 | **3.1** |

1. Milwaukee Public Library custodial worker headcount provided by Milwaukee Public Library.
2. Assumes cost of contracted custodial worker to cost $33k annually per data provided by Milwaukee Public Library.

Circulation bureau
Custodial services
Asset monetization

# Explore option for Central Library to be a state resource library

## State funding for Central Library could save ~$67m over 10 years

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | **State** / Local / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- The Milwaukee Public Library (MPL) could consider initiating a joint effort with the State of Wisconsin to make the Milwaukee's Central Library location a resource library for the state of Wisconsin
- MPL's Central Library currently serves as the resource library for the Milwaukee County Federated Library system, which involves providing services to the system's branches and patrons
- MPL acts informally as a resource library for the state by providing services and resources to citizens and library systems statewide
- Formally transitioning the library to function as the resource library for the state would provide:
  - Financial support from the state to properly maintain its collections, which it currently lacks
  - Greater resources and services provided by MPL's Central Library that can be extended to users of MPL system as well as other library systems statewide

### Impact

**Fiscal**

- Establishing MPL's Central Library as a state resource library could allow for significant funding from the state to operate MPL's Central Library. Additional funding from the state could provide ~$7.5m in cost savings to MPL annually, which factors in an assumed 50% adoption of costs by the state, and additional costs of attaining and maintaining the role of a state resource library
- Increased funding from the state would free up general fund dollars for MPL, allowing for reallocation of funds to necessary services and branch locations

**Performance**

- Increased state funding would assist with the current operations that MPL performs for the state, such as interlibrary loan coordination and operating the Wisconsin Talking Book and Braille Library
- Additional funds for resources at the branch level would allow the branches to staff each location to perform at an optimal level, as opposed to the current staffing levels that are extremely lean

**Equity**

- Increased resources and services at both Central and branch locations would have a positive effect on the communities, enhancing equity for the City
- Serving as a state resource library would also provide all Wisconsin residents with greater access to the resources and services provided by the Central Library, which would have a positive impact on equity across the state

### Considerations

- Achieving this initiative would require legislative action from the state, which could make the timeline long and uncertain
- MPL and the state would need a resource library agreement to formalize the Central Library's role as the state resource library
- As part of the agreement, MPL may have to relinquish a certain level of control over funding and collection authority to the state. This would necessitate close collaboration and coordination between MPL and the state to ensure that the funding and collections are managed effectively
- Clear and transparent communication with City residents would be essential to helping community understand the benefits of the Central Library serving as a resource library for the state

**Estimated Fiscal Impact ($millions)**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | (0.8) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) | (3.2) |
| Revenue gain/cost savings | 0.0 | 7.1 | 7.3 | 7.5 | 7.6 | 7.8 | 7.9 | 8.1 | 8.3 | 8.5 | 70.0 |
| **Net Impact** | **0.0** | **6.3** | **7.0** | **7.2** | **7.3** | **7.5** | **7.6** | **7.8** | **8.0** | **8.1** | **66.9** |

1. Assumes 65% of Library Administration costs are attributable to Central Library based on discussion with Milwaukee Public Library
2. Assumed cost of attaining and maintaining role of state resource library based on data provided by and discussion with Milwaukee Public Library
3. Assumes 50% cost sharing with the state for Central Library operating costs based on discussions with Milwaukee Public Library

Circulation bureau
Custodial services
**Asset monetization**

# Monetize vacant space owned by the Public Library

## Leasing vacant space to third parties could generate $1.1m in additional revenue

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- The MPL could consider leasing vacant spaces to third-party tenants to generate additional revenue
- Currently, MPL has approximately 3,000 – 5,000 square feet of usable space that is not utilized by MPL operations
- The unutilized space could be leased by third parties, such as not-for-profit organizations to use as space for operations
- Any not-for-profit organizations that would occupy the spaces could be strategically selected based on the option for the organization to provide complementary services to MPL and its patrons (e.g., education)
- MPL could more aggressively pursue marketing other spaces that are available to rent out to the public, such as its Centennial Hall theater complex and the Grand Rotunda

### Impact

**Fiscal**

- Leasing the unutilized square footage of space currently available to third parties could yield an additional ~$1.1m in revenue over the 10-year period
- Estimates of revenue are based on renting available space at $19.13 per square foot based on Newmark Milwaukee Office Market 2022 Q4 Report, less costs associated with renting the space

**Performance**

- No material impact on performance is anticipated from this option

**Equity**

- Leasing space to not-for-profit organizations that could complement libraries outreach services could have potential for positive equity impact for City residents

### Considerations

- MPL would need to actively market its available space to potential third-party tenants, particularly not-for-profit organizations that may be interested in leasing space for community-based programs or services
- MPL also holds underutilized event spaces that could be rented for additional revenue. MPL's Centennial Hall and Grand Rotunda spaces could be rented for events such as weddings and photoshoots
- MPL could ensure that any third party that leases space is compatible with the MPL's mission and values. MPL could also consider the potential impact of the third party's activities on the library's staff and patrons
- MPL would need to consider any legal and/or liability issues that may arise from leasing space to third parties that are not part of the City of Milwaukee government

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue gain/cost savings | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 1.1 |
| **Net Impact** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **1.1** |

1. Cost per square foot estimate based on Newmark Milwaukee Office Market 2022 Q4 Report: https://www.nmrk.com/insights/market-report/milwaukee-market-reports

# Monetize assets held by the Public Library

## Milwaukee Public Library holds valuable collections that could be sold or loaned

**Fiscal impact**
Small | Medium | Large

**Feasibility**
Low | Medium | High

**Jurisdiction requirement**
State | Local | None

**Implementation timeline**
Quick win | 0-5 yrs | 5-10 yrs | 10+ yrs

### Description

- The MPL could consider monetizing its valuable collection of art and rare books, either through sale or loan of assets
- MPL holds numerous valuable historical artifacts and artwork that are currently stored and not displayed
- Considering that many of these items are not currently being utilized by the Library, it may be worth exploring the option of selling them to museums or collectors who can properly display and preserve them
- The current value of these assets is unknown, but MPL is in the process of appraising them for insurance purposes, which may provide insight into their potential worth if sold or loaned
- Monetizing these assets could provide MPL with valuable proceeds, which could be used to establish an endowment for the Library's future benefit

### Impact

**Fiscal**

- Monetizing the assets held by MPL could have a positive fiscal impact, however, estimating the fiscal impact is not feasible at the moment given the uncertainty of the asset values

**Performance**

- No material impact on performance is anticipated from this option

**Equity**

- No material impact on equity is anticipated from this option

### Considerations

- The deaccessioning of publicly-owned art or rare artifacts can be highly controversial
- MPL will need to ensure that it has the legal authority to sell the assets, and ensure compliance with state or federal laws regarding the sale of public property or gifts
- MPL could consult carefully with appraisers throughout sale process to ensure the proceeds from any sales are fair and MPL maximizes the sale amount
- MPL could have a clear plan for reinvesting the proceeds from the sale of the assets. An endowment that is established with sale proceeds could be designed to provide ongoing support for the library's mission and operations, and the library could be transparent with stakeholders about how the funds will be used

### Estimated fiscal impact

- MPL will need to conduct additional analysis to better understand the value of assets that are able to be monetized

# Health Department

# Health Department – select services

## Service summary

Labs
Health clinics
Telehealth

### Background

- The Milwaukee Health Department is responsible for promoting and protecting the health and well-being of Milwaukee residents through various programs and services related to public health.
- Among other services, the Health Department offers laboratory services through its laboratory, clinical services through its 3 health clinics, and tuberculosis prevention and care services
- The Health Department may have some capacity in its laboratory and health clinics, and has potential options for employing telehealth services for its tuberculosis prevention and care
- The department makes approximately 1,500 home visits a year, and estimates that a significant portion can be moved to telehealth, including direct observed therapy (DOT) for TB control

### KPIs

**2023 Plan & Budget Summary**

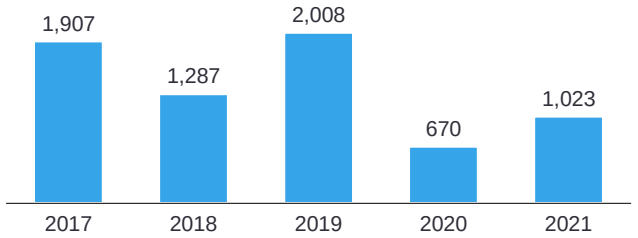
| | |
|---|---|
| 2023 Budget | $16.4m |
| 2023 Budgeted FTEs | 381 |
| 2023 Vacant FTEs | 95 |

**Department KPIs (2023)**

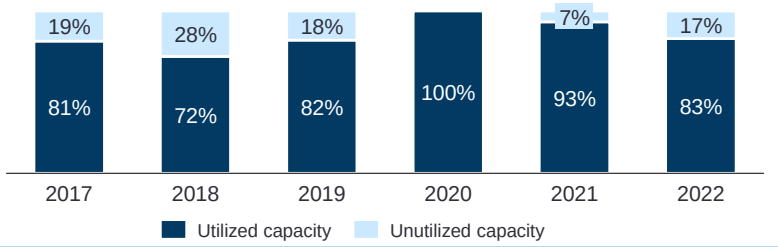
| | |
|---|---|
| # of immunizations given | 4,000 |
| # of sexual health clients | 5,000 |
| Violations per inspection | 1.37 |

### Key Insights[2]

**Number of Directly Observed Therapy Home Visits for Tuberculosis Control**




**Laboratory Utilization[1]**




### options

1. Reduce health lab test menu
2. Generate revenue from external customers at health lab
3. Reevaluate and repurpose Health Department clinics
4. Utilize telehealth for clinical and community programs

1. Maximum capacity of laboratory assumed to be ~72,000 tests performed annually based on historical testing data provided by Milwaukee Health Department

Labs
Health clinics
Telehealth

# Reduce lab's test menu

## Reducing current test offerings may result in operating savings

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small **Medium** Large | Low **Medium** High | State Local **None** | Quick win **0-5 yrs** 5-10 yrs 10+ yrs |

### Description

- The Milwaukee Health Department (MHD) could identify opportunities to right size its current test menu to achieve efficiencies and operating savings
- The focus should be on cutting costs by eliminating tests that have high cost-to-benefit ratios
- Part of this effort will require working with the Wisconsin State Lab of Hygiene to reduce redundancy
- MHD could also considering having its new lab director becoming Clinical Laboratory Improvement Amendments (CLIA) certified. This will eliminate the cost of having a separate CLIA certified consultant

### Impact

**Fiscal**

- Right-sizing testing may result in savings from materials and instruments

**Performance**

- By right-sizing the test menu, the City could improve efficiencies in the remaining services
- It is assumed that the tests that are eliminated would be transferred to the State lab or other providers, so the residents would not be materially impacted

**Equity**

- No material impact on equity is anticipated

### Considerations

- This process may take time as MHD needs to work with the different partners and customers to evaluate their needs
- The right-sizing of any current services should be comprehensively reviewed to ensure it does not have a material negative impact on the City's residents
- Reduction in the test menu may result in personnel costs savings in the long term

### Estimated fiscal impact

- The City will need to conduct additional analysis to better understand which test can be cut without materially impacting the service being provided to City residents
- Depending on the number and type of tests that are right-sized, the City could achieve operating savings over time

Labs
Health clinics
Telehealth

# Generate revenue from external customers at health lab

## Utilizing the unused capacity could generate additional revenue

**Fiscal impact**
Small | Medium | Large

**Feasibility**
Low | Medium | High

**Jurisdiction requirement**
State | Local | None

**Implementation timeline**
Quick win | 0-5 yrs | 5-10 yrs | 10+ yrs

### Description

- The Health Department could consider maximizing the capacity of its laboratory by offering testing services to external parties, such as private companies and neighboring municipal health departments/agencies
- Despite being capable of conducting up to 72,000 tests annually, the laboratory currently performs an average of only 62,000 tests per year
- By utilizing the laboratory's unutilized capacity of 10,000 tests per year, the facility could offer testing services to external parties, generating additional revenue for the Health Department

### Impact

**Fiscal**
- Performing an additional 10,000 tests per year could generate $65k – $80k of net revenue for the laboratory each year
- The additional 10,000 tests performed would not require additional space or FTEs, resulting in minimal additional fixed costs to the laboratory

**Performance**
- No material impact on performance is anticipated

**Equity**
- No material impact on equity is anticipated

### Considerations

- To take advantage of the unused capacity in the health lab, the Health Department must seek out and identify potential clients who could benefit from the lab's services
- Neighboring municipalities receive a significant amount of free testing from the state, which may discourage them from using the Milwaukee lab for their testing needs
- One option may be to negotiate an agreement with the state to fund the testing of neighboring municipalities through the city-run health lab, especially if it is more cost-effective for the state
- The laboratory is currently operational and has the capacity to perform additional testing, so the option to generate revenue from external clients can be realized as soon as the lab engages them
- If the lab's excess capacity is fully utilized and a demand still exists for its services, the lab could scale its operations to meet the additional demand and generate more revenue

**Estimated Fiscal Impact ($millions)**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | - | - | - | - | - | - | - | - | - | - | - |
| Revenue gain/cost savings | 0.1 | 0.1 | 0.1 | **0.1** | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.7 |
| **Net Impact** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.1** | **0.7** |

1. Maximum capacity of laboratory assumed to be ~72,000 tests performed annually based on historical testing data provided by Milwaukee Health Department
2. Average cost of test assumed to be $65 based on data provided by Milwaukee Heath Department
3. Average profit per test assumed to be 10% based on profit margin of public comparable companies

Labs
Health clinics
Telehealth

# Reevaluate and repurpose Health Department clinics

## Adjusting service model for clinics reduce costs and improve services to residents

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / Local / **None** | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- The Milwaukee Health Department (MHD) could reevaluate its role in providing direct clinical services through its three health clinics
- Currently, two out of the three MHD clinics are underutilized and have excess physical space, presenting an option to optimize the use of these resources
- The three health clinic sites that MHD currently operates could be repurposed and/or used to house not-for-profit clinics
- Potential not-for-profit partners include Federally Qualified Health Centers that are equipped to provide high quality service

### Impact

**Fiscal**

- Repurposing the existing clinics and/or housing not-for-profits has potential to reduce costs for the City, however, the lack of available data from the Health Department has made it difficult to estimate potential cost savings

**Performance**

- The Health Department is considering whether it can be more effective as a strategic leader and funder as opposed to a direct service provider.

**Equity**

- Clients of the Health Department clinics tend to be lower income individuals, and by offering better quality services through a not-for-profit partner, this option would have a positive impact on equity within the City

### Considerations

- The Health Department would need to run a competitive process to select clinic providers.
- This initiative could lead to additional partnerships to further maximize client service, such as coordination of mobile clinics that operate throughout the City and expanding outreach
- The goal of this initiative is to combine the resources and expertise of both sectors to provide comprehensive and accessible healthcare services. However, if it results in closing City-run clinics, the City can expect pushback from specific neighborhoods and their political representatives

**Additional information:**

- Although financial and operational data for the clinics were not available, the GMC team engaged in productive conversations with individuals from the Milwaukee Health Department and those familiar with the MHD Clinics' operations. These discussions provided valuable insights and context that informed the option to reevaluate and repurpose the MHD Clinics
- Based on our discussions with various stakeholders, a strong consensus has emerged that not-for-profit organizations may be better suited to provide clinical services to residents at a lower cost to the City.
- The Health Department has hired a consultant to further explore repurposing options and implement strategy for repurposing the health clinics and/or housing not-for-profits.

Labs
Health clinics
Telehealth

# Utilize telehealth for clinical and community programs

## Increased telehealth usage could save on personnel and operating expenses

**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | Local | **None**

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- The Milwaukee Health Department (MHD) could consider utilizing telehealth appointments in place of in-person appointments for services it currently offers, which can reduce operating and personnel costs
- Currently, MHD holds in-person appointments with its clients, both at MHD facilities as well as at client locations (e.g., in-person home visits)
- Utilizing telehealth to conduct certain eligible appointments could help MHD save of time and resources dedicated to these appointments, as well as provide a more convenient option for the clients of MHD
- One example of telehealth use for MHD is the remote monitoring of tuberculosis (TB) patients during in-person treatment observation appointments
- Currently, MHD staff conduct in-person visits to observe TB treatment. However, telehealth could allow for these appointments to be conducted remotely

### Impact

**Fiscal**

- Utilizing telehealth for in-person appointments could reduce operating costs as telehealth appointments are less expensive than in-person appointments[1]
- However, the lack of available data from the Health Department has made it difficult to estimate potential cost savings

**Performance**

- Utilizing telehealth appointments could reduce the time spent planning logistics and conducting in-person appointments, allowing staff to better utilize their time managing duties within the Health Department
- Reduced in-person appointments will also reduce space requirements for conducting appointments, which can allow for these spaces to be repurposed

**Equity**

- This initiative will likely have a positive impact on the experience of those who utilize the Milwaukee Health Department services, who are typically lower-income residents of Milwaukee who may have difficulty with transportation to clinical sits
- Telehealth appointments allow for patients to have appointments from any location, which reduces the time spent traveling to the health clinics and improving the customer experience

### Considerations

- While many patients will be able to utilize telehealth services, some may not be able to access them; therefore, the Health Department will need to continue to offer high quality, in-person observation appointments
- The Health Department will need to ensure it possesses the proper equipment to effectively provide quality telehealth appointments
- The Health Department will need to ensure it complies with any regulatory requirements for telehealth appointments

**Additional information:**

- Although financial and operational data for the clinical and community programs that could utilize telehealth were not available, the GMC team engaged in productive conversations with individuals from the Milwaukee Health Department and those familiar with the MHD operations. These discussions provided valuable insights and context that informed the option to utilize telehealth with MHD operations
- Based on our discussions with various stakeholders, a strong consensus has emerged that telehealth services could be used to serve MHD clients at a lower cost to the City
- The Health Department staff who serve clients are able to identify the areas that are most viable for providing telehealth services, and could move forward with making the transition to telehealth in these areas

1. Telehealth appointment per telehealth feasibility and cost study performed by Red Quill Consulting, Inc: https://connectwithcare.org/wp-content/uploads/2014/12/Medicare-Acute-Care-Telehealth-Feasibility.pdf

# Fire Department

# Emergency Paramedic Services

## Front-line fire suppression & EMS response to emergencies arising from all hazards

### Background

- The Milwaukee Fire Department (MFD) is responsible for providing the full range of fire prevention, fire suppression, emergency medical services (EMS), and response to emergencies arising from all hazards
- The majority of MFD personnel (firefighter/EMTs and firefighter/paramedics) are assigned to operational roles and deployed on front-line response units from 29 fire-EMS stations across the city
- MFD provides advanced life support (ALS) care and ambulance transport for ALS patients
- Basic life support (BLS) patients are generally transported to local hospitals by private ambulances from 2 local firms
- MFD delivers BLS/ALS first response from both fire suppression and EMS units
- The MFD has experienced significant budget reductions over the past decade, with multiple response units decommissioned and fire-EMS stations closed

### KPIs

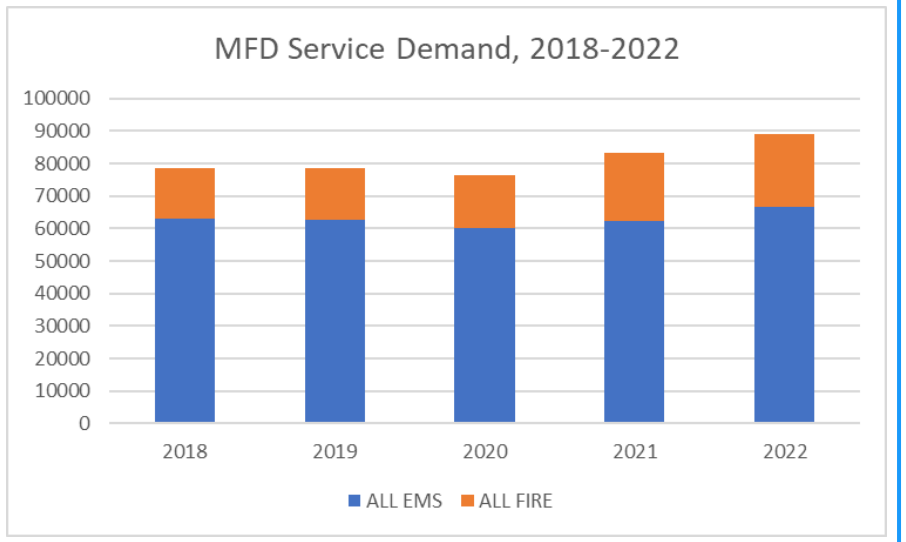
**2023 Plan & Budget Summary**

| | |
|---|---|
| 2023 Budget | $124m |
| 2023 Budgeted FTEs | 839 |
| 2023 Vacant FTEs | 58 |

**Department KPIs (2023)**

| | |
|---|---|
| FIRE full assign. < 9:20 | 9:53 (2022) |
| Civilian fire deaths | 16 (2022) |
| ALS response < 9:20 | 5:39 (2022) |

### Key Insights




### options

1. Perform a comprehensive Community Risk Assessment (CRA)/Standards of Cover Analysis (SOC) according to national standards and best practices
2. Resume the MFD's successful Alternative Response Vehicle (ARV) deployment and expand Mobile Integrated Health-Community Paramedicine (MIH-CP) programs
3. Obtain Ground Emergency Medical Transport (GEMT) revenue from the State of Wisconsin for MFD ambulance transports

# Community Risk Assessment (CRA)/Standards of Cover (SOC) Analysis

## Estimated to cost $350k as a one-time cost but may result in larger additional options

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / Medium / Large | Low / Medium / **High** | State / Local / None | Quick win / 0-5 yrs / 5-10 yrs / 10+ yrs |

### Description

- The City of Milwaukee may benefit from a comprehensive community risk assessment (CRA)/Standards of Cover (SOC) analysis for the Milwaukee Fire Department (MFD), developed by a qualified firm(s) according to national standards and best practices
- Providing all-hazards fire and emergency services in a major city like Milwaukee requires an ongoing assessment of risk to optimize resource allocation for preventing, and responding to, emergencies of all types
- While the MFD has the in-house expertise to collect/analyze operational data, a broader effort to assess all facets of its complex operating system/environment may require additional investment.
- A comprehensive analysis is needed to properly assess the relative costs/benefits of various policy options for providing fire and emergency services to the public, by MFD and other providers

### Impact

**Fiscal**

- The cost of engaging a qualified firm(s) to perform a comprehensive CRA/SOC for the City of Milwaukee, using state-of-the-art deployment modeling techniques, is estimated at $350K; this cost may be fully/partially offset by federal grants or funding from private/non-profit organizations

**Performance**

- Preliminary analysis of fire-EMS response data suggests the MFD is not presently meeting national standards for providing all-hazards fire and emergency services across the City
- A comprehensive CRA/SOC, developed according to national standards and best practices, may identify fire-EMS coverage gaps and provide information to optimize resource allocation for community risk reduction and response services

**Equity**

- A comprehensive CRA/SOC may help ensure the equitable distribution of MFD response assets and prevention strategies

### Considerations

- An independent study of the scope contemplated in this option can be expected to last 6-12 months
- Other jurisdictions have been successful obtaining competitive federal grants, through FEMA's Assistance to Firefighters Grant (AFG) program, for community risk assessments performed according to national standards and best practices.
- While the fiscal impact of this specific recommendation is characterized as "small," the results of a comprehensive CRA/SOC could identify additional opportunities with a significant fiscal impact

**Estimated Fiscal Impact** *($ millions)*

| | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | (0.35) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (0.35) |
| Revenue gain/cost savings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net Impact** | **(0.35)** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **(0.35)** |

# Alternative Response & Mobile Integrated Health – Community Paramedicine

## Further analysis is required but this option has the potential to generate additional savings and revenue

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small, **Medium**, Large | Low, **Medium**, **High** | State, Local, **None** | Quick win, **0-5 yrs**, 5-10 yrs, 10+ yrs |

### Description

- The MFD has successfully piloted alternative response vehicles (ARVs) to help address EMS demand by responding to incidents with a smaller vehicle/crew, reducing the wear and tear on heavy apparatus and helping maintain response availability for its limited resource of fire engines and ladder trucks
- Sustainable funding for dedicated ARVs may be expected to provide long-run cost savings and increased EMS system performance
- The MFD has a successful Mobile Integrated Health-Community Paramedicine (MIH-CP) program that may be readily expanded with additional investment
- Sustainable funding to expand the MIH-CP program may be expected to produce long-run cost savings by changing the service demand profile, while improving EMS system performance and addressing disparities in the broader healthcare delivery system
- MIH-CP expansion may also produce additional revenue through new agreements with insurance providers

### Impact

**Fiscal**

- The cost of funding a sustainable/dedicated ARV program with new resources is estimated at $5M the first year and $3M-$4M in annual operating expenses
- The cost of expanding MFD's successful MIH-CP program is estimated at $2M-$3M per year, with potential revenues (from partnerships with managed care organizations and other healthcare providers) of $1M-$3M annually

**Performance**

- Dedicated ARVs may be expected to improve overall fire-EMS system performance by reducing response times for certain categories of EMS incidents and by keeping heavy apparatus available for fire suppression incidents
- Expanding the MFD's MIH-CP program may be expected to, in the long-run, reduce overall demand on the EMS system and—as importantly—improve patient outcomes by delivering appropriate medical care

**Equity**

- Dedicated ARVs may be expected to improve fire-EMS response times city-wide
- Expanded MIH-CP programs may be tailored to help address broader healthcare system access disparities in historically disadvantaged and BIPOC communities

### Considerations

- This recommendation is based on the current understanding of the MFD's service demand profile and community expectations
- To achieve the expected benefits, dedicated ARVs could be considered an additional/complementary MFD resource, and not a substitute for front-line paramedic units, engines, ladder trucks, etc.
- MIH-CP programs hold great promise for improving EMS performance and addressing broader disparities in access to healthcare; these programs offer myriad opportunities for partnerships across the overall healthcare ecosystem and could be considered in that light
- Revenue gains from potential MIH-CP partnerships are anticipated from FY24-FY32.
- Cost savings from EMS demand profile changes and reduced capital expenditures, at current service levels, are projected to start in FY29.

**Additional information:**

- Estimating the net fiscal impact of this option requires further analysis and evaluation
- In addition to the costs and savings identified, expanding alternative response and MIH-CP strategies could change service demand and improve efficiency in ways that generate additional savings and revenue

# Ground Emergency Medical Transport (GEMT) Revenue from State of Wisconsin

## Implementing this program could result in $18.5m in additional revenue over 10 years

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | **State** / Local / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- After the recent passage of state legislation, the State of Wisconsin, through its Department of Health Services (DHS), has created a joint state/federal program to reimburse ambulance transport providers for the cost of transporting eligible medical assistance patients

### Impact

**Fiscal**

- Since this is a new state/federal program, potential revenues are difficult to forecast; a conservative estimate is $2M-$3M per year to the City's general fund, after administrative costs and depending on the number of advanced life support (ALS) ambulance transports performed by the MFD annually

**Performance**

- No material impact on performance is anticipated

**Equity**

- Revenues from this state program are largely derived from a federal reimbursement according to agreements with managed care providers and are not expected to place an additional financial burden on medical assistance patients transported by MFD ambulances

### Considerations

- Implementation of this program in Milwaukee depends on the State of Wisconsin's Department of Health Services
- Continuation of the GEMT program depends on the continued existence of companion programs at the state and federal levels of government
- The MFD may have an increased administrative burden to accomplish program requirements and request reimbursements from the Wisconsin Department of Health Services
- The MFD is very familiar with this program and well-prepared for its ultimate implementation
- Revenues from this program may accrue to the City's general fund, while the administrative costs are borne by the MFD
- Ambulance billing rates, even augmented by GEMT reimbursements, remain below levels allowing full cost recovery for patient transports

**Estimated Fiscal Impact** *($ millions)*

| | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | (0.1) | (0.1) | (0.1) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (1.5) |
| Revenue gain/cost savings | 0.6 | 1.2 | 1.8 | 2.4 | 2.6 | 2.7 | 2.8 | 2.9 | 3.0 | 20.0 |
| **Net Impact** | **0.5** | **1.1** | **1.7** | **2.2** | **2.4** | **2.5** | **2.6** | **2.7** | **2.8** | **18.5** |

# Police Department

# Police Department

## The Police Department completed a report recently to assess its operations

### Department Overview

Discussions were held with Police Department officials to assess some of the department's challenges, which appear to be, in part:

#### Technology Systems

- Technology systems are outdated and require costly maintenance to keep them operational
- MPD currently uses several different technology systems, which results in duplicative work; consolidation of these systems could present a chance to eliminate duplications and optimize procedures
- Overhauling and consolidating the technology systems necessitates a considerable initial investment, but funding is currently elsewhere, such as enhancing infrastructure

#### Staffing

- Operational staffing issues in the Department are addressed in a recently completed staffing study
- The Department encounters challenges when attempting to fill vacant positions, due, in part, to the hiring process that involves coordination with the Department of Employee Relations

### Operational Capacity Study

- In 2022, Milwaukee retained a consultant to conduct the Police Department Capacity and Deployment Options Study
- The purpose of the study was to:
  - Assess current workload and performance against service expectations
  - Compare Department operations and organization against similar police agencies
  - Identify options to civilianize positions to free up sworn resources, including by examining the alternative service delivery options
  - Develop strategies for reallocation in order to optimize the use of existing resources
  - Identify staffing needs throughout the Department
  - Train Department on use of methodologies to ensure that the analysis is replicable
- The study presents key findings of the study and provides recommendations for 5 focus areas
- The recommendations focus on operational efficiencies and improvements, not cost reduction.
- The financial impact of many of the recommendations may result in a cost increase overall for the Police Department

### KPIs

**2023 Plan & Budget Summary**

| | |
|---|---|
| 2023 Budget | $299.9m |
| 2023 Budgeted FTEs | 2,804 |
| 2023 Vacant FTEs | 654 |

**Department KPIs (2023)**

| | |
|---|---|
| Decrease part one crime | 10% |
| Homicide clearance rate | 60% |
| Guns seized | 3,500 |

### options

1. Modify Police Department overtime policy
2. Civilianize Forensics Division

# Modify Police Department overtime policy

## Estimated to save costs in the range of $2.2m per year

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | **State** / **Local** / None | Quick win / **0-5 yrs** / **5-10 yrs** / **10+ yrs** |

### Description

- The Police Department could consider modifying its overtime policy such that overtime can only be earned after 80 hours has been worked in a pay period
- Under the current overtime policy, vacation, holiday, sick, and compensatory time count towards hours worked in a week for each employee
- For example, if an employee books 24 hours of vacation time and works 60 hours in a single pay period, the employee's hours worked will be considered 84 hours for the pay period
- As a result, the employee would be paid for 4 hours of overtime for the 4 hours in excess of the 80 hours recorded
- However, by excluding the vacation time in the example above from the hours recorded as worked, the Department could save on costs by paying the employee for these 4 hours at their regular pay rate

### Impact

**Fiscal**

- Modifying the overtime policy to only pay overtime to employees that work more than 80 hours in a single pay period could save the Police Department up to $2.2m in overtime costs per year

**Performance**

- No material impact on performance is anticipated

**Equity**

- No material impact on equity is anticipated

### Considerations

- Currently, overtime for Police is calculated according to provisions in the collective bargaining agreement. Therefore, this is not an option that the Police Department can implement unilaterally as it would require negotiations with the union
- If an agreement is reached with the labor union, the Department will need ensure that the cost savings from modifying the overtime policy are not offset by other terms of the negotiation
- The timing of this initiative would largely be dependent on the negotiations with the labor union

### Payroll Analysis for period 1/20/2022 – 1/5/2023

- Using payroll data for 26 pay periods, the analysis examined instances in which an employee booked overtime hours and booked less than 80 hours of regular time in the same pay period
- The estimated cost of overtime paid to employees for pay periods in which less than 80 regular hours was booked is $12.3m for time period examined, ~$5.8m of which is paid for by grant funding and other sources
- As a result, ~$6.5M of overtime was paid that could have potentially been paid at employees' regular rate, estimated at ~$4.4m

| ***Estimated cost savings ($millions)*** | |
|---|---|
| Overtime paid to employees with <80 hours of regular time per pay period | $12.3 |
| Grant funded overtime paid to employees with <80 hours of regular time per pay period | 5.8 |
| **Operating budget overtime paid to employees with <80 hours of regular time per pay period** | **$6.5** |
| Divided by: overtime factor | 1.5x |
| **Regular time substituted for overtime paid to employees with < 80 hours of regular time per pay period** | **$4.4** |
| **Estimated cost savings** | **$2.2** |

# Civilianize Forensics Division

## Civilianizing the Forensics Division will improve overall performance of the Department

**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | Local | **None**

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- The results of the staffing study included a recommendation for Milwaukee Police Department to continue civilianizing its Forensics Division, with the end goal of fully civilianizing the 21 positions held by sworn officers in the Forensics Division
- Currently, the Forensics Division of the Milwaukee Police Department has 95 budgeted positions, 21 of which are held by sworn officers
- According to the Police Department, the civilianization of the Forensics Division has been completed

### Impact

**Fiscal**

- Civilianizing the Forensics Division could yield cost savings of $0.8m – $2.8m per year for the Forensics Division specifically
- However, the civilianization effort for the Forensics Division is intended to free up sworn officer positions to serve in other areas of the Department, which increases overall headcount and costs for the Police Department

**Performance**

- No material impact on Forensics Division's performance is anticipated
- Overall performance of the Police Department will improve as the sworn officers are reallocated to duties and roles that require sworn officers, such as patrol

**Equity**

- Increased patrol presence in the City of Milwaukee, especially underserved neighborhoods, will likely have a positive equity impact for the City

### Considerations

- The intent of fully civilianizing the Forensics Department is to allow the 21 sworn officer positions to be redeployed to other areas of the Police Department, and not be eliminated. As a result, this initiative will reduce costs within the Forensics Division, but will increase costs for the Police Department overall

**Estimated Fiscal Impact ($millions)**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Reallocated sworn officer costs | (1.0) | (1.2) | (1.6) | (1.9) | (2.2) | (2.2) | (2.5) | (3.0) | (3.5) | (3.5) | (22.7) |
| Forensics civilization cost savings | 0.8 | 1.0 | 1.3 | 1.5 | 1.8 | 1.8 | 2.0 | 2.4 | 2.8 | 2.8 | 18.2 |
| **Net Impact additional cost** | **(0.2)** | **(0.2)** | **(0.3)** | **(0.4)** | **(0.4)** | **(0.4)** | **(0.5)** | **(0.6)** | **(0.7)** | **(0.7)** | **(4.5)** |

# Special events

# Implement a 10% fee to recover additional special event costs

## Estimated to increase recovery of fees by $6.3m over 10 years

**Fiscal impact**
Small | Medium | **Large**

**Feasibility**
Low | Medium | **High**

**Jurisdiction requirement**
State | Local | **None**

**Implementation timeline**
**Quick win** | 0-5 yrs | 5-10 yrs | 10+ yrs

### Description

- MPD compiled timesheets of officers going back to 2017 and estimates that approximately $500-650k of costs were unrecovered on an annual basis
- MPD could bill for all these costs and charge an additional administrative fee of 10%
- An administrative fee is appropriate as there are significant overhead and administrative costs incurred by each Department that could be charged to the event organizer
- Real operational and opportunity costs result from providing services to special events, i.e., other potential uses of staff time and equipment
- These strategies are in line with special events best practices from peer cities (e.g., City of San Francisco charges a 14% administrative fee)

### Impact

**Fiscal**
- The City will recover upwards of $600,000 to $700,000 in costs per year upon implementing these policies

**Performance**
- Resources for special events and MPD will increase, allowing the Department to run more efficiently
- Organizers may plan events that require less MPD service, meaning resources will not be stretched thin
- Admin fee could help contribute to lost barricades

**Equity**
- Increase in fees may impose a barrier on small organizations but they can apply for a subsidy or sponsorship

### Considerations

- Could also consider implementing late payment interest charges, which would further increase amount recovered
- Some costs would remain unrecovered if the City decides to continue to sponsor/subsidize certain events
- Costs do not reflect regular MPD hours reassigned from other parts of the City to the special event
- Administrative fees could apply to all special events costs (DPW, MPD, MFD)
- Incremental costs might make it cost prohibitive for certain residents or companies

**Estimated Fiscal Impact ($millions)**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue gain/cost savings | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 6.3 |
| **Net Impact** | **0.6** | **0.6** | **0.6** | **0.6** | **0.6** | **0.6** | **0.7** | **0.7** | **0.7** | **0.7** | **6.3** |

# Current special events process

## Milwaukee's current process for special events can likely be optimized

### 1 Citizens submit on-line application for special events

- Currently only 1 individual at DPW (Permit and Communication Specialist) coordinates and manages this process
- They are responsible for reviewing completeness of information
- Applicants can correspond via email
- One person is not enough to manage this process

### 2 Information is obtained from DPW and MPD

- DPW Permit and Communication Specialist coordinates with MPD, the Traffic Division, and the District Alderperson for event that is proposed
- Currently no formalized criteria or procedural steps for event evaluation exists – each event is treated as unique

### 3 Equipment and labor hours needed are determined

- DPW ensures that permitted space is available and secure
- Equipment fees are calculated
- Labor hours needed from MPD is determined

### 4 Invoice is prepared

- Invoice is prepared according to the fee schedule for DPW, and the fees for MPD listed in the Ordinance
- Costs include DPW fees for services and costs for MPD officer hours based on ordinance
- MFD is only involved if they had a pre-agreed contract with event organizer

### 5 Permit is finalized for distribution

- Finished permit is forwarded to the administration staff of DPW for distribution

**Current process contains many ad hoc and reactionary elements, with no formal evaluation criteria for special events**

# Current special events process

## A revision of the current Ordinance is underway

### Current special event classes

**AA**
- In excess of 2 days and requires 150 hours or more of MPD service
- Fees are “actual costs,” which are established via pre-approved memorandum with MPD
- Permits need to be applied for between 90-365 days prior to event

**A**
- 100 hours of MPD service or greater
- Flat fee of $3,700 for MPD service
- If service is “Downtown” permits need to be applied for 90-365 days prior to event; 60-365 days if elsewhere

**B**
- 25-99 hours of MPD service
- Flat fee of $400 for MPD service
- If service is “Downtown” permits need to be applied for 90-365 days prior to event; 60-365 days if elsewhere

**C**
- Less than 25 hours of MPD service
- Flat fee of $150 for MPD service
- If service is “Downtown” permits need to be applied for 90-365 days prior to event; 60-365 days if elsewhere

**D**
- No hours of MPD service required
- No MPD service fee associated with events
- Permits need to be applied for 7 days prior to event

### Draft proposed revised ordinance

**A**
- In excess of 2 days and requires 150 hours or more of MPD service hours of MPD service or greater
- Permits need to be applied for 90-365 days prior to event

**B**
- Requires less than 150 hours of MPD service
- Permits need to be applied for 60-365 days prior to event

**C**
- No hours of MPD service required
- No fee associated with events
- Permits need be applied for 7 days prior to event

- Creation of a Special Event Cost Reimbursement Committee
- Members would decide whether a special event permit fee would be waived or not based on a well-defined criteria
- Does not opine on other costs, including barricades, EMS, etc.

# Special events optimization options

## Milwaukee can create efficiencies and revenue by revising special events processes

- Special events could **charge an administrative fee**, in line with the 10% admin fee being charged for extra duty, and in line with best practices from peer cities (i.e., City of San Francisco charges a 14% administrative fee).
  - This is appropriate as significant overhead and administrative costs are incurred by each Department that could be changed to the event organizer, and real operational and opportunity costs result from providing services to special events, i.e., parts of the City are not being served

- The Special Event Cost Reimbursement Committee consists of:
  - The chair of the public safety and health committee, who shall serve as chair of the board
  - The chair of the public works committee
  - The commissioner of public works or designee
  - The chief of police or designee
  - The chief of fire or designee
  - The mayor or designee
  - The city attorney or designee
- Therefore, the **powers** of the Special Event Cost Reimbursement Committee **could be expanded to include purview over other costs**, such as fire suppression, barricade fees, etc.
- The City Attorney's Office has some concerns with potential First Amendment violations with this committee. Therefore, the City will need to define the specific criteria for reimbursing fees to address any concerns

- A **codified set of procedures could be established** to define the types of events, evaluation steps, and criteria for permit approval, and level of sponsorship or subsidy
  - A single individual is currently tasked with coordinating Special Events Process
  - The evaluation process appears to contain ad hoc and reactionary elements (i.e., sometimes an Alderman provides a signature, sometimes they don't, sometimes they only act when a complaint is made, etc.)
  - The current process concentrates too much pressure and decision-making power, resulting in significant variability from event to event, and a less transparent process
  - An established set of steps would allow for more cross-staffing and training to backfill the position if necessary due to availability

- **MFD could be included and considered** as part of the Ordinance and the Special Events Process
  - Fire suppression and EMS services are essential public safety services that could be involved in large public events as a best practice

# Special events optimization options (continued)

## Milwaukee can create efficiencies revenues by revising their special events processes

**Sponsorship or subsidy guidance** could take into consideration the following criteria:

- The **tax status** of the requesting event organizer (i.e., 501(c)(3) charitable organizations) – which other jurisdictions such as Louisville Metro Police Department consider as part of their evaluation process
- To ease administrative burden, consider establishing a **minimum threshold or hurdle** before efforts to recover costs are started – Virginia Beach Police Department utilizes this approach and only starts recovery process if costs are more than $3,000
- Consider grandfathering previously subsidized or sponsored events, but going forward, making subsidies (partial waiver of fees) and sponsorship (100% waiver of fees) the **absolute exception, rather than the norm** – for example, Dallas Police Department charges for all events except for First Amendment events

Establish a **more stringent timing deadline** for subsidy and sponsorship applications, perhaps two time windows in a calendar year to apply for a permit, six months apart

Instead of putting a fee associated to each class of event in the Ordinance, the Ordinance could **allow DPW, MPD, and MFD, to set a schedule of fees by product and service that are evaluated on an annual basis**

- This is appropriate as the fee schedule listed in the Ordinance is supposed to recover the cost of MPD services, but it is unclear when the fee was last evaluated, or what specifically it's supposed to recover

Establish rules for payment and **charge interest for late payers**, i.e., after 90 days, interest begins to accrue

Include a **special events line item in the annual budget** to be tracked against and encourage financial discipline

Consider placing the special events line-item budget in the DPW budget, with DPW responsible for charging/reimbursing other departments as necessary – **centralizing data gathering** would reduce the duplication of administrative burden

# Business process automation

DNS development center
DPW street maintenance
DPW garbage collection

# Development center automation option

## Tools exist to automate and streamline the application and review process

| Savings | Complexity | Implementation Cost | Implementation timeline |
|---|---|---|---|
| Small ■ Medium Large | Low Medium ■ High | Low Medium ■ High | Quick win 0-5 yrs ■ 5-10 yrs 10+ yrs |

### Description

- The Development Center receives ~30K permit applications every year, processing these applications involved more than 50 personnel resources and countless hours of work
- An initial review of the Development Center business processes helped identify five automation use cases
- These use cases could potentially help the Development Center reduce FTEs, increase productivity, and improve user experience:
  - *Virtual Agent*: Assist with online applications
  - *Input Extraction*: Read hard copy applications
  - *Permit Creation*: Perform data entry in Accela, Validate applications are ready for review, create permits
  - *Reporting Tool*: Dashboard to monitor application status
  - *Archiving Document*: Archive supporting documents for approved permits

### Impact

**Saving**

Implementing the recommended automations can potentially reduce workload in many processes and potentially result in reduction in personnel cost

- 10 FTEs are currently involved in customer support
- 4-20 FTEs are involved in document review
- Around 30 FTEs are involved in the end-to-end process of permit creation

**Performance**

- Automation may help streamline the process and free up time for the City employees to focus on other tasks such as reviewing and approving permits
- Using Automation for data entry may increase accuracy of the process and enforce standards in the application
- Virtual agent may reduce the document collection time by providing clear guidance to the applicants

**Experience**

- The virtual agent may improve applicants' user experience on the portal providing them additional guidance on the documents and approval needed for the permit they are requesting

### Considerations

- Functionality of the current system may not support automation, so improvements would need to be made to ensure the system integrates well with other software platforms
- Having an automated dashboard could help better track applications and facilitate management tasks
- Currently, there are 30+ records type with various formats. This would require very complex use of AI models in the automation to help perform document review.
- The City would need to purchase key tools to support the automation, including:
  - Intelligent Document Processing ("IDP). Processing cost is usually charged per page
  - Automation Tool
  - Virtual agent Tool
  - Reporting Tool

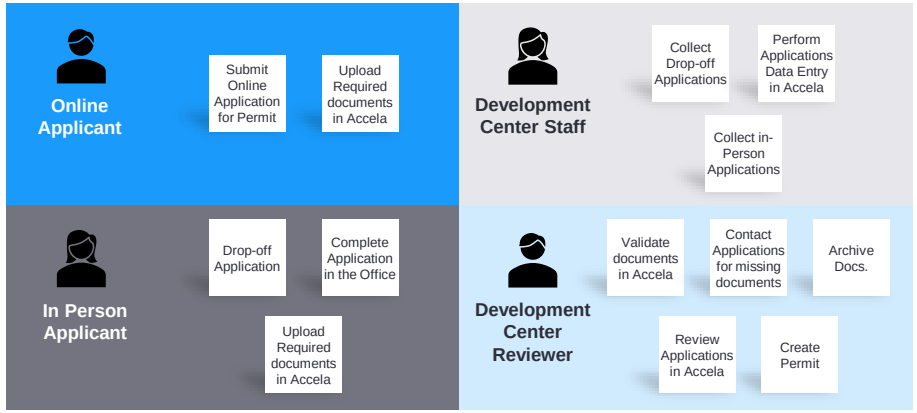
DNS development center
DPW street maintenance
DPW garbage collection

# Development Center illustrative journey map

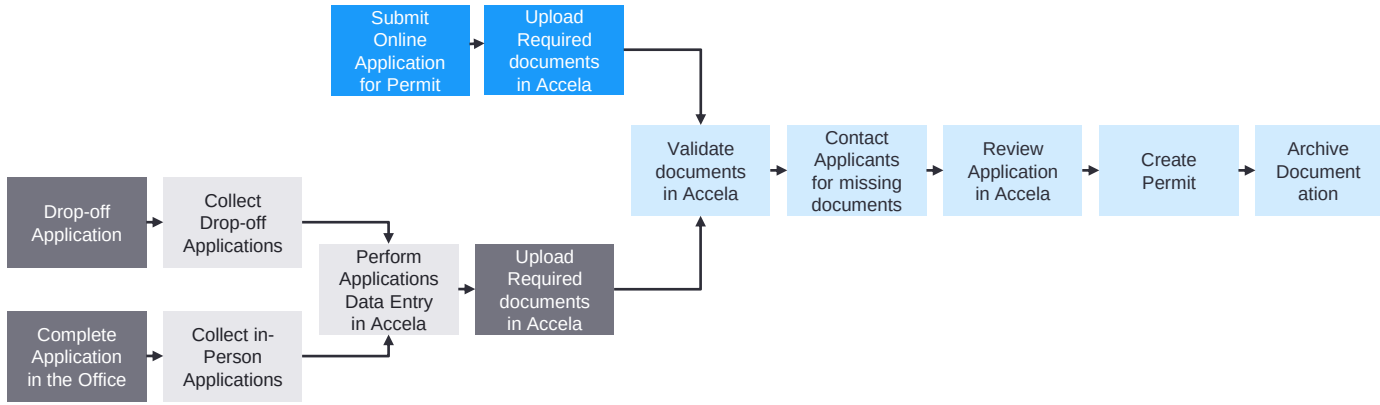
## Virtual workers could help validate documents and information

### DNS Development Center (current state journey map)

**Roles**

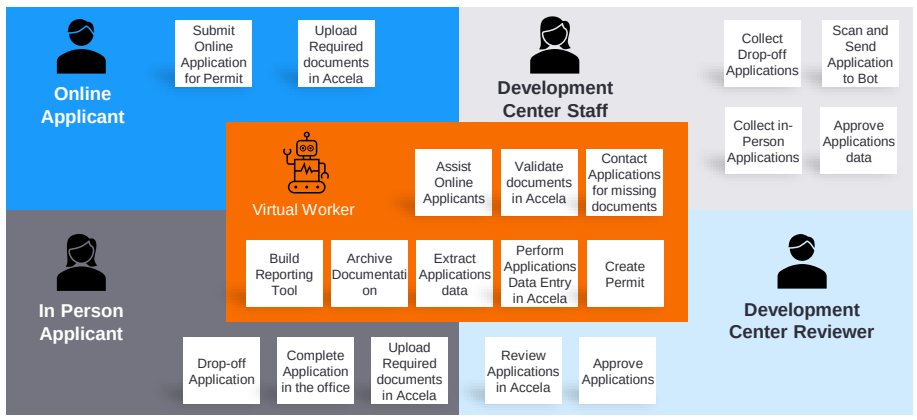



**Process Flow**



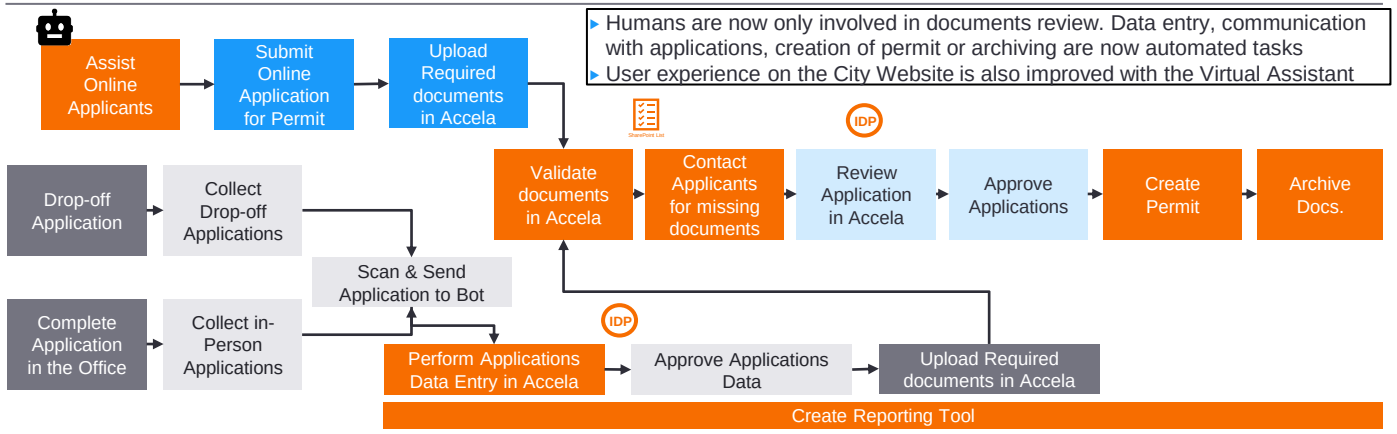

### DNS Development Center (Illustrative new journey map)

**Roles**




**Process Flow**

- Humans are now only involved in documents review. Data entry, communication with applications, creation of permit or archiving are now automated tasks
- User experience on the City Website is also improved with the Virtual Assistant



DNS development center
DPW street maintenance
DPW garbage collection

# Street maintenance automation option

## Automation may streamline data collection and scheduling, improving efficiency

**Saving**
Small | Medium | **Large**

**Complexity**
Low | Medium | **High**

**Implementation Cost**
Low | **Medium** | High

**Implementation timeline**
**Quick win** | 0-5 yrs | 5-10 yrs | 10+ yrs

### Description

- Over the last 4 years, the efficiency of street and sidewalk maintenance has declined in Milwaukee. For example, the average response time increased from 2.93 days in 2018 to 11.45 days in 2022. The average time to fill a pothole increased from 3.2 days in 2018 to 8.8 days in 2022
- The current process seems to have limitations affecting its efficiency, including:
  - The correct details are not captured in the requests to accurately evaluate the level of effort needed to complete the work order
  - The Accela reporting capabilities do not provide maps for district supervisors to efficiently assign tasks to their crews
- Six automations have been identified to help improve the process efficiency:
  - *Virtual Agent*: online requests
  - *Data Migration*: java Platform to Accela
  - *Photo Integration*: Accela front end to Accela backend
  - *PQI Ratings*: pavement platform to Accela
  - *Dashboard*: Map for Accela requests
  - *Service Level Agreement (SLA) Tracker*: For crews

### Impact

**Saving**
- Implementing automation may improve the data collection and improve SLAs which may help reduce OpEx
- The use of a virtual agent may also help reduce Customer Support costs

**Performance**
- The use of a Virtual Agent to assist in capturing online work order may help get all the additional details required to accurately prioritize tasks
- Moving pictures from Accela front end interface to the backend application may also help better evaluate the complexity of the request
- A dashboard offering a map to the district supervisors with the work orders entered in their area may help them better manage their crew workload

**Experience**
- The virtual agent may improve user experience for online work order submission for all residents of the City

### Considerations

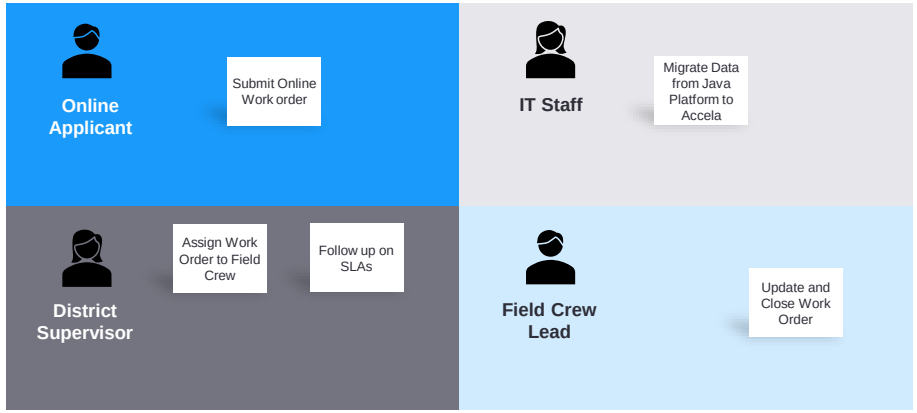
- Detecting potential issues using pictures is one option. The City could identify the appropriate AI model to serve this purpose
- The City would need to purchase key tools to support the automation, including:
  - Intelligent Document Processing (”IDP). Processing cost is usually charged per page
  - Automation Tool
  - Virtual agent Tool
  - Reporting Tool

# Street maintenance illustrative journey map

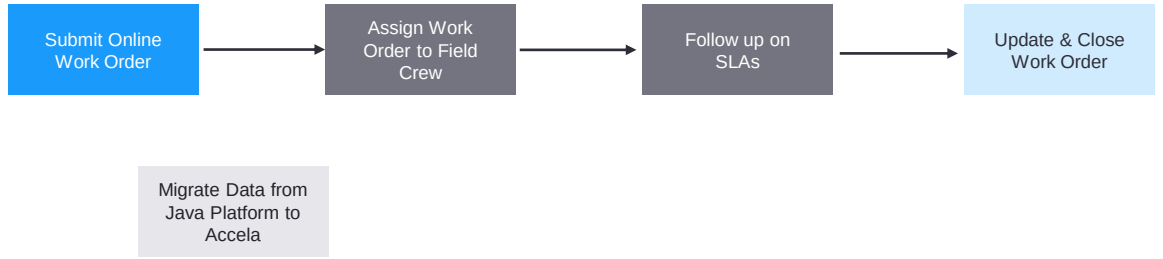
## Virtual worker could significantly automate work order management

### DPW street and sidewalk maintenance (current state journey map)

**Roles**

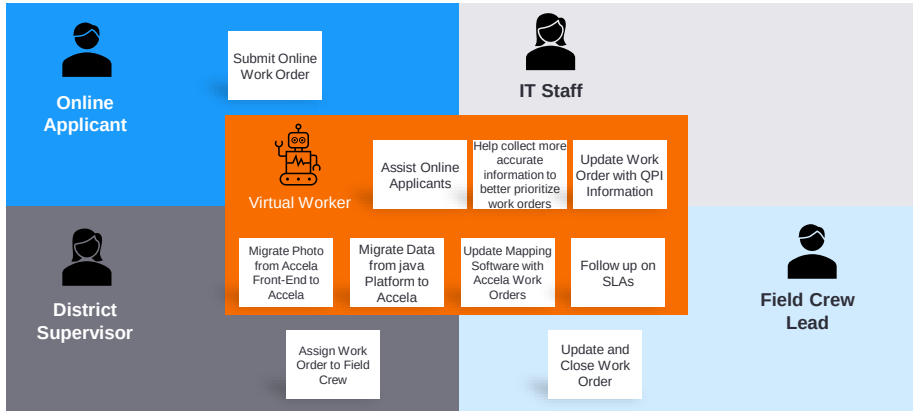



**Process Flow**

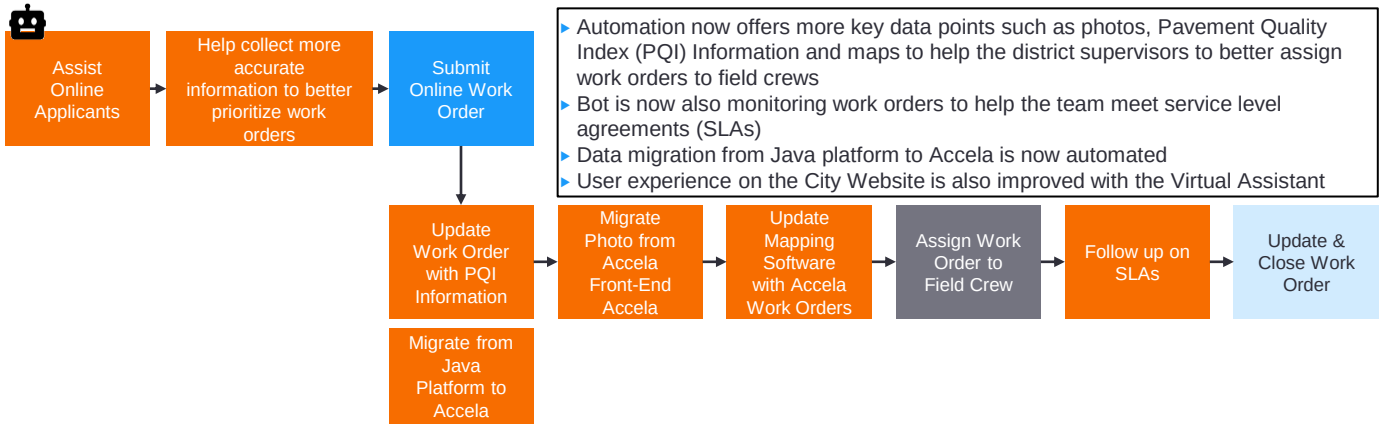



### DPW street and sidewalk maintenance (illustrative new journey map)

**Roles**




**Process Flow**



DNS development center
DPW street maintenance
DPW garbage collection

# Garbage collection automation option

## Automation may streamline data collection and scheduling, improving efficiency

| Saving | Complexity | Implementation Cost | Implementation timeline |
|---|---|---|---|
| Small · Medium · **Large** | Low · Medium · **High** | Low · **Medium** · High | **Quick win** · 0-5 yrs · 5-10 yrs · 10+ yrs |

### Description

- The current route software, “sRoute”, does not have the capability to efficiently optimize routes
- Additionally, the current bulk collection request does not provide enough details to have a fair assessment of the efforts. This is another source of inefficiency
- To reduce cost and increase efficiency in the trash collection business process, three automations have been identified:
  - *Virtual Agent*: Help users submit online request
  - *Data Collection*: Build an App to help field team collect sufficient data for Bulk collection requests
  - *System Integration*: build/purchase a tool to help analyze the data collected from the custom platform used for trash collection to help design routes in “sRoute”

### Impact

**Saving**

- Using the data from the custom platform to efficiently design route in “sRoute” may help reduce OpEx
- The use of a virtual agent may also help reduce Customer Support costs
- Creating an App to better capture onsite data when creating bulk collection requests may help to streamline the process and reduce personnel cost and OpEx

**Performance**

- An efficient design of the route will improve the process performance
- Using an App for data collection will also improve the bulk collection process
- A virtual Agent will also simplify the submission of online request

**Experience**

- The virtual agent will improve user experience for online work order submission for the City’s residents

### Considerations

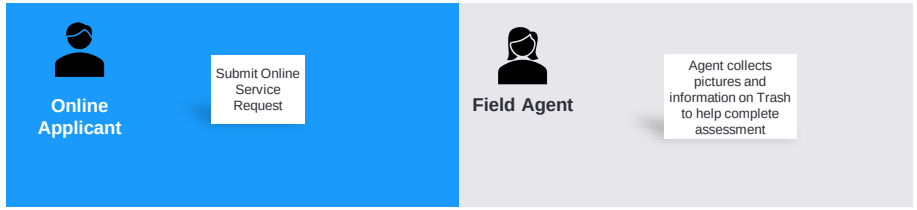
- The City would need to purchase key tools to support the automation, including:
  - Automation tool
  - Virtual Agent tool
  - Route scheduling tool

# Garbage collection illustrative journey map

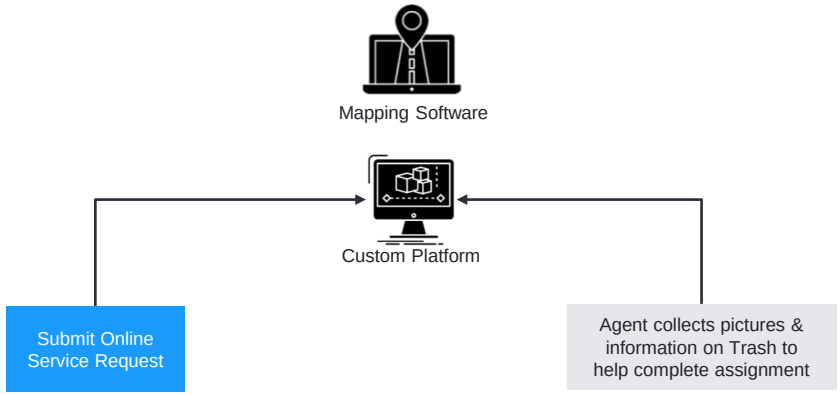
## Virtual workers could assist with online applications

### DPW trash collection (current state journey map)

**Roles**

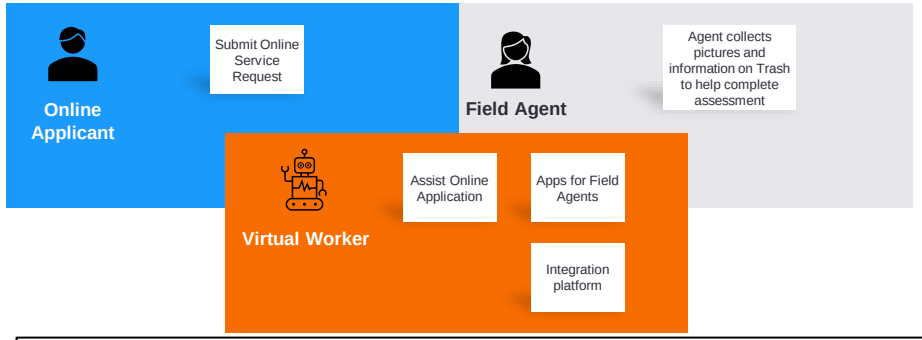



**Process Flow**

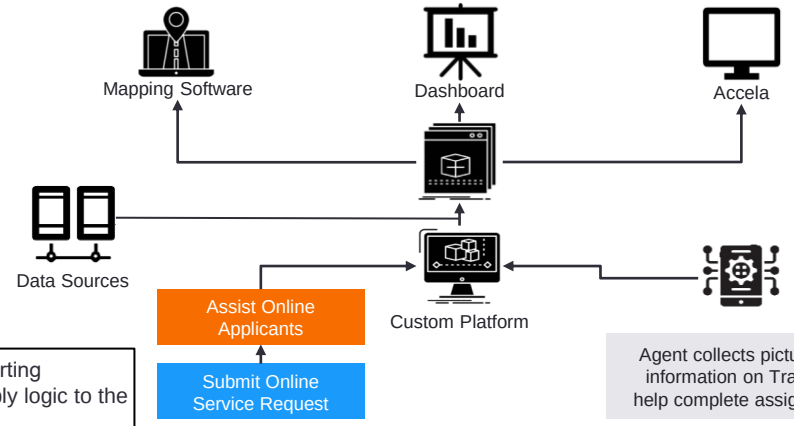



### DPW trash collection (illustrative new journey map)

**Roles**




**Process Flow**




- Integrate data collected from trucks to a scheduling tool or develop a custom solution to efficiently design routes
- Logic to design routes could be used beyond trash collection (Street sweeping, snow, etc.)
- Integrate Work order to platform data to Accela
- Integrate data from multiple sources to create dashboard and track SLAs

Build Apps to:

- Capture agents' inputs to accurately evaluate effort before sending Bulk collection team
- Have the ability to add pictures to work order

- There's now a centralized place integrating all the data points needed to perform analysis and reporting
- The design of the trash collection routes is improved with the use of automation to analyze and apply logic to the submitted work orders data
- The new Apps used to submit bulk collection request provides more information to help the team be more effective in completing the work orders
- User experience on the City Website is also improved with the Virtual Assistant

# Financial planning options

- Overview
- Asset leveraging options
- Structural savings options
- Revenue options

# GMC's scoring of financial planning options

## GMC prioritized options by estimated fiscal impact and feasibility

Initial higher priority
Initial lower priority
Case-by-case evaluation


Key:
CC = Common Council
MD = Mayor's Discretion
N = Negotiation
SL = State Legislation

● Quick wins (<6 months to implement)

# Asset leveraging options

*Asset leveraging options*

# Consolidation and sale of 809 N. Broadway building

## Selling the building would eliminate annual operating and capital improvement expenses

Optimization and monetization
Public parking
Water works
Street lighting and advertising

**Fiscal impact**: Small | Medium | **Large**

**Feasibility**: Low | Medium | **High**

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- The 809 N. Broadway Building ("809 building") is currently underutilized, with an estimated utilization rate of ~20-25%. As such, the City could consolidate its administrative complex footprint and increase utilization by relocating employees out of 809 building into the Frank P. Zeidler Municipal Building ("Zeidler building") and City Hall
- Once the consolidation is complete, the City could sell the 809 building. Doing so would result in one-time sale proceeds and future property tax revenue, and it would eliminate the annual operating expenses (e.g., utilities) and any future capital improvements associated with this building

### Impact

**Fiscal**

- The City would receive one-time sale proceeds estimated to be ~$4.5M
- Reducing total square feet by 11% (73k sq. ft. of a total complex size of 667k sq. ft) may result in 11% lower energy usage and other operating savings
- The Capital Improvements 20-year total cost for the 809 building is ~$13M. Exiting this building by mid-2024 will result in ~$6M savings over the 20-year period

**Performance**

- The City could analyze departmental information and interview groups to determine adjacency requirements between groups
- Co-locating groups that work together will encourage employees to come into the office to work and increase efficiencies

**Equity**

- Cost savings on government buildings will allow the City of Milwaukee to allocate additional funds to community initiatives

### Considerations

- Formalizing hybrid work policies to distribute peak office usage days will help identify options to consolidate the overall footprint
- Additional data is required for seat count and employee headcount in each building
- Space retrofits may be required to support a more collaborative, hybrid environment, which would be an up-front cost to the City
  - Prioritize relocating employees into Zeidler building over City Hall, as the open layout provides more configuration flexibility
- The 809 building has important IT infrastructure, which could be expensive to move. Further review will be required to understand the requirements for such a move

| | Est. 10Y impact ($ in 000s) |
|---|---|
| **Est. sale price** *(assumes average price of $59.30 per sq. ft)* | $4,532 |
| **Incremental property taxes** | 325 |
| **OpEx savings** | 7,506 |
| **Capital improvement savings** | 6,024 |
| **Moving expenses (one-time)** | (150) |
| **Retrofitting expenses (one-time)** | (1,376) |
| **Total net impact** | $16,861 |

*Notes:*

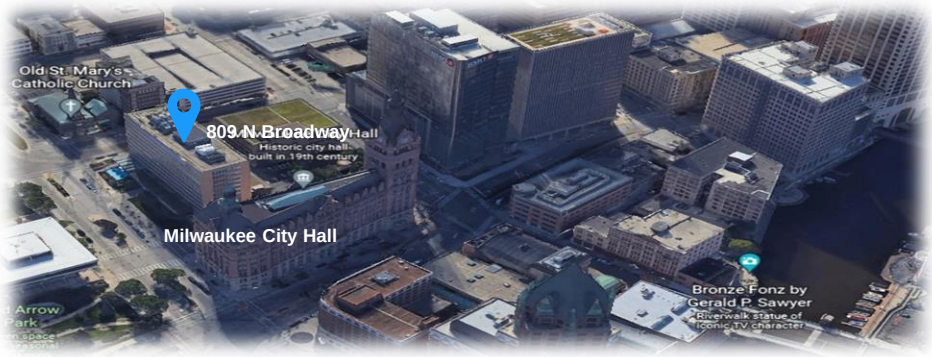
- The price is estimated based on the sale prices of comparable buildings in Downtown Milwaukee. Subject to material change
- OpEx is assumed to be $10 a year per square foot based on industry average
- Moving expenses are assumed to be $2,000 per employee based on industry average. These expenses include moving and setting up new furniture and small equipment (e.g., computers and phones). The cost could be lowered if the City reuses existing furniture.
- Retrofitting expenses assumed to be $72 per square foot based on industry standard for a basic office space. Expenses may vary significantly based on the level of retrofit needed
- Fiscal impact does not include the cost of moving the IT infrastructure

# Estimated pricing for 809 Broadway

## Based on 3 comparable office sales identified in Downtown Milwaukee

| | |
|---|---|
| **Address** | **809 N Broadway** |
| **Department** | Public Works |
| **Building Size (sf)** | 76,421 |
| **Land Size (acres)** | 0.48 |

The 4-story office building is conveniently located near amenities along the river and has access to major CBD employers. The pricing developed in this page has assumed this office building is vacant.

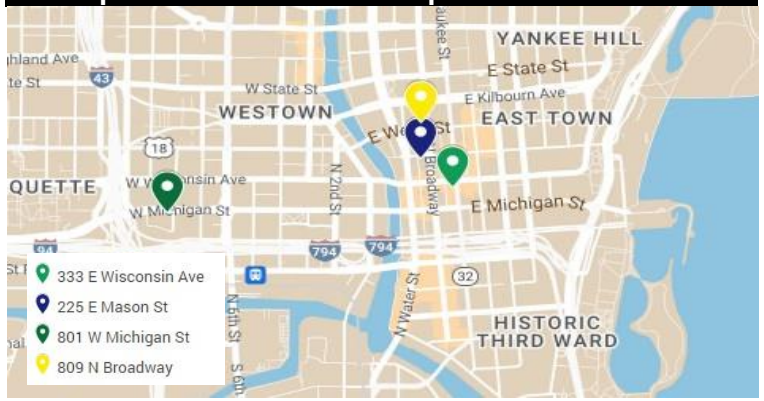



**Total Estimated Pricing (rounded)**

$2.0m – $6.5m

| | Address | City, State | Size (sf) | Occupancy at Sale | Proposed Use / Notes | Sale Date | Sale/Asking Price | Price per sf |
|---|---|---|---|---|---|---|---|---|
| 1 | 801 – 803 W Michigan St | Milwaukee, WI | 131,660 | 0% | Seller: Marquette University | 7/17/2022 | $3,464,054 | $26.31 |
| 2 | 225 E Mason St | Milwaukee, WI | 30,848 | 30% | 33 Residential Units | 2/12/2021 | $2,100,000 | $68.08 |
| 3 | 333 E Wisconsin Ave | Milwaukee, WI | 15,550 | 0% | Office | 10/22/2021 | $1,300,000 | $83.60 |

### Comparable Office Sales Map




### Office Sales Observation

- 3 comparable distressed office sales have occurred in Downtown Milwaukee since Q1 of 2021.
- All 3 comparable sales are located within 2 miles of the Site (809 N Broadway) and feature occupancies near 0%

**Estimated Pricing Range (rounded)**

| | Sale/Asking Price | Price per sf |
|---|---|---|
| Low | $1,300,000 | $26.30 |
| High | $3,460,000 | $83.60 |
| Average | $2,300,000 | $59.30 |

**Disclaimer:** the estimated pricing range is estimated based upon 3 comparable sales without any adjustments being made. However, to properly develop an estimated pricing range, a highest and best use analysis and further diligence could be completed. The pricing range shown on this page should not be used as a basis to set a transaction price

# Menomonee River Valley Properties

## 3 DPW properties occupy valuable real estate




## Potential Strategic Alternatives

**Public Private Partnership ("P3") / Disposition**

- Structure partnerships with private developers to create properties that complement the surrounding area
- Take advantage of superior location and potentially use it as leverage to negotiate for public green space/riverwalk
- Dispose of assets through the RFP process for last-mile logistics or urban distribution/delivery stations and capitalize on proximity to major highway corridor

**Ground Lease**

- Retain ownership of the site and long-term benefits of the location while releasing management and operational burdens

## Potential Obstacles and Considerations

- Changes to the zoning code that allow different property types – note that the area is currently reserved for industrial and commercial use and there may be difficulty rezoning
- Industrial contamination/brownfield designation may impede development of properties
- Logistics / last mile needs for the area and user demand

# Menomonee River Valley Properties

## Further diligence is required to confirm economic benefit



**The three City-owned properties represent an opportunity for additional redevelopment and economic growth in the Menomonee River Valley**

### Create a "Place"

- Attract developers to invest in infrastructure including **riverwalk** and public greenspace
- **Create a walkable area** that complements Potawatomi and Marquette's facility

### Optimize Operation

- **Relocate** current operations at the three properties to other city owned locations
- Maximize space utilization and efficiency for the City's real estate portfolio
- **Reduce overhead, consolidate operations, and improve management**

### Financial Economic Benefits

- **Receive proceeds** from asset dispositions or recurring revenue through long term ground lease
- **Reduce operational expenses** and **mitigate relocation costs** by consolidating or sharing services with county
- Increased real estate tax revenues from new, privately owned commercial properties
- **Promote economic development** for the City of Milwaukee
- Drive investments from developers, financial institutions, hospitality operators, etc.
- **Create jobs** for Milwaukeeans from the resulting commercial or industrial developments

### Challenges

- The three waterfront sites are part of the **underutilized** waterfront district. The City will need to create a "place" in order to revitalize and eventually realize the benefits of these sites
- **Limited walkability** to/from nearby neighborhoods such as Third Ward, Walkers Point, and the Marquette campus
- Not accessible via The Hop, Milwaukee's free streetcar service

# Estimated pricing for Menomonee River Valley Sites

## Consideration for vacant land sales in the greater Milwaukee area

**Total Estimated Pricing (rounded)**

$3.0m – $22.0m

| Property | Land size (acres) | Total size (Acres) |
|---|---|---|
| **Central Repair Garage -** 2142 W Canal St | 10.69 | |
| **Municipal Service Building –** 1540 W Canal St | 6.82 | |
| **Material Recovery Facility –** 13 W Mount Vernon Ave | 8.50 | 26.01 acres |

| | Address | City | State | Size (acre) | Proposed Use / Notes | Sale Date | Sale/Asking Price | Price per acre |
|---|---|---|---|---|---|---|---|---|
| 1 | W Canal St | Milwaukee | WI | 24.40 | Owned by WEC Energy Group | For Sale | $4,750,000 | $194,672 |
| 2 | 4300-4450 N Green Bay Ave | Milwaukee | WI | 16.24 | Commercial / Sports Facility | 9/23/2021 | $1,790,000 | $110,360 |
| 3 | 2252 S 1st St | Milwaukee | WI | 5.15 | Industrial Build to Suit Option | For Sale | $4,400,000 | $849,515 |
| 4 | 128th St | Brookfield | WI | 4.65 | Industrial / Parking Lot | 12/2/2022 | $1,060,000 | $227,957 |

**Comparable Land Sales Map**


**Land Sales Observation**

- Most vacant land transactions since Q1 2021 have been zoned industrial / commercial with limited sales that are zoned or approved for residential uses
- Note that the land price has a wide range in price per acre which is common for land as it varies greatly depending on its site condition, shape, zoning, potential use and development density
- Comparable 2 at 4300-4450 N Green Bay Ave is a proposed $80m accessible sports facility development with a target to open in 2025. The 300,000-sf facility will include an indoor pool, turf football field, multi-lane track, and education center

**Estimated Pricing Range (rounded)**

| | Sale/Asking Price | Price per acre |
|---|---|---|
| Low | $1,060,000 | $110,000 |
| High | $4,750,000 | $850,000 |
| Average | $3,000,000 | $346,000 |

Disclaimer: the estimated pricing range is estimated based upon 4 comparable sales without any adjustments being made. However, to properly develop an estimated pricing range, a highest and best use analysis and further diligence could be completed. The pricing range shown on this page should not be used as a basis to set a transaction price.

# Shift Police Department's capital spend to higher priority needs

## The City can avoid costs through footprint consolidation



**Fiscal impact**: Small | Medium | **Large**

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Assess the operational needs of the Milwaukee Police Department ("MPD") to evaluate potential alternatives to investing $85M into 11 facilities over the next 20 years
- Identify gaps in alignment between MPD strategy and facility design
- Perform a cost-benefit analysis of maintaining some of these buildings to compare with alternative strategies (such as leasing, building new)

### Impact

**Fiscal**

- $52M 20-year total cost for Capital Improvements in the Police admin building can be reduced through strategic footprint consolidation
- Assess storage/warehouse capacity requirements and storage methods to identify options for potential footprint consolidation and reduction in Capital Improvements spending ($2.5M 20-year total cost)

**Performance**

- Review Capital Improvement projects pipeline to ensure alignment with current objectives and goals, including purpose, type, cost, approvals, and timing
- Perform a high-level cost-benefit analysis of footprint optimization options, including business risk (support, impact on operations, impact on the budget, impact on the community, etc.) and implementation risk (costs, schedule, timing, resource capacity, etc.)

**Equity**

- Ensure Department facilities meet the needs of the Department while freeing up resources to invest in priority programs.

### Considerations

- Consider unique space design requirements of police department facilities and operations (such as training facilities, specialized equipment, fleet storage, detention areas, labs) when determining space allocation options
- Conduct study on Police admin building Capital Improvements spending ($52M 20-year total cost) to determine where potential cost savings can be realized

### Estimated fiscal impact

- The City could conduct additional analysis to better understand the estimated capital improvement costs and requirements of MPD

# Explore retrofits to achieve energy targets in admin complex

## The City has the potential to achieve significant savings through upfront investments



**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | **High**

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | 0-5 yrs | **5-10 yrs** | 10+ yrs

### Description

- Clean energy initiatives – install building metering and energy-efficient solutions (upgraded HVAC, solar panels) into the admin complex
- While offices are mostly vacant (utilization of 20-25%), the City may opt to retrofit floors of buildings with more efficient energy management systems

### Impact

**Fiscal**

- Upfront investment of installing systems will lead to long-term cost savings through energy management, lowering overall energy costs and required equipment upgrades/replacements (Capital Improvements cost for admin complex over 20 years is $140M)
- Long-term savings as energy consumption can more easily be monitored and reduced with more efficient building systems

**Performance**

- Goal Energy Use Intensity (“EUI”) (kBTU/sq. ft.) is 20% per the Better Buildings Challenge; admin complex (City Hall / Zeidler / 809) currently has -7% EUI Improvement
- Building will operate more efficiently while being more environmentally responsible

**Equity**

- Installing or replacing equipment with more efficient building systems will likely have a positive environmental impact while creating healthier and safer office spaces for employees

### Considerations

- Upfront assessment would be required to determine the type of system and the extent and payback period
- Higher upfront cost but long-term savings
- Lowering the risk of equipment failure due to deferred maintenance
- Longer payback period (could be 10+ years return on investment (“ROI”) depending on the scope of implementation) may affect political feasibility
- Critical to political feasibility is the ability to demonstrate ROI

### Estimated fiscal impact

- The City could conduct feasibility study on retrofitting the administrative complex

# Facilities options considerations

## Due diligence considerations to drive next steps

***The City may consider the following steps as part of their facilities options:***

### Consolidate admin complex

- Review agencies and departments assigned to admin complex and how space is used
- Review hybrid work policies both citywide and by agency (where they exist)
- Assess workforce currently occupying admin complex by categorizing job functions into workplace personas to inform future usage
- Create new workplace and space standards based on personas (sf/employee, including meeting and support space required)
- Review existing floorplans for admin complex to assess feasibility for reconfiguration
- Explore options to relocate/consolidate agencies based on new space standards
- Estimate costs of reconfiguring space, if necessary (low/med/high alternatives)
- Create and implement move management plan to outline steps required to relocate employees and equipment
- Create and implement change management plan to help transition employees moving into new spaces and new ways of working

### Shift MPD capital spend

- Assess operational needs of MPD by mapping key stakeholder groups' roles, priorities, influence and needs
- Clarify MPD future state, including mission, vision, impact, objectives, and timing
- Prioritize immediate vs. longer-term needs
- Evaluate current space by location, occupants, function, utilization, etc.
- Assess capital planning projects completed and planned
- Conduct gap analysis between current and future staffing requirements
- Identify restacking or consolidation options for staff
- Develop high-level stacking plans for final-state colocation
- Develop real estate strategy around acquisition, disposition, leasing, or new construction
- Estimate cost, process, timing, and risk of design, construction, and relocation scenarios

### Explore retrofits

- Assess current state of each admin complex building w/r/t mechanicals, structure, and façade
- Evaluate retrofit options that are appropriate given structural and mechanical condition of each building
- Evaluate options that may become appropriate with investment into building mechanicals or structure
- Estimate cost of each retrofit option including any necessary building upgrades
- Build 30-year financial model to evaluate the potential energy costs savings of each retrofit option
- Compare 30-year savings to initial investment cost and evaluate ROI (both amount of timing)
- Explore synergies between retrofits where grouping projects together may enhance ROI as opposed to pursuing individual projects

# Create a dynamic dashboard for real estate assets

## Efficient and cost-effective way to organize the City's real estate data



**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | **High**

**Jurisdiction requirement**: State | **Local** | **None**

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs

### Description

- Streamline management of the City's owned real estate portfolio through creation of a centralized data platform
- Consolidation of all existing data is displayed in a PowerBI dashboard with the ability to customize several charts, graphs, and automated reports
- Creation of the data visualization tool will improve complex analysis of the City's portfolio across all departments
- Offer uniform access across all agencies and start processes for increased efficiencies
- Drive revenue and/or cut costs through enhanced transparency into the portfolio
- Identify underutilized assets for monetization, whether it be through disposition, revitalization, or renovation and leasing

### Impact

**Fiscal**

- Ability to analyze the City's portfolio holistically, leading to cost savings and potential economies of scale to be implemented
- Identification of underutilized assets that can be earmarked for disposition to create proceeds to reinvest in City-wide initiatives

**Performance**

- Establish processes using the dashboard for real-time asset/data monitoring for financial analysis, portfolio tracking, and report building
- Create automated reports for management and tracking purposes

**Equity**

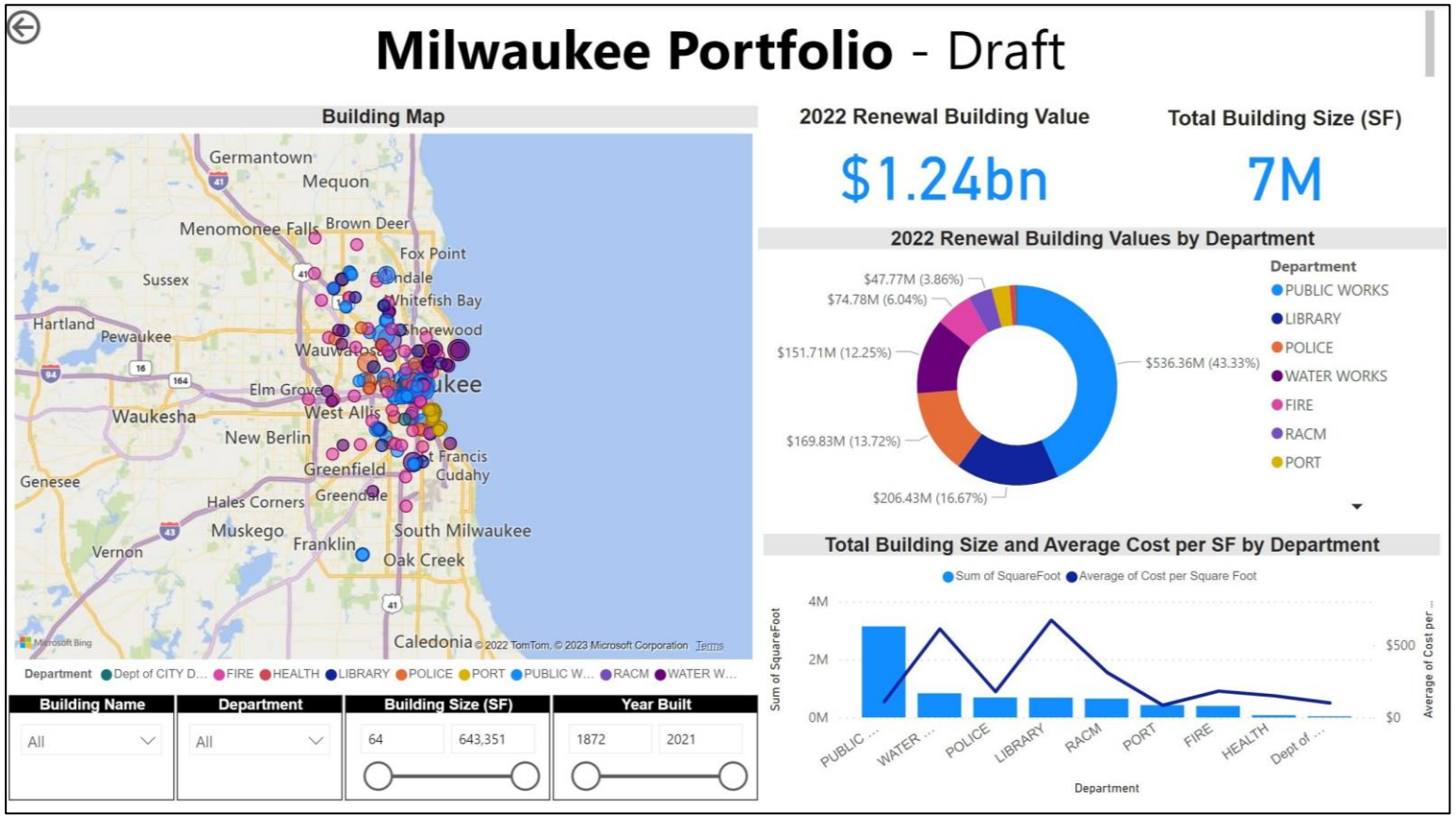
- Access to singular database enhances transparency between agencies/departments
- Improve efficiency and effectiveness of the asset management process

### Considerations

- The City could do a thorough assessment of its real estate data management systems to identify whether:
  - the current state of real estate data management is satisfactory and supports the City's key initiatives
  - automation is required or could be implemented
  - the people managing the system and updating it are sufficiently supported
  - any initiatives/strategies exists or can be developed to enhance revenue through disposition or renovation of City real estate

# Sample PowerBI Dashboard

The dashboard will allow the City to think and act strategically




## Commentary

- Visually portray the entire portfolio of City-owned real estate with capabilities to filter down to specific departments and single assets
- Multiple graphic visualizations, detailing key statistics and initiatives
- Create templated reports with ability to export directly from the live dashboard
- Live product with the ability to edit, add, or delete data that populates accordingly
- Uniform access across the City's real estate personnel for increased communication and transparency
- Integrate demographic and economic statistics to perform advanced analyses aligned with the City's economic development goals

*Note: The dashboard above only presents sample data based on the "BuildingAndContents" tab of the "CityMKE SOV 2022" file.*

# Operational challenges for asset monetization

## Data limitations interfere with cross-departmental options

| Challenges | | Key considerations |
|---|---|---|
| **Data accessibility and organization** | Difficulty sourcing and consolidating asset information across departments, agencies, bureaus, municipalities | The City could consider how its data is organized, and whether any active initiatives can streamline information across agencies |
| **Efficiency and accuracy** | Lack of tools or a central platform to analyze the entire asset portfolio and enable consistent comparisons or answer ad hoc questions | The City could consider whether a use case exists for a centralized technology platform |
| **Transparency between departments** | Missed options to drive revenue, reduce costs, quantify the impact of forgone tax revenue or align real estate strategy to policy objectives | The City could consider whether partnering with other governmental entities regarding their owned real estate makes sense |
| **Limited personnel and industry expertise** | Shortage of people with the necessary data skills, real estate experience and time to address the above challenges | The City could evaluate the current real estate portfolio and management and consider options for monetization |

# Parking assets and operations overview

## Options to increase revenue and reduce deficit via asset monetization and fees

### *Key considerations:*

- The City could address a growing deficit in the Transportation Fund, which reached $17M in FY 2021.
- The deficit results from reduced demand for parking due to remote work and the fact that parking fines and fees have not been increased to cover operating expenditures
- Further evidence of the Transportation Fund's condition is its inability to make an annual transfer to the General Fund. The transfer was reduced from $10M in FY2022 to $4M in FY2023 and is expected to be zero in FY2024
- Additionally, the Transportation Fund has been kept afloat by transfers from the Economic Development Fund, which will eventually need to be reimbursed

### Parking related options

- The City could consider both short-term and long-term solutions for the Transportation Fund and the General Fund
  - **Parking assets concession:** Under a parking concessions agreement, it is anticipated that the City could receive one-time proceeds ranging from $56M to $116M for the parking assets plus an annual share of revenue collected by the vendor
  - **Parking assets sales:** The potential sale of three City-owned parking garages could generate a one-time proceed ranging from $25M to $55M. These assets could be converted to commercial or residential properties, hence becoming a source of incremental annual property tax revenue for the City
  - **Fee and fine increases:** Increases to metered parking fees and parking fines could generate $4.3M annually
  - **Surface lot monetization:** The City could further explore revenue generating options related to its 40 surface lots. Options could include metering, monthly parking permits, or the sale of these lots
  - **Parking ticket scofflaws:** As of December 31, 2022, Milwaukee had 793K outstanding citations totaling $39M in unpaid fines. The City could enforce Wisconsin Senate Bill 712 to boot vehicles with 5+ unpaid nonmoving traffic violations. By targeting habitual parking violators, the City could look to collect on the outstanding parking tickets and increase revenue through improved enforcement
- One-time proceeds resulting from asset monetization could be used to address the city's pension liabilities, curing the Transportation Fund deficit, and restoring the annual fund transfer to the General Fund. Additionally, the City could consider restoring or supplementing its reserves, pre-paying debt, or funding capital improvements
- Incremental annual revenue generated by taxes and fees could be used to replace cashflow lost by the sale of parking assets, which would further support the Transportation Fund's operating expenses

# Parking asset monetization case studies

## Cities have entered into privatization agreements for parking with differing results

Different local governments have leveraged privatization of their parking assets to close budget gaps by selling or leasing their parking operations to private vendors. This approach has yielded mixed results

### Chicago, IL [1,2]

The City of Chicago's parking concession agreement has been viewed by many as a cautionary example of privatization of parking assets:

- In 2008, Chicago sold the city's street parking meter system to a private company for $1.15 billion on a 75-year lease
- Rates were increased the following year and have increased steadily since, generating millions in profits for the vendor
- The private company recouped its initial investment by 2019, plus $500 million in profits while Chicago lost $136 million in potential revenue in 2021
- Along with other non-favorable deals for the city's parking assets, the inspector general concluded that the city's meters were sold for $1 billion less than their value

### Indianapolis, IN[3]

Indianapolis has found success with its privatization agreement for parking assets:

- Indianapolis privatized the city's 3,700 city parking meters in 2011 by selling to a private vendor for $20 million upfront with a 50-year lease
- By the third year of implementation, the city had significantly increased revenues and is expected to generate $300-$600 million over the lease period
- The agreement involves a two-tiered revenue sharing structure, in which the city receives 30% of revenue up to a certain dollar amount and then 60% of revenue beyond that
- This agreement has created a dedicated revenue stream for infrastructure improvements in the metered zones

### Cincinnati, OH[4,5]

Cincinnati's 2013 parking privatization plan faced strong backlash prior to a narrow council approval before the deal fell apart:

- The Cincinnati agreement would have turned over 5,000 metered spaces for 30 years and seven lots and garages for 50 years to a private company, with the city receiving $85 million upfront and $3 million annually thereafter
- The one-time payment would have been used to stabilize the city's general fund budget through 2015
- Agreement eventually fell apart after the Cincinnati Port Authority backed out of the deal
- The city did not go through with the privatization agreement, but still contracted with the vendor to maintain meters, oversee enforcement and make system recommendations based on collected data

Sources:
1. https://inthepublicinterest.org/the-worst-privatization-deal-in-u-s-history-just-got-even-worse/
2. https://chicago.suntimes.com/city-hall/2022/5/26/23143356/chicago-parking-meters-75-year-lease-daley-city-council-audit-skyway-loop-garages-krislov
3. https://reason.org/commentary/privatized-parking-indianapolis/
4. https://www.cleveland.com/metro/2013/03/cincinnati_plan_to_privatize_p.html
5. https://www.cincinnati.com/story/news/politics/2017/05/23/cranley-right-kill-parking-deal/327341001/

# Parking asset concessions and monetization

## 1-time payment of $56m to $116m for future parking garage and meter revenues



**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Jurisdiction requirement**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Context

- The City of Milwaukee charges users for parking at its on- and off-street meters, as well as at City-owned garages
- The City could utilize a long-term concession or lease agreement, an outright property sale, or issue revenue bonds itself to monetize this revenue source
- Decline in parking revenues, along with high interest rates, may constrain the potential fiscal impact of sale or lease

### Impact

**Fiscal**

- **Revenue impact:** The City could anticipate a one-time payment of $56m to $116m in consideration for its future parking garage and meter revenues, depending on concession duration/sale and other assumptions*
  - Additional value may be unlocked by allowing for the operator to increase meter/garage parking hours and / or rates
  - However, such transaction would also negatively affect annual revenues that would otherwise accrue to City's Transportation Fund
- **Operational cost:** Avoid future operational costs and obligations if transferring operational duties through long-term lease, concession or true sale
  - Depending on the structure of a concession agreement, potential transfer of operational obligations, costs and risks

**Equity**

- **Horizontal equity**: Parking fees are the same for all, regardless of income strata, so an increase in parking rates would disproportionally affect low-income people
- **Vertical equity:** Those who utilize parking more than others will pay more in parking fees than those who carpool or use other modes of transportation

### Considerations

**Feasibility**

- The City may pursue a concession or sale of parking assets, but lack of recent precedent transactions may require market sounding; additionally, such a deal would carry political risk / considerations

**Additional parking revenue options**

- Concession / leaseholder interest or transfer of real estate could result in property tax revenue
- Add metered spaces
- Add hours (e.g., weekends)
- License Plate Recognition and tickets-by-mail meter enforcement
- Increase enforcement agent headcount.
- Dynamic pricing
- Leasing and/or alternative use of underutilized garage space
- Increase towing fee to legal max ($105 to $150)

### Estimated Fiscal Impact*

**Parking Meters – Indicative Analysis**

| Potential Up-Front Value of Net Cashflow ($m) | Years | |
|---|---|---|
| | 30 | 50 |
| High | 60 | 75 |
| Average | 47 | 55 |
| Low | 36 | 39 |

**Parking Garages – Indicative Analysis**

| Potential Up-Front Value of Net Cashflow ($m) | Years | |
|---|---|---|
| | 30 | 50 |
| High | 33 | 41 |
| Average | 25 | 30 |
| Low | 20 | 21 |

***Assumptions**

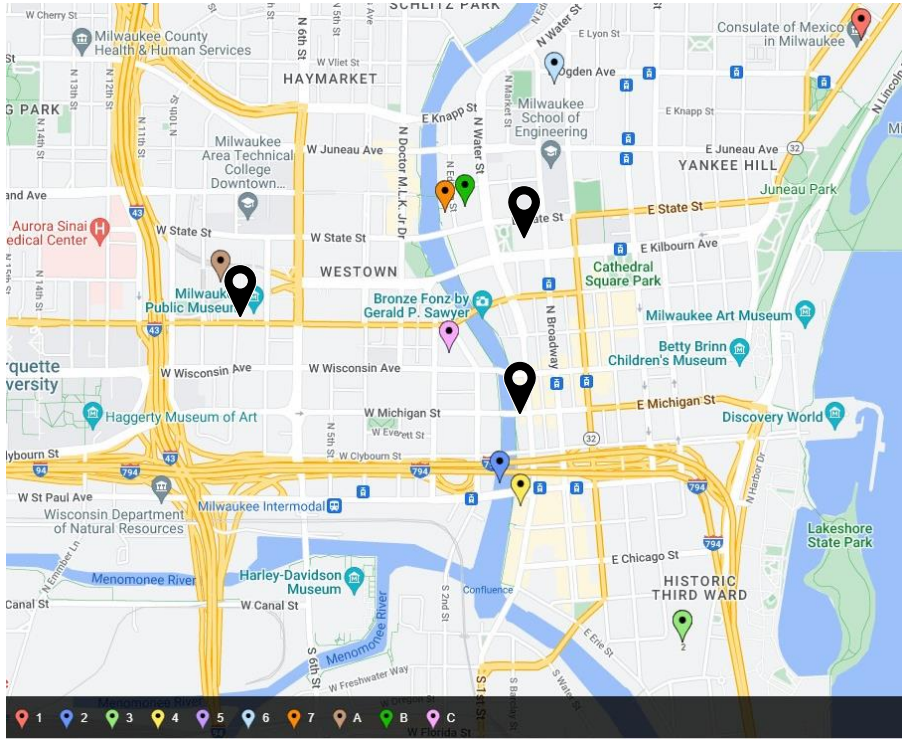
| | Cost of Capital | Growth rate | Notes |
|---|---|---|---|
| High Value | 7.00 % | 5% for 5 years, then 3% | • OpEx as % of revenue using precedent transactions<br>• Revenue base year 2022 |
| Mid Value | 8.50 % | 3.00 % | |
| Low Value | 10.00 % | 2.00 % | |

# Parking garage asset sales

## 1-time payment of $25m to $55m for select properties highlighted below

| Total Estimated Pricing (rounded) |
|---|
| $25.0m - $55.0m |

| Property | Land size (acre) / Building Size (sf) | Est. Price per acre, min - max |
|---|---|---|
| **A. Macarthur Sq. Parking Structure –** 841 N James Lovell St | 9.14 / 643,351 | $2.0m - $4.5m |
| **B. PAC Parking Structure –** 1001 N Water St[1] | 2.43 / 100,000 | $2.0m - $4.5m |
| **C. Parking Structure –** 724 N 2nd St | 0.66 / 204,404 | $2.0m - $7.0m |
| **Total** | **9.80 acres / 947,755 sf** | |




| | Address | City | State | Size (acre) | Proposed Use / Notes | Sale Date | Sale/Asking Price | Price per acre |
|---|---|---|---|---|---|---|---|---|
| 1 | 1451 N Prospect Av | Milwaukee | WI | 1.10 | Residential - Apartment | 2/16/2023 | $3,400,000 | $3,090,909 |
| 2 | 412-420 N Plankinton Av | Milwaukee | WI | 0.43 | Proposed Brewery | 12/30/2022 | $995,000 | $2,313,953 |
| 3 | 132 Jackson St | Milwaukee | WI | 1.19 | Proposed rezoning for residential | 12/15/2022 | $6,025,000 | $5,063,025 |
| 4 | 333 N Water St | Milwaukee | WI | 0.80 | Proposed 295-unit, 31-story residential | 9/1/2022 | $6,000,000 | $7,500,000 |
| 5 | 132 N Jackson St | Milwaukee | WI | 3.00 | Residential - Apartment | 12/13/2022 | $6,025,000 | $2,008,333 |
| 6 | 1333 N Milwaukee St | Milwaukee | WI | 1.30 | Mixed Use | 4/28/2022 | $5,000,000 | $3,846,154 |
| 7 | 1005 N Edison St | Milwaukee | WI | 0.56 | Proposed 200-unit, 15-story residential | 12/27/2021 | $4,120,000 | $7,357,143 |

- Note that subject A is an underground parking garage, therefore, it may not be financially feasible to demolish or build above this garage
- Comp 4 is at a superior location to the 3 subject properties, therefore, it is unlikely that the subject sites will be able to be sold at $7.5m per acre

| Estimated Pricing Range (rounded) | | |
|---|---|---|
| | Sale/Asking Price | Price per acre, rounded |
| Low | $995,000 | $2,000,000 |
| High | $6,025,000 | $7,500,000 |
| Average | $4,509,286 | $4,500,000 |

**Disclaimer:** the estimated pricing range is estimated based upon 7 comparable sales without any adjustments being made. However, to properly develop an estimated pricing range, a highest and best use analysis and further diligence could be completed. The pricing range shown on this page should not be used as a basis to set a transaction price

1. An RFP regarding the PAC Parking Structure was recently released, which may impact the sale process

# Increasing parking fines

## A 10% increase in parking fines could raise $1.3M additional revenue a year



**Fiscal impact**

Small | Medium | Large

**0.21%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**

Low | Medium | High

**Jurisdiction requirement**

State | Local | None

### Context

- The City of Milwaukee issues tickets to individuals who violate parking regulations. Depending on the type of violation, the parking fine ranges from $20 to $200 per violation

### Impact

**Fiscal**

- **Revenue impact:** If the City increases all parking fines by 10%, the City could charge up to $220 per ticket (currently the highest City rate is $200/ticket). From the increased parking fines, the City will be able to collect $1.3M revenue, which is 0.21% of the general fund revenue
  - The impact is calculated by applying the 10% parking fine increase to the 2021 City parking citation revenue collection
- **Operational cost:** minimal costs are anticipated from this option

**Equity**

- Many tickets go unpaid, and stacked fees with penalties can make parking tickets much more expensive. Given parking fines typically don't account for people's ability to pay, they can contribute to debt to low-income individuals
- Flat fine system is less equitable than segmented pricing (rush zone, residential vs. commercial, etc.)

### Considerations

**Feasibility**

- The City has the flexibility to set the parking fine rates

**Best practices**

- Review trends of previously unpaid parking fines as they are potential parking fine revenues. Consider reducing penalties to account for people's ability to pay and incentivize collection
- Consider segmented pricing vs. flat price system
- Design effective ways to increase parking compliance such as proper signage
- The City should work with partners to ensure that meter users are downloading and utilizing the mobile parking application

**Estimated Fiscal Impact**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total parking fine revenue ($m)** | $13.2 | $13.2 | $13.2 | $13.2 | $13.2 | $13.2 | $13.2 | $13.2 | $13.2 | $13.2 | $131.5 |
| **Incremental parking fine revenue ($m)** | $1.3 | $1.3 | $1.3 | $1.3 | $1.3 | $1.3 | $1.3 | $1.3 | $1.3 | $1.3 | $13.2 |

Note: The FY2023 parking fine revenue is assumed to be the same level as FY2021. For FY2024 – FY2032, the parking fine revenue is assumed to stay the same level as FY2023 since the increased fine may prohibit additional parking violations. If parking compliance improves due to higher parking fines, the fine revenue could even decline in the future . This potential decline is not included in the estimated fiscal impact calculation.

Sources: Milwaukee City FY2023 budget.

# Parking fines benchmark

## The City currently ranks in the middle of peers for its parking fine rates

**Parking fine rates,**
Milwaukee compared to peers in other states


Note: These fines are associated with initial violations without incremental charges associated with continued violations.

**Milwaukee's position among peer cities**

- The City's current parking fines range from $20 to $200, with a midpoint of $110. This range varies by location of the violation (e.g., unauthorized parking in handicapped zone), and length of time exceeding the parking meter time-limit
- In terms of the parking fine fee midpoint, the City of Milwaukee ranks in the middle of peers
- If the City were to increase all fines by 10%, Milwaukee City's fine would range from $22 to $220 with a midpoint of $121
- With the $121 average fine, Milwaukee would remain the third lowest among all peers

Sources: Parking fine rates from city government websites and Milwaukee City parking citation revenue from city FY2023 budget reports for 2021 actual tax collection

# Increase chargeable parking spots on Saturdays

## Additional Saturday parking fees could bring $0.5M additional revenue a year



**Fiscal impact**

Small | Medium | Large

**0.1%** of current City General Fund revenue

**Incremental revenue impact**

**Feasibility**

Low | Medium | High

**Jurisdiction requirement**

State | Local | None

### Context

- The City of Milwaukee owns parking spots (parking meters and parking structures) and levies parking fees on individuals who park in City-owned parking spots
- The City of Milwaukee owns over 6,000 parking spots. Out of these 6,000 parking spots, 3,738 parking spots are free on Saturdays
- The City of Milwaukee's parking rate for City-owned parking spaces currently varies by parking locations and ranges from $0.75 to $2.00 per hour
- The City collected $4.3M revenue in 2021 from City-owned parking spots

### Impact

**Fiscal**

- **Revenue impact:** If the City collects parking fees from all City-owned parking spots on Saturdays, the City could gain an additional revenue of $0.5M from 3,738 parking spots that are currently free on Saturdays
  - The impact is calculated by applying the estimated parked hour and the average hourly parking rate of $1.38 to the 3,738 free parking spots
  - The parked hour is estimated based on the current City parking fee revenue and the number of City-owned parking spots
- **Operational cost:** None since the parking fee is an existing source of revenue

**Equity**

- **Horizontal equity**: Those receiving the same benefit (government services related to parking fees) are taxed the same. Those within same income strata pay the same parking fees
- **Vertical equity:** Those with low income pay same parking fees as a share of their income compared to high-income individuals

### Considerations

**Feasibility**

- The City has flexibility to charge parking fees for City-owned parking spots on Saturdays

**Best practices**

- Consider dynamic pricing to increase turnover and revenue
- Review geographic locations of current City-owned parking spots to determine if further increasing the parking fee rate for certain locations is feasible
- Periodically review the commuting and traffic flow surrounding the parking locations (particularly the City-owned meters) to determine the demand of parking

**Estimated Fiscal Impact**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total parking fee revenue ($m) – weekday parking from 6,000 spots and Saturday parking on ~2,262 spots | $4.3 | $4.3 | $4.4 | $4.5 | $4.5 | $4.6 | $4.6 | $4.7 | $4.7 | $4.7 | $45.2 |
| **Additional parking fee revenue** ($m) – additional Saturday parking from 3,738 parking spots | $0.5 | $0.5 | $0.5 | $0.5 | $0.5 | $0.5 | $0.5 | $0.5 | $0.5 | $0.5 | $4.8 |

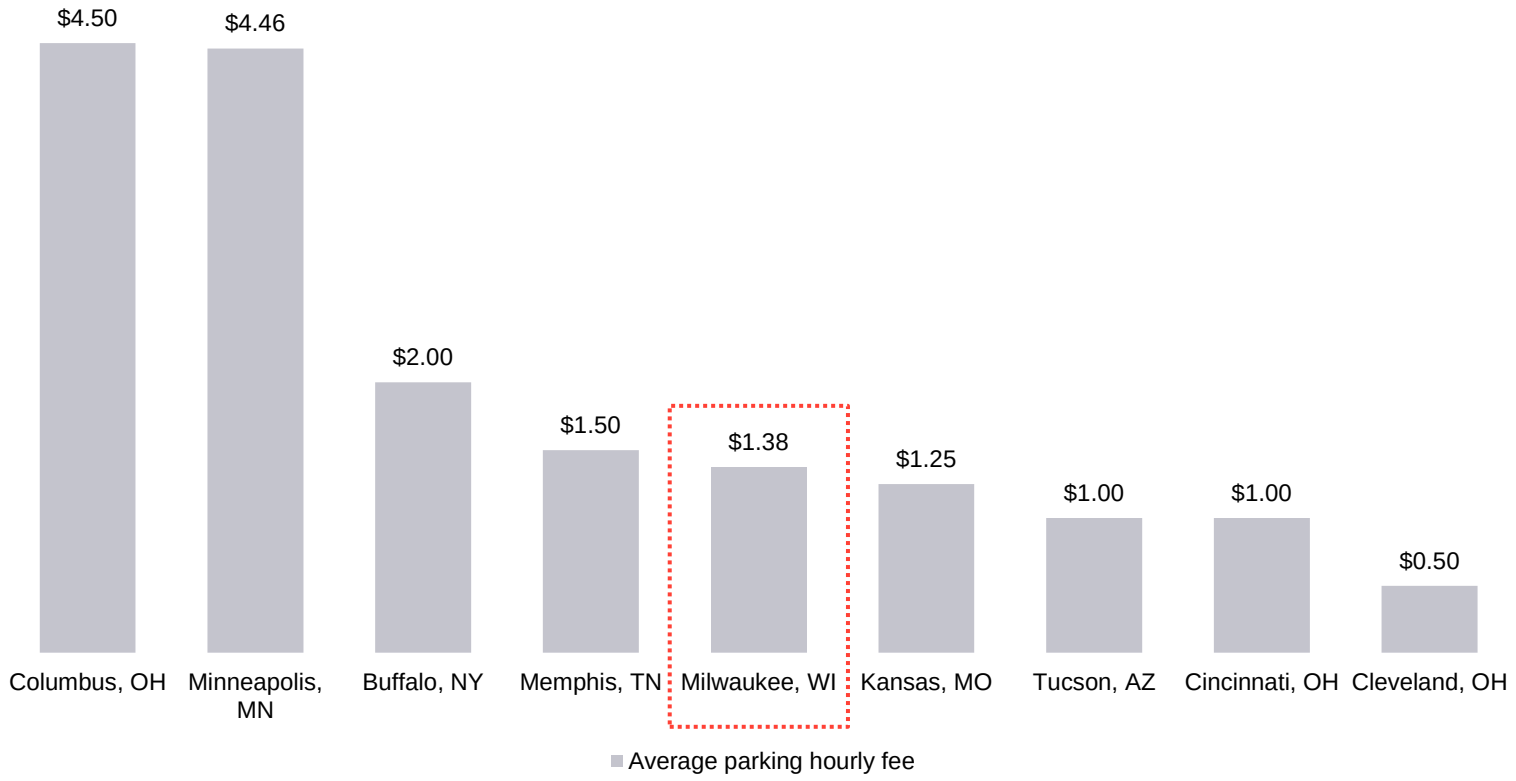
Note: The FY2023 parking fee revenue is assumed to be the same level as FY2021 and to grow in the future along with an average annual vehicle sales growth at 1% (based on Oxford Economic forecast for the Milwaukee MSA).

Sources: Milwaukee City Parking Services for parking rates and City annual comprehensive financial reports for 2021 actual tax collection.

# Parking fees benchmark

## The City currently ranks in the middle of peers for parking fees

**Average hourly parking fee rate,**
Milwaukee compared to peers in other states




**Milwaukee's position among peer cities**

- Compared to peer cities, Milwaukee City currently ranks in the middle with an average parking fee rate of $1.38 per hour
- Milwaukee can potentially charge this same rate on more parking spots on Saturdays and gain more parking fee revenue

Sources: various City government websites for first-hour parking.

*Asset leveraging options*

# Milwaukee's Water Works

## City could release value to help address wider financial pressures

**Balance sheet** (as of FY21)
- Assets: $539M, of which $451M is depreciated hard assets financed by the utility (potentially eligible for monetization)
- Liabilities: $175M of which $101M is outstanding bond debt

**Customer base**
- Water Works serves 16 other municipalities (11 wholesale, 5 retail)
- Wholesale and retail customers actively participate in rate cases and successfully lobbied state Public Service Commission ("PSC")

**Water service affordability**
- The EPA has a water affordability threshold of 2.5% of median household income ("MHI") - for a typical Milwaukee domestic resident, using 8,000 gallons per month, cost of water currently represents around 0.7% of MHI
- This indicates that there is scope for the City to raise water rates and still remain within EPA benchmarks.

**Capital investment plan (next 6 years)**
- Projecting $40-50M annually, primarily replacing aging lead water mains funded in part by federal funding
- Additionally, large treatment plant project likely in mid-term future*

**Relationship of Water Works to other City services**
- Water Works leases municipal buildings and pays for legal, HR and other services; also pays $13.5M in PILOT*

### Monetization options

Sale of system assets
- Buyer: typically, an investor-owned utility but potentially public-to-public and non-profit alternatives
- Valuation: Book value of original cost less depreciation ($539M in 2021) less potential debt defeasance
- Sale process: requires PSC approval and voter majority in referendum[1]

Concession / lease (P3)
- Buyer: typically, a private developer but potentially public-to-public alternatives. City turns over management, investment, operations to concessionaire seeking to generate returns from rate increases and efficiencies
- Up-front payment valuation: dependent on future cash flows
- Sale process: requires PSC approval and voter majority in referendum[1]

Historical monetization efforts (2009 City Comptroller)
- Comptroller proposed a utility concession for 75-100 years in exchange for payment of $550M-$600M. Funds would have been invested in an endowment account, generating estimated $30M annually for City operations.
- Idea never advanced within the City and does not appear to have been studied in detail by any outside specialists.* It is unclear how the comptroller estimated the potential lease value.

**Per discussion with Water Works Superintendent*
*[1]Required under Wisconsin statute 66.0817 - Sale or lease of municipal public utility plant*

# Proposed delivery options

## Further considerations for a proposed transaction

| | Sale of system assets | | | P3 Concession |
|---|---|---|---|---|
| **Monetization value** | Valuation will be assessed by PSC per state law and will likely closely align to net depreciated book value: est. $539M in 2021. Proceeds to City may be net of potential debt defeasance. | | | To be determined - payment size to be based on potential future cash flows. PSC also would weigh in on valuation. |
| **Potential buyers** | ▸ Investor-owned utility (e.g., American Water, Aqua) | ▸ Newly-formed regional special district<br>▸ Regional wastewater special district (MMSD)[1] | ▸ Newly-formed not-for-profit entity (e.g., Public Charitable Trust) | ▸ Private developer / concessionaire<br>▸ Another public entity (public-to-public) |
| **Pros** | ▸ Transaction type with numerous precedents, existing pool of buyers<br>▸ Incentivized to invest in capital at higher rates than publicly-owned utility<br>▸ Experience managing water systems elsewhere | ▸ Revenues may be augmented by property tax, reducing direct costs to ratepayers[2]<br>▸ May be attractive to wholesale customers to gain a voice in regional governance<br>▸ City loses ownership but can still exert influence on governance structure | ▸ Potential to use 501(c)(3) structure to access tax exempt financing while transferring system risk to a third party<br>▸ Potentially less controversial than investor-owned approach | ▸ City maintains ownership and transfers risk of operations, maintenance, and investment to concessionaire |
| **Cons** | ▸ City loses ownership<br>▸ Likely highest cost impact to ratepayers | ▸ Diluted City control<br>▸ Taxation power may be controversial | ▸ City loses ownership<br>▸ Moderate cost impact to ratepayers | ▸ Moderate to high impact to ratepayers |
| **What are potential roadblocks?** | ▸ PSC review: will scrutinize impacts to ratepayers, could block sale on this principle. May be sympathetic to wholesale customers if they oppose sale due to rate impacts.<br>▸ Political opposition: Elected officials may oppose sale<br>▸ Public vote: requires public referendum with majority vote | | | ▸ PSC review: could similarly judge concession to not be in best interest of ratepayers<br>▸ PSC sets rates, not City, so there is no ability to contractually agree to up-front rate increases typically required for a monetization payment though City could address this through minimum revenue guarantees. |

[1]Change in statute may be required for MMSD to purchase water utility. Further legal analysis required to confirm feasibility
[2]E.g. Regional wastewater utility district (MMSD) generates half its annual capital budget from property taxes. Further legal analysis required to confirm feasibility of water district to use property taxes

# Market precedents

## Other cities have attempted similar transactions with varying results



| City | Delivery model | Description | Financial close |
|---|---|---|---|
| Indianapolis, Indiana | Sale to non-profit entity | ▸ **Driver: City-owned utilities faced with significant capital investment needs, EPA consent decree.**<br>▸ In 2011, sold system to Citizens Energy Group, a Public Charitable Trust, consolidating regional water, sewer, gas, geothermal utilities, which reduced water / wastewater customer bills from gained operational efficiencies.<br>▸ Sale produced $400M in proceeds for City of Indianapolis. | ✓ |
| Allentown, Pennsylvania | Public-to-public concession | ▸ **Driver: Financial needs unrelated to water systems (major pension shortfalls).**<br>▸ Allentown sought a long-term concession to provide up-front payments and alleviate pension shortfalls.<br>▸ In 2013, ultimately selected neighboring Lehigh County Authority in public-to-public partnership.<br>▸ Allentown maintained ownership but granted Lehigh a 50-year lease in exchange for $211M up-front payment.<br>▸ Dispute over term violations led to settlement in 2020 and higher than anticipated rate changes for Allentown | ✓ |
| Bayonne, Pennsylvania | P3 concession | ▸ **Driver: Backlog of water system maintenance needs, poor performance, and high utility and City debt levels**<br>▸ City issued an RFP in 2011 and entered into negotiation with only developer to formally respond (Suez/KKR)<br>▸ 40-year lease terms included $150M up-front payment to restructure debt in return for scheduled rate increases. Concessionaire is responsible for meeting operating standards and capital investment targets.<br>▸ Starting in 2015, revenue shortfalls led to elevated rate increases to reach contractually obligated revenue requirements, which produced considerable public debate. | ✓ |
| Newark, New Jersey | Newly-formed utility authority | ▸ **Driver: Newark faced a looming budget deficit driven by a variety of factors**<br>▸ The mayor led an effort to transfer ownership of the city-owned water utility to a new municipal authority and use the authority's bonding capacity to transfer funds to the city budget for other capital improvements<br>▸ The city council voted down the option over concerns about public accountability and impacts to ratepayers | ✗ |

# Key questions and potential next steps

Following timetable is a roadmap if the City ever explores this option more fully

## Step 1: Options appraisal and feasibility analysis (12 Months)

Key activities:

- Undertake **system valuation** based on utility valuation methods, cash flow analysis and assess need for **debt defeasance**
- Establish the **detailed pros and cons** of each delivery option and mechanism for evaluation
- **Determine expected risks** of maintaining the operation of the water system and the value to the City of transferring them to another entity
- **Consult** with City stakeholders (political leadership, staff, wholesalers and other off-takers) as required
- Conduct **fatal flaw analysis** based on financial analysis and consideration of pertinent regulations

Key considerations:

- **City goals:** What are the City's goals for a potential sale or concession beyond generation of the receipt? How well will the potential delivery options achieve those goals?
- **System valuation:**
  - What information will be needed for a potential counter party? What information does the City already have and what new information will need to be created?
  - What may be the constraints on the potential system value (e.g., existing PILOT payments to the City, rate affordability, defeasance of existing bonds)?
- **Regulatory background:** What are the City's rights and obligations for disposing of the water system? Are there any regulations or statutes that would prevent disposal and how could they be addressed?
- **Project scope:** Does an option exist to include other assets in the project, such as the City's sewer assets?
- **Project risks:** What are the financial, legal, technical and reputational risks associated with the options and how can they be mitigated?

## Step 2: Develop preferred delivery structure (12-15 months depending on delivery option plus time to implement referendum if needed)

Key activities:

- Identify data required for a potential counterparty – to include asset registers, valuation and condition, demand and production historical information and forecasts, staff details and structure and budget details
- Work through council / mayoral approval processes, public communication, and stakeholder outreach and potential interactions with state legislature
- For an IOU sale or concession: Develop solicitation materials to market the project including project information memorandum, request for qualifications and request for proposals. Qualify the potential bidder market based on their experience and seek proposals from a shortlist of potential bidders
- For public / non-profit alternative: Develop required legal structures and commercial terms for the preferred model
- Develop and submit necessary regulatory package to PSC for evaluation and participate in regulatory proceedings
- If the transaction receives regulatory approval, pursue public referendum approval

## Step 3: Final negotiations and agreement execution (~3 months depending on delivery option)

Key activities:

- Negotiate final contract terms and valuation while maintaining required risk transfers
- Execute contracts and financing for the preferred option

# Explore options for monetizing streetlights

## Future revenue potential exists from sale or lease of street lighting system



| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / **Large** | Low / **Medium** / High | **State** / Local / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- Milwaukee could consider selling or leasing its street lighting system to a private entity to capitalize on an up-front monetization payment
- The conversion to LED streetlights will allow the City to have the capacity to broadcast Wi-Fi
  - This conversion started as a 6 year project for the City, but current conversion pace likely means the project will take at least 10 years
  - To date, around 10,000 streetlights have been converted to LED, of about 52,000 total streetlights throughout the City that are currently eligible (18k more require circuitry updates before they can be converted)
  - Monetization of these new light fixtures presents an option for revenue growth within the street lighting service pending legal limitations on governments functioning as telecom providers
  - The City has the potential to run more conduit through the updated streetlights, which could create further revenues if they are monetized

### Impact

**Fiscal**

- Monetizing street lighting may create a new revenue stream for the City that would be widespread and used by many citizens
- Fiscal impact would grow as modernized street light structures are built throughout the City, and technology continues to advance

**Performance**

- The City would need to ensure that a private operator of the street lighting system would maintain it at a high level of quality and performance
- Private financing could help the City greatly accelerate conversion of street lights to LED. Energy savings from LED fixtures could fund the conversion at no cost to residents.

**Equity**

- Since the circuits are not distributed evenly throughout the City, equity concerns may be raised about the potential distribution of Wi-Fi / 5G / broadband
  - Wi-Fi distribution will need to be closely monitored so disadvantaged communities receive the same internet access afforded to wealthier neighborhoods

### Considerations

- Concerns exist surrounding City loss of control of the street lighting system asset if it were to sell or lease the system
- State statutes on providing Wi-Fi / 5G / broadband may limit ability to provide these services
- Wi-Fi will not be able to be delivered equitably based on where LED fixtures are implemented
- Regulatory and privacy concerns may arise about smart technology being attached to streetlights, which may result in public resistance
- Currently, examples of monetizing street lights are limited; Milwaukee would be one of the first to do this
- The City has received multiple unsolicited proposals for monetization and modernization of its street lighting system. It should work with third party experts to develop a RFP and ultimately negotiate a deal that is in the best interest of residents.

### Estimated fiscal impact

- The estimated fiscal impact of monetizing the City's streetlights would depend on the pricing plan used to sell or lease the system to a private buyer and/or the future charge to customers for WiFi/5G/broadband usage
- The City would need to conduct additional analysis to understand the regulatory limitations placed on a Wisconsin government entity becoming a telecommunications provider and whether that imposes barriers to enacting a monetization strategy for streetlights

# Expand municipal advertising on digital billboards

## The City could collect $33m over 10 years from the leasing of digital billboards

**Fiscal impact**

Small | **Medium** | Large

**0.5%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**

Low | **Medium** | **High**

**Jurisdiction requirement**

State | **Local** | None

### Case Study – Chicago

- The City currently does not collect advertising revenue through digital billboard programs
- ***Example:*** The City of Chicago has various municipal advertising programs where the City leases advertising rights to third parties for flat or contingent fees. One example of this is digital billboards
- The media company pays the City a fixed amount of fees (at least $10M for 34 digital billboards and $30M for 2,183 street furniture pieces every year)
- The private media company constructed and maintained street furniture and digital billboards on the leased structures. The media company collected revenue through advertisements on these street furniture and digital billboards

### Impact

**Fiscal**

- **Revenue impact:** If the City of Milwaukee leases ten City-owned land or public way locations to private media companies at $294K per location, the City could collect $2.9M revenue which is 0.5% of the current general fund revenue
  - The impact is calculated by multiplying the $228K revenue per location from Chicago by the number of hypothetical leased locations (ten)
  - The impact does not consider bus shelter leasing, because Milwaukee County operates the bus system
- **Operational cost:** If implemented as in Chicago, maintenance of the leased pieces would be at no cost to the City of Milwaukee

**Equity**

- Similar to the City of Chicago, the City of Milwaukee could go through a public bidding process to select a media company to contract with. The City could form a committee to review the qualification of bidders to ensure equity in the bidding process

.

### Considerations

**Feasibility**

- Wisconsin law allows the City to lease public spaces to other parties
- The City has authority to lease its City-owned land and public ways through amending its municipal ordinance

**Best practices**

- Periodically review and adjust the lease fee to ensure that it follows the trend of the general asset rental value
- Collaborate with the contracted media company to ensure a win-win situation for both parties. An example of collaborative efforts includes leased site selection, which is crucial to the efficiency of advertising
- Follow transparent and accountable procurement processes

**Estimated Fiscal Impact**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Lease revenue per location ($m) | $0.29 | $0.30 | $0.31 | $0.32 | $0.33 | $0.34 | $0.35 | $0.36 | $0.37 | $0.38 | N/A |
| Number of leased locations | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | N/A |
| **Total revenue ($m)** | **$2.9** | **$3.0** | **$3.1** | **$3.2** | **$3.3** | **$3.4** | **$3.5** | **$3.6** | **$3.7** | **$3.8** | **$33** |

Note: the FY2023 lease revenue per location is assumed to be the same as the City of Chicago. The lease revenue per location is assumed to continue growing in the future at the same rate as the rental lease GDP (based on Oxford Economics forecast for the Milwaukee MSA)

# Explore municipal advertising on trash containers and bins

## The City could collect $15m over 10 years through monetization of bins



**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | 0-5 yrs | 5-10 yrs | 10+ yrs

### Description

- The City owns ~1,200 trash cans and ~55 decorative containers in high traffic areas
- The City could explore expanding municipal advertisement options for these trash cans and containers by charging a monthly or annual fee to companies to place their logos or ads
- This option could result in incremental revenue for the City, with little-to-no additional cost

### Impact

**Fiscal**

- City may be able to generate revenue at no cost, since it will be collecting money from existing structures
- An estimated $15.6m is expected to be collected from municipal advertising over 10 years
- Revenue may grow over time as more opportunities for municipal advertising become present and as demand for municipal advertising spaces increases

**Performance**

- Performance could improve if DPW is able to use a portion of proceeds to increase staffing

**Equity**

- No material impact on equity is anticipated

### Considerations

- Municipal advertising has been successful in peer cities, including Philadelphia, that have been able to commercialize public ad space
- Additional analysis is needed to develop the pricing strategy for this option
- The City would need to establish a robust process for managing the bidding process
- Advertising revenues may be shared with other City departments beyond DPW pending the terms of the agreements
- Municipal advertising options beyond trash cans could be leveraged based on the initial performance of this ad campaign: trucks, residential trash and recycling containers, water bill inserts, etc.

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 0.8 | 0.9 | 1.2 | 1.4 | 1.6 | 1.7 | 2.0 | 2.0 | 2.0 | 2.0 | 15.6 |

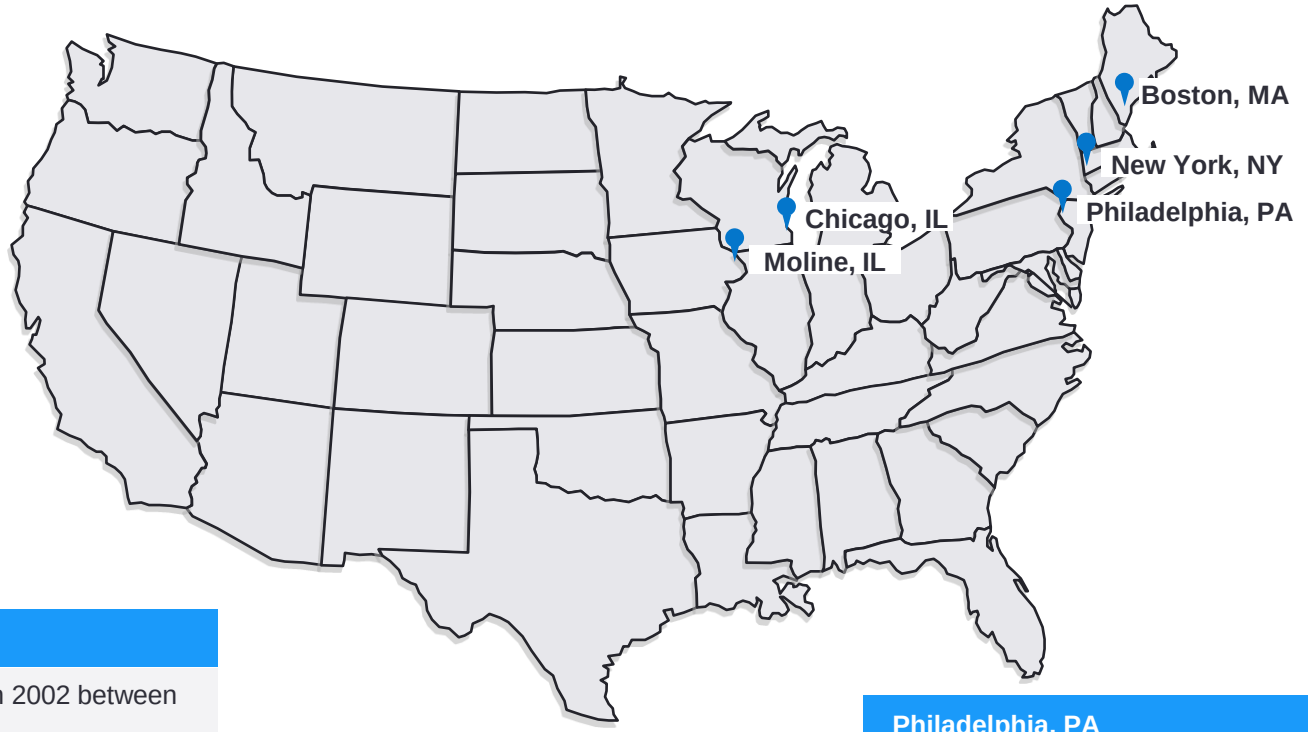
1. Assume ad fee of $6,500 per can per year (Philadelphia charged this in 2018). Assume that there are 1,200 cans owned by the City and 55 privately owned cans that are eligible for advertising. Assume a gradually increasing rate of number of trash cans with ads starting at 10% of cans in FY23 up through 25% of cans by FY32. Assume that the City would enter a shared revenue model with private can owners and receive 5% of the revenue from decorative cans

# Municipal advertising examples

## Several cities in the US have digital billboards or street furniture programs

### Boston, MA

- A street furniture program commenced in 2001 with 441 pieces of street furniture and will run until 2026
- A private company pays Boston a $1.5m fixed fee plus 10%-15% of advertising revenues (varies by furniture type)
- In FY22, the company paid Boston $39M
- All street furniture is purchased and maintained by the vendor
- Street furniture includes automatic toilets, bus shelters, info kiosks and telephone pillars




### New York City, NY

- Original plan was for LinkNYC to deploy 7,500 digital kiosks throughout the City to provide public WIFI – revenue goal of $500M over 12 years
- Agreement was amended to ~4,000 digital kiosks by 2026. The City expects to receive revenue (City revenue = 8% of $200M marketing revenue, plus 50% on marketing revenue over $200M)
- Financed by a private joint venture at no cost to the city - plus revenue sharing

### Chicago, IL

- Street furniture program was established in 2002 between a private company and the City of Chicago
  - The company provides supplies and maintenance of 2,183 bus shelters, info panels, news racks and stands
  - The company paid Chicago a fixed annual amount of ~$30m in FY2022
- Digital sign program was established in 2013, where a vendor agreed to pay a $10m fixed fee plus an advertising revenue sharing provision of up to 50% for 34 billboards

### Moline, IL

- Wrap advertising on sanitation trucks began in 2006 with contracts for $13,500 per year per truck
- Renewed in 2015 at $19,800 per year per truck (for 6 trucks)

### Philadelphia, PA

- The City contracted with a private company for 20 years to provide LinkPHL kiosks and bus shelters. LinkPHL provides community benefits such as free public Wi-Fi
- The company funded at least $12 million investment in new bus shelters
- The City received fixed annual payment starting at $1.4m in 2015 plus up to 50% revenue share of advertising revenue

Sources:
1. https://www.thecity.nyc/2022/4/27/23045122/link5g-free-wifi-tech-linknyc
2. https://www.chicagobusiness.com/article/20130727/ISSUE01/307279978/chicago-s-bus-shelter-ad-deal-with-jcdecaux-is-paying-off
3. https://www.boston.gov/departments/property-management/coordinated-street-furniture
4. https://www.inquirer.com/philly/business/Billboards-pitched-for-public-administrative-buildings-in-Center-City.html
5. https://qconline.com/news/local/new-mediacom-ads-on-moline-garbage-trucks/article_fd178f49-f36f-5564-ba42-c68d3826ac0f.html

# Structural savings options

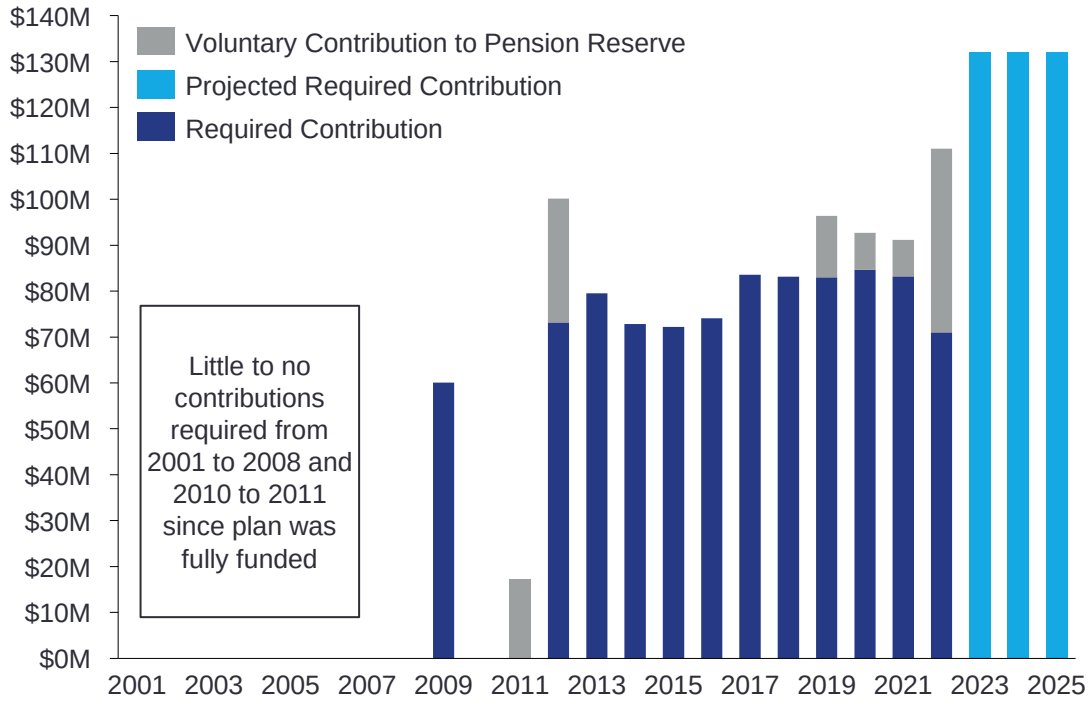
*Note: This review was undertaken during a time when the outcome of Act 12 of 2023 was uncertain. With the enactment of Act 12, the need for some of these pension options has been significantly reduced or may no longer be applicable*

# Milwaukee's current fiscal situation

Increasing pension and retirement obligations further strain the budget

## Challenge: Rapidly increasing long-term obligations

***City pensions plan employer contributions by year***




## Key developments

- In 2018, the pension board lowered its assumed rate of **investment return from 8.25% to 7.5%,** which will affect the City's pension contribution starting in 2023.
- In response to the expected higher contributions, the City **allocated more than $80m to a pension reserve fund**, yet the higher contributions may exhaust this money within two years
- Also, the City promised other post-employment benefits (OPEB) (mostly retiree health care coverage) to employees, which is **currently being funded through the City's regular operating budget**

## System structure

| Demographics as of 1/1/2022 | | | | |
|---|---|---|---|---|
| | General employees | Police | Fire | Total |
| Active employees | 7,768 | 1,631 | 695 | 10,094 |
| Average earnings | 47,542 | 91,259 | 88,059 | 57,396 |
| | | | | |
| Receiving payment | 9,717 | 2,615 | 1,415 | 13,747 |
| Average monthly benefit | 1,765 | 4,715 | 4,737 | 2,632 |
| | | | | |
| Owed future benefit[1] | 2,856 | 422 | 85 | 3,363 |
| Average monthly benefit | 446 | 1,180 | 922 | 550 |

Source:

Pre 2021: Nearing the brink: An independent, third-party review of the City of Milwaukee's fiscal condition; Wisconsin Policy Forum

Post 2021 numbers: Actuals and estimates from City of Milwaukee Budget Office

1. Owed future benefit means employees that have been terminated with a vested benefit that has not yet commenced

# Milwaukee's pension system

## Identification of path forward likely requires revisiting the system governance structure

**The existing governance structure may make implementation of changes to the City of Milwaukee Pension system more difficult**

**Pension board has a good track record versus other pension systems in several areas**

- Historical funding of plan on actuarially determined basis has resulted in well-funded plan versus peers
- Consolidation of pension funds is a leading practice that reduces administrative costs
- Benefit levels are consistent with other plans (such as state system)

**Pension Board control limits the ability of the City as a key stakeholder to address pension as part of overall City finances**

- Governance structure does not readily facilitate collaboration between key stakeholders
  - 50% of Pension Board members represent plan members and nearly all participate in the plans themselves
- Board sets contribution level and City will need to pay the bill
- Incentive structure and plan membership interest does not appear to fully align to City interests
- Membership appears to have little incentive to limit cost increases

**Varying perspectives exist on policies related to plan management, including funding policy**

- Board perspective guided by a single actuary – other approaches may be reasonable and facilitate collaboration
- Alternative approaches require significant overhaul (and may require state buy-in) but can better balance incentives
  - Example: City of Houston (City and Pension Fund both produce "Risk Sharing Valuation Studies" to determine the contribution rate, with any difference above 2% reconciled or averaged)

# Milwaukee's pension system

## Identification of path forward likely requires revisiting the system governance structure

- Act 12 moves new entrants to Wisconsin Retirement System ("WRS") as of January 1, 2024.
- The City can seek to modify provisions of the CMES for remaining employees and retirees

**Potential reform initiatives**

**Align member incentives with plan funding needs**

- Link employee contributions to City contribution requirements
- Modify COLA to better coordinate with trust returns and funded status

**Review assumptions / methods**

- Review interest rates given latest market conditions
- Reset amortization method to allow greater flexibility

**Consider alternative benefit provisions**

- Consider modifications of provisions for CMES
- Consider lump sum option

**Utilize labor policies to help manage pension costs**

- Review and monitor labor policies that affect pension calculations
- Example: Limiting promotions right before retirement and reducing other techniques that boost salary in later years for police and fire since benefit based on final year compensation

# Provide lump sum option

## Optional benefit for participants at retirement structured to produce cost savings

**Fiscal impact**: Small | Medium | **Large**

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Provide members option to elect a lump sum
  - Allow option at retirement / termination for current active members
  - Offer one time window to current vested terminated members
- Structure assumptions to eliminate risk of deterioration of funded status
  - Set lump sum interest rate equal to funding interest rate
    - Provides consistency with contribution calculation
    - Ensures payment is less than obligation
    - Higher rate increases savings per lump sum but will decrease take rate and likely overall savings
  - Exclude future COLAs in lump sum value
    - Source of savings
    - Alternative is to calculate based on reduced COLA which encourages take rate but decreases savings

### Impact

**Fiscal**

- Estimated fiscal impact assumes option provided to current active members
- Contribution savings driven by take rate assumption (selected by Pension Board)
- Long-term savings arise from:
  - Elimination of long-term COLA effect for those electing lump sums
  - Any interest arbitrage between funding interest rate and lump sum interest rate
- Implementation costs are projected to be minimal, and can likely be paid by plan

**Performance**

- Reduces long-term administrative burden to plan (fewer retirees)
- May result in short-term increase in retirements
- Increases portability of benefit which may affect recruitment / retention
- Additional option may increase appreciation of retirement benefit program

**Equity**

- Due to discounting, lump sums calculated for younger members may be too low to generate interest, which can be addressed through offering a lump sum at termination and again at retirement
- Providing benefit as option leaves choice in hands of member
- Requires proper education of tax implications to ensure members understand the consequences (rollovers, early withdrawal excise taxes, income tax implications)

### Considerations

- Design consideration will require weighing savings per member generated by the lump sum option and the resulting take rate
  - Example: Setting interest rate too high will make lump sums too small for members to elect
- May result in some members receiving substantial one-time payments
  - Potential negative publicity
  - Controversy over the County Pension Scandal may incorrectly be associated with this offering
- Possibility of anti-selection exists, though likely minimal over entire population
- Benefit provision is truly optional to members, aiding in any required negotiations
- Lump sums taken reduce the plan's exposure to long term interest rate / return on asset mismatch risk
- Engagement with education effort with unions may be critical to realizing lump sum take rate

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | $0.0 | <1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Savings[1] | 0.0 | 9.4 | 9.6 | 9.7 | 9.8 | 9.9 | 10.1 | 10.2 | 10.3 | 10.5 | 89.5 |
| **Net Impact** | **$0.0** | **9.4** | **9.6** | **9.7** | **9.8** | **9.9** | **10.1** | **10.2** | **10.3** | **10.5** | **89.5** |

[1]Directional estimate ignoring stable value contribution beginning in FY24, impact heavily dependent on discount rate and lump sum take rate, based on COLA impact estimated in January 25, 2023 estimate of COLA impact from Cavanaugh Macdonald assuming 7.5% interest and an assumed 25% take rate

# Implement risk sharing in COLAs for employees and retirees

## Links increases in post-retirement benefits to performance of investments

**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Current COLAs set independent of trust performance, generally are ~2%
- Leading practice is to set COLAs based on trust returns to share investment risk with retirees. When assets are performing above expectations, those gains are shared with retirees. The COLA would also reflect when assets perform below expectations
- Linking COLAs to trust investment return requires setting a target rate ("hurdle rate") to determine the amount of gains / losses that will be shared with retirees. Since retirees will see an increase in benefits when investments exceed the hurdle rate, setting the rate higher results in lower expected COLAs
- Can cap increases (at current levels)
- Leading practice also includes protections for retirees so that benefit levels will not fall below the benefit level when the participant retired.
- May be beneficial to only provide adjustments in years in which the funded status exceeds a given threshold (e.g., 80%)

### Impact

**Fiscal**

- COLA for actives hired after 2011 accounts for ~$7M of the total contribution in FY24, increasing to ~$11M in FY32
- Risk sharing in COLAs primarily limits risk that the disconnect between asset performance and COLAs will produce cost volatility. Actual savings are only generated if the spread between the valuation discount rate and the hurdle rate is less than current COLAs (example: current discount rate is 7.5%, a hurdle rate of 5.5% will be roughly cost neutral to the current 2% COLAs, whereas a hurdle rate of 7.5% is roughly equivalent to an elimination of expected COLAs) Cost analysis needed

**Performance**

- Provides alignment between plan members and City related to investment risk
- State practice of providing increases / decreases solely based on a hurdle rate may have the unintended consequence of influencing the Board to invest more conservatively, resulting in lower expected returns and potentially higher City contributions. Variations on how to incorporate a hurdle rate can provide incentives to continue to seek long-term returns

**Equity**

- Does not provide inflation protection directly, but is linked instead to sharing in investment risk for the plan
- Older retirees have fewer options to adjust to impact and may be counting on the future COLAs in their financial planning

### Considerations

- Linking COLA to trust returns reduces risks that plan deficits grow uncontrollably with bad asset returns
- State system, WRS, provides retirees adjustments post-retirement based on trust returns
  - Assumes hurdle rate of 5% (though assets are invested differently), and assumes an effective dividend of ~1.7%
  - Actual dividend calculated on actuarial basis
  - Smooths gains / losses over 5 years
  - Benefit floor set to benefit at retirement
  - Provides riskier option through separate Variable Trust that provides equity based returns, though does not smooth gains / losses, and does not provide benefit floor
- Key decisions will need to be made to details on how benefit is linked to trust return and funded status, and will likely require annual analysis of investment performance to determine adjustments

**Estimated Fiscal Impact of implementing risk sharing for COLA** *($ millions)*

| Savings[1] | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Full COLA elimination for Actives hired after 2011 (Hurdle rate of 7.5%) | $0.0 | 7.3 | 7.7 | 8.2 | 8.7 | 9.2 | 9.7 | 10.2 | 10.7 | 11.1 | 82.8 |
| Linking COLA to trust returns for Actives hired after 2011 | $0.0 | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD |

[1]Directional estimate ignoring stable value contribution beginning in FY24, impact heavily dependent on discount rate, based on COLA impact estimated in January 25, 2023 estimate of COLA impact from Cavanaugh Macdonald assuming 7.5% interest, final savings will depend on structure of hurdle rate and any supplemental limitations (such as to funded status)

# Align labor practices to minimize impact on pensions

## Monitoring late career movement in salary can save in long-term pension costs

**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | Local | **None**

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Labor policies are often viewed as disconnected from the pension calculation
- Pension benefits are heavily influenced by late career changes in compensation
  - Police and fire have benefits based on final year of compensation
  - General employees have benefits based on three-year average
- Minimizing late career salary increases and promotions can limit adjustments to pension costs

### Impact

**Fiscal**

- Long-term costs are dependent on current practices and level of abuse

**Performance**

- Limits gaming of salaries
- Requires additional monitoring and oversight

**Equity**

- Potentially eliminates playing of "favorites" or making arrangements whereby certain personnel get treatment that will help with their pension that others may not experience

### Considerations

- Anecdotally, evidence suggests that late career promotions and salary increases are common
- Often these are accompanied by "trading" through other benefit aspects such as overtime and shift differential
- These patterns can often be ingrained and will require analyzing patterns by department in detail
- Unions may not "like" new approach, and often fully understand the benefit of the late career salary increases

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementation cost | $0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Savings[1] | 0.0 | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD |
| **Net Impact** | **$0.0** | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD |

# Implement risk sharing in employee contributions

## Link employee contributions to plan costs to align incentives



**Fiscal impact**: Small | Medium | **Large**

**Feasibility**: **Low** | Medium | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Increase employee contributions gradually at 0.5% per year to meet long-term link to employer contribution level, capping at:
  - 50% of normal cost – capping police at general total plus 3%, plus
  - 20% of amortization charges (provide some linkage to employer payment of city costs)
- Employees currently contribute a fixed amount. Current contributions
  - General: 4% (Tier 1), 5.5% (Tier 2)
  - Police / Fire: 7%
- Resulting caps based on 2022 Actuarial Valuation Report:

| Ee Type | 50% NC | 20% amort | Total |
|---|---|---|---|
| General[1] | 4.7% | 3.1% | 7.8% |
| Police / Fire | 7.7% | 3.1% | 10.8% |

### Impact

**Fiscal**

- Fiscal impact reflects 0.5% increase per year to ultimate rates of 7.8%, 10.8%
- Trade off is dollar for dollar between employee and employer, each 1% increase in employee contribution rates generates (per 2022 report):
  - General: $3.7M
  - Police: $1.5M
  - Fire: $0.6M
- Savings impact is reduced if population is limited (such as to new hires)

**Performance**

- Causes immediate take home pay decrease for employees
- May harm recruiting since net effect is a decrease in take home pay
- Increases complexity of payroll administration slightly
- **Alternative**: Forego any immediate savings, and allow contributions to vary up or down based on future plan performance

**Equity**

- Creates slight disconnect between new employees and legacy employees in amount being paid for identical benefits

### Considerations

- In the short-term, changes will directly affect employee pocketbooks, with severity depending on level of cost sharing
- Employee contributions would still be competitive. For example, WRS contributions are 6.8%, and police contributions in peer cities are often higher (ex: Kansas City is 11.55%, Police / Fire of Ohio is 12.25%)
- Changing contribution rates likely require negotiation, but may limit focus to new hires (at reduced value of savings)
  - Sworn officers negotiated in CBA
  - Unilateral changes may be limited for longer service employees, though likely possible for hires after 2014
- Significant increases to contributions could affect retention / recruitment
- Provides additional alignment between members and City concerning funding costs

**Estimated Fiscal Impact** *($ millions)*

| Savings[1] | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| General employees | $0.0 | 1.8 | 3.8 | 5.8 | 7.8 | 10.0 | 12.2 | 12.9 | 13.2 | 13.4 | 80.9 |
| Police / Fire | 0.0 | 1.1 | 2.1 | 3.3 | 4.5 | 5.7 | 7.0 | 8.3 | 9.2 | 9.4 | 50.6 |
| **Net Impact** | **$0.0** | **2.9** | **5.9** | **9.1** | **12.3** | **15.7** | **19.2** | **21.2** | **22.4** | **22.8** | **131.5** |

[1]General employee normal costs may be determined in aggregate or separately, given difference in plan design. Cost analysis assumes rates currently net to approximately 50% of current normal costs and 3.1% increase is implemented gradually until fully completed for general employees, and full increase is phased in gradually for police / fire. Amortization component is assumed to be constant over 10 year period but will be volatile due to changes in assumptions / methods / plan experience. Directional estimates are based on compensation from 2022 Actuarial Valuation Report, projected to increase at 2% annually

*Structural savings options*

# Update contribution calculation assumptions and methods

## Amortization and interest rate are controlled by the Board

**Fiscal impact**: Small | Medium | **Large**

**Feasibility**: **Low** | Medium | High

**Jurisdiction requirement**: **State** | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Consider increases in the interest rate beyond current 7.5% assumption
- Pension Board voted to keep rates at 7.5%
  - Acted on advice of Callan (investment) and Cavanaugh Macdonald (actuary)
  - While not necessarily unreasonable, use of a higher rate may be justified given change in economic environment in 2022
- Amortization policy can be reset to a new 30-year period
  - Reset requires amending City Charter Chapter 36-15-15. Charter also requires an affirmative vote by 5 board members and written certification from Board's actuary that changes comply with Actuarial Standards of Practice to change amortization

### Impact

**Fiscal**

- Size of fiscal impact depends on amount of change in rate
  - Return expectations have increased sharply from when 7.5% was selected in 2019, suggesting an increase could be supportable
  - Assumptions do not consider alpha (returns resulting from active management)
  - Callan capital market assumptions generated 50th percentile return of 7.5% over future 30 years
  - Other publicly available 2023 capital market assumptions may indicate even better expected performance than Callan outlook, as shown in the 10-year spread over Callan outlook shown below:

| | Investco | JP Morgan |
|---|---|---|
| Large Cap U.S. Equity | +0.45% | +0.65% |
| Mid Cap U.S Equity | +1.05% | +1.05% |
| Global ex-US Equity | +0.75% | +1.05% |
| Core fixed income | +0.15% | +0.35% |
| Real estate | +1.15% | -0.05% |

### Considerations

- Pension Board voted to keep rates at 7.5%
  - Acted on advice of Callan (investment) and Cavanaugh Macdonald (actuary)
- Does not change long term costs but changes how costs are spread over time
- Governance structure likely limits City ability to implement any change
- Can also shorten stable contribution policy to shorter period than current 5 years

**Estimated Fiscal Impact[1]** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Increase rate 25 bp | $12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 122 |
| Reset amortization to 30 years | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 | 13.3 | 133 |
| Combined | $24.7 | 24.7 | 24.7 | 24.7 | 24.7 | 24.7 | 24.7 | 24.7 | 24.7 | 24.7 | 247 |

1. Directional estimate based on unfunded AAL disclosed in 2022 valuation report. Any change in interest rate would be amortized over 25 year period. All amortization calculations assume level % of future pay with 2% per year increase assumption

# Shift participation for new hires to state plan

## Cost increases will occur absent Board approved assumption / method updates



**Fiscal impact**: Small | Medium | Large

**Feasibility**: Low | Medium | High

**Jurisdiction requirement**: State | Local | None

**Implementation timeline**: Quick win | 0-5 yrs | 5-10 yrs | 10+ yrs

### Description

- Enroll new hires in the state-run Wisconsin Retirement System ("WRS")
- Employer and member contributions for new hires will be set by the state
- Future risks will be shared across the state for members transferred to WRS
- City pension system and WRS have similar benefit structure
  - General: 1.6% per year accrual
  - Police / Fire: 2.5% per year accrual (WRS benefit for Protective members without Social Security)
- Primary plan differences are in employee contributions (linked in WRS to employer contributions) and COLA (linked in WRS to trust performance)

### Impact

**Fiscal**

- WRS is historically better funded and has more stable contribution requirements than the City pension plan
- Cost projections requested by state assume change to 6.8% interest rate and use of 30-year amortization
- Board likely controls both interest rate and amortization assumption
  - Interest rate: State may push to align CMERS rate with state 6.8%, rate selection controlled by Board though may follow state mandate
  - Amortization rate:
    - Changing amortization may require amending City Charter Chapter 36-15-15. Charter also requires an affirmative vote by 5 board members and written certification from Board's actuary that changes comply with Actuarial Standards of Practice to change amortization
    - Board actuary recommends 10-year amortization, despite state request to view longer amortizations (up to 30 years).
    - Other actuaries may find other approaches to be reasonable
- Illustrated costs below reflect various combinations of assumptions and methods that may ultimately be adopted if new entrants are transitioned
- Risk sharing with members limits risk of significant variation of contribution requirements (through employee contribution and COLA structure)

### Considerations

- State sales tax negotiation may require move, will need to weigh costs and understand what Board will approve in cost calculations
- Timetable to implement depends on how quickly an agreement can be reached with the State and Board
- Absent an agreement, City can adopt risk mitigation techniques from the State plan unilaterally to new hires, but won't benefit from the fact the state plan is well funded
- Can entertain negotiations with State beyond new hires
- Increases in portability amongst WRS employers potentially improves attractiveness of the city benefits
- Portability may affect ability to retain, provides less barrier to move elsewhere in the state
- Long-term decrease in administrative responsibility associated to plan

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost with 7.5%, 30-year amortization[1] | $13 | 14 | 10 | 5 | (9) | (10) | (10) | (10) | (11) | (13) | (20) |
| Cost with 6.8%, 30-year amortization[1] | 51 | 52 | 48 | 43 | 28 | 28 | 27 | 26 | 25 | 24 | 352 |
| Cost with 6.8%, 10-year amortization[1] | $145 | 147 | 143 | 138 | 124 | 124 | 123 | 122 | 122 | 121 | 1,309 |

[1]Directional estimate based on 1/15/23 letter from Cavanaugh Macdonald on impact of soft close, using only City contribution in comparison to projection of contributions assuming experience study is fully adopted by Board and $5.5b market value at 1/1/23, assumes changes retroactive to 1/1/23.

*Structural savings options*

# Adjust dependent cost sharing structure

## Benchmarking family / dependent coverage can provide additional savings

**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- The current structure of equal cost share across all coverage tiers for all plans is not aligned with benchmark survey results
- Adjust the dependent cost share structure and consider shifting more of the cost on the employee for dependent tiers
- Benchmarks indicate the average employee cost share for Exclusive Provider Organization ("EPO") and HDHP plans is ~14% for individual coverage and ~23% for dependent coverage
- Consider adjusting employee cost share to benchmark for EPO and HDHP plans (14% for EE Only and 23% for dependent coverage tiers)
- Keep Preferred Provider Organization ("PPO") at 25% employee cost share for individual coverage because there appears to have been an effort to steer employees away from this plan based on current pricing design
  - Since a 9% increase over the Eligible Employee ("EE") only tier is indicated by benchmarks, increase PPO dependent coverage tier employee cost share to 34%

### Impact

**Fiscal**

- Actual savings generated will depend on actual tier enrollment of employees and health care trends
- Long-term savings arise from employees in dependent coverage tiers paying more of the cost
- Estimated fiscal impacts are based on assumptions including:
  - Shifting more cost to the employee for the dependent tiers for all three plans according to government sector benchmarks
  - Adjusting employee cost share for EPO and HDHP dependent tiers to 23%
  - Adjusting employee cost share for PPO dependent tiers to 34%

**Equity**

- Subsidizing the cost of coverage less for dependents is common practice in the market
  - Employers tend to subsidize employee only coverage at a higher rate than dependent coverage to concentrate the organization's healthcare costs first on employees, second on dependent children, and last on spouses
  - Charging a market rate for dependent coverage encourages spouses or others with coverage available from their own employer to elect that coverage allowing all employers in the area to pay their fair share

### Considerations

- Potential for backlash among employees in dependent coverage tiers due to significant increases
  - In the model based on benchmark subsidy percentages, the dependent tiers for the EPO and HDHP plans are almost doubling
- Consider gradually working toward the benchmark cost share over time, over a 3- or 4-year period, to not shock employees with an immediate significant increase
- Regularly performing a dependent audit is a leading practice

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Savings | $0.0 | 9.0 | 9.6 | 10.2 | 10.8 | 11.4 | 12.1 | 12.8 | 13.6 | 14.4 | 103.9 |

Note: savings includes 6% annual health care trend assumption

# Modify retiree medical coverage for active employees

## Reduction or complete elimination of future coverage provides long term savings

**Fiscal impact**: Small | Medium | **Large**

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- The City eliminated retiree subsidy for general employees hired after 1/1/2017
- Recent WERC Racine ruling suggests post-retirement health benefits can be eliminated without collective bargaining
- City could consider modifying benefits further for current actives. Options vary depending on desired HR implications on different groups with options including:
  - Complete elimination of future coverage
  - Grandfathering those close to retirement to provide continued subsidy at a reduced / capped level (Ex: allowing those within 5 years of retirement eligibility to retire with 50% of 2023 subsidy)
  - Continue to provide benefits but modify eligibility to delay eligibility for pre-65 benefits, saving on number of years of payments expected
  - Institute caps or design changes such as HRA credits, or leverage HSA in active plans as alternative funding source

### Impact

**Fiscal**

- Retiree medical plan is accounted for on "pay-as-you-go" basis (currently ~$36M)
- Eliminating subsidy for future retirees provides no immediate savings, though costs will steadily grow
- ~52% of the OPEB liability at 1/1/2019 was attributable to health care for current actives, with normal costs of ~$70M per year, resulting in significant long-term savings
- Bulk of plan benefits are for pre-65 retirees resulting in substantial reduction in annual costs as these members age

**Performance**

- OPEB benefit is rapidly growing benefit (annual increases in liability of ~$70M while only paying off ~$40M per year). Left unchecked, future cost increases could potentially limit funds available for other services
- Covering only active employees can improve the efficiency in providing medical benefits

**Equity**

- On pay-as-you-go basis, current benefits to retirees are paid to retirees, affecting availability of funds for current employees and services
- As medical costs grow, this generational transfer of liability would continue to grow

### Considerations

- Likely to produce negative reaction from employees, especially those close to retirement who expect coverage
- In addition to grandfathered benefits, can continue to provide access but at full cost to the employee (i.e., no subsidy)
- Likely that collectively bargained groups will attempt to seek some type of "value" in return for loss
- Absent a reduction in future liability for active employees, continuing to pay on a pay-as-you-go basis will result in significant long-term cost increases due to medical inflation. Prefunding provides an option to leverage asset return to offset future costs

**Estimated Fiscal Impact of eliminating retiree medical coverage** *($ millions)*

| Savings | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Elimination of Active coverage | 0.0 | 0.0 | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD | TBD |

# Pair HDHP with HSA, align pricing

## HSA provides increased incentive to utilize lower cost plans when priced based on value

| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / Large | Low / **Medium** / High | State / **Local** / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- Pair High Deductible Health Plan ("HDHP") with Health Savings Account (HSA)
- Provide employer seed contribution to HSA
  - Encourages additional migration to HDHP
  - 42% of government employers offer HSA plans according to benchmark survey results and of those, 55% contribute to the account
  - Median seed for government sectors is $500 for individuals and $1,000 for dependent coverage tiers
- Adjust pricing of medical plan tiers to align with actuarial value
  - Current pricing is similar between plans of different value
  - Alignment of rates and contributions with relative actuarial value for HDHP produces savings that can be shared with employees, allowing lowering employee cost share targets to ~9%
- Auto enrollment in HDHP can further participation
- HSA savings can also add to retirement readiness to offset any decreases in OPEB

### Impact

**Fiscal**

- Actual savings (including cost of HSA seed) generated will depend on actual migration of employees, actual claims experience, and health care trends
- Long-term savings arise from:
  - Encouraging migration from EPO and PPO plans into HDHP
  - Pricing HDHP to be more in line with actuarial value relative to EPO plan
- Estimated fiscal impacts are based on a pricing model involving:
  - Adjusting rates of HDHP to reflect relative actuarial value to EPO plan
  - Bringing employee cost share from 12% to 9% for the HDHP
  - Introducing employer funded HSA seed of $250 for individuals and $500 for dependent coverage tiers
  - Assuming gradual migration of 25% into the HDHP from the EPO and PPO plans after three years

**Equity**

- HSA plans, and specifically employer contributions toward HSA plans, demonstrate an equitable environment and allows all employees a better option to access affordable health care coverage
- By basing plans more closely on actuarial value, employees are offered the option to pay less for a plan with a lower value, as opposed to the current pricing, which has those in the HDHP paying a similar price (as the EPO plan) for a plan with much lower value
- Consider progressive premium structure in pricing structure, which can potentially reduce costs and provide more affordable access to lower paid employees

### Considerations

- Employees in a HDHP learn to utilize their healthcare spending more efficiently, leading to lower utilization and lower costs over time
- Employees who move into the HDHP are more likely to be healthy employees
  - Results in collecting less in premiums from employees in HDHP
  - Over time, may increase per member costs for EPO
- Current HDHP is not priced competitively, and value is not seen by members
- Leading practice in the market around HDHPs involves a concerted initial effort around communicating plan value to employees
  - Education / promotion of HDHPs and HSAs requires internal training of City staff and participant communications
  - HSA cash contributions offer significant tax advantages and are well received
  - Impact on recruitment / retention is often driven by success of education efforts
- Can similarly implement in OPEB by adding HDHP and appropriately pricing

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| HSA employer seed cost | $0.0 | (0.2) | (0.4) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) | (4.3) |
| Revenue (savings)/cost | 0.0 | 0.4 | 0.7 | 1.2 | 1.3 | 1.3 | 1.4 | 1.5 | 1.6 | 1.7 | 11.1 |
| **Net Impact** | $0.0 | 0.2 | 0.3 | 0.7 | 0.8 | 0.8 | 0.9 | 1.0 | 1.1 | 1.2 | 6.8 |

Note: savings includes 6% annual health care trend assumption

*Structural savings options*

# Introduce spousal surcharge

## Incentivizing spouses to use other employer plans can reduce dependence on City

**Fiscal impact**: Small | **Medium** | Large

**Feasibility**: Low | **Medium** | High

**Jurisdiction requirement**: State | **Local** | None

**Implementation timeline**: Quick win | **0-5 yrs** | 5-10 yrs | 10+ yrs

### Description

- Consider adding a spousal surcharge to the active medical plans to achieve savings by driving spouses to alternative medical plan options or collecting a surcharge for those remaining on the plans
- While only 7% of government employers require a spousal surcharge, imposing one could assist with eliminating costs associated with covering dependents
  - If spouses or partners of employees have an alternative access to health coverage, it isn't uncommon for employers to charge an additional amount to cover those dependents
- Median spousal surcharge is $100 per month for spouses who have other coverage available and elect to remain on the plan

### Impact

**Fiscal**

- The actual cost savings depend on plan migration and how many employees will opt for the spousal surcharge
- Covering fewer lives generally reduces costs according to studies
  - Another study found that spouses tend to spend more on health care annually than covered employees
- Imposing the surcharge has the potential to improve plan experience if more costly spouses drop off the plans
- Estimated fiscal impacts are based on assumptions including:
  - Assuming 80% of employees enrolled in "EE+Sp" or "EE+family" plans have spouses that do not have coverage elsewhere
  - Assuming 10% of spouses would elect their own employer's coverage and move off the City's plans
  - Assuming 10% of spouses would remain covered and incur the spousal surcharge of $100 instead of electing their own employer's coverage

**Equity**

- Potential for backlash among employees; would need to consider the City's culture and guiding principles and whether this program would align with the culture
- Charging a spousal surcharge creates a clear incentive for spouses with coverage available from their own employer to elect that coverage allowing all employers in the area to pay their fair share

### Considerations

- Consider implementing a smaller spousal surcharge and increasing over time
- Spousal health coverage is often a valuable benefit for current and potential employees (attraction and retention)
  - Potential backlash among employees
- Would have to consider how to implement: honor system vs. proof through document submission
- Data wasn't provided on how many spouses have alternative coverage, so the savings are an estimate based on assumptions
- Regular audit of spouse coverage and eligibility is a best practice, especially if rates are set differently based on existence of spouse coverage

**Estimated Fiscal Impact** *($ millions)*

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (Savings)/costs - spousal surcharge | 0.0 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 2.6 |
| (Savings)/costs - spouse leaving plans | 0.0 | 2.9 | 3.1 | 3.3 | 3.5 | 3.7 | 3.9 | 4.1 | 4.4 | 4.6 | 33.4 |
| **Net Impact** | 0.0 | 3.2 | 3.4 | 3.6 | 3.8 | 4.0 | 4.2 | 4.4 | 4.7 | 4.9 | 36.0 |

Note: savings from spouse leaving plans includes 6% annual health care trend assumption

# Revenue options

*Note: This review was undertaken during a time when the outcome of the local option sales tax was uncertain. Therefore, revenue options utilized in other communities were researched and some are outlined here. With the passage of the sales tax, the need for these (and the Legislature's inclination to even consider them) has been significantly reduced. It is still valuable, however, to understand how other communities generate additional local revenue.*

# Milwaukee's own source revenue base as compared to peers

## Assessed the overall fiscal capacity of the City and identified potential options

### Approach overview

- Benchmarked the relative burden and fiscal capacity of the City's taxes, fees, and charges with peer cities to provide analysis and insights regarding the City's current financial position. This included overall tax burden comparison and benchmark by tax and fee type
- Identified potential revenue options that the City could consider as incremental sources of revenue. Reviewed and analyzed the feasibility of these options in the context of the current and proposed state and local policies, and estimated the fiscal impact for each
- The City does not levy most of the taxes and fees that many of its peers do. However, the State of Wisconsin levies almost all taxes and transfers state aid as "Shared Revenue" to the City. As a result, the state taxation was included in the feasibility scoring as well as the overall tax burden assessment of the City population

| | Milwaukee | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Own source revenues** | City of Milwaukee | Milwaukee County | Wisconsin | Milwaukee total levy | Buffalo, NY | Cincinnati, OH | Cleveland, OH | Columbus, OH | Kansas, MO | Memphis, TN | Minneapolis, MN | Tucson, AZ |
| Property Tax | X | X | X | X | x | X | X | X | X | X | X | x |
| Total General Sales Taxes | | X | X | X | | | | | X | | X | x |
| Alcoholic Beverage Sales Tax | | | X | X | | | | | | X | X | |
| Amusement Tax | | | X | X | | X | X | | | | X | |
| Insurance Premium Tax | | | X | X | | | | | | | | |
| Motor Fuels Sales Tax | | | X | X | | | | | | | | |
| Parimutuels Tax | | | X | X | | | | | X | | | |
| Public Utilities Tax | | | X | X | x | | X | X | X | X | X | x |
| Tobacco Sales Tax | | | X | X | | | | | X | | | |
| Alcoholic Beverage License Tax | | | X | X | | X | | | | X | | x |
| Amusement License Tax | | | X | X | x | X | | | | X | | |
| Motor Vehicle License | | | X | X | | X | X | | X | X | | |
| Motor Vehicle Operators License | | | X | X | | | | | | X | | |
| Public Utility License Tax | | | X | X | | | | | | | | |
| Occup. & Business License | X | | X | X | x | X | X | X | | X | | |
| Individual Income Tax | | | X | X | | X | X | X | X | | | |
| Corporate Income Tax | | | X | X | | | | | X | | | |
| Death & Gift Tax | | | X | X | | X | | | | | | |
| Miscellaneous fees and charges | X | X | X | X | x | X | X | X | X | X | X | x |

**This section highlights revenue options in two key areas**

**Taxes**

- Tax burden benchmarking
- Tax capacity
- Tax increase options
- PILOT
- Tax incremental finance ("TIF")
- New tax options (e.g., local service tax, City sales tax, rideshare tax)

**Fees, charges, and cost recovery**

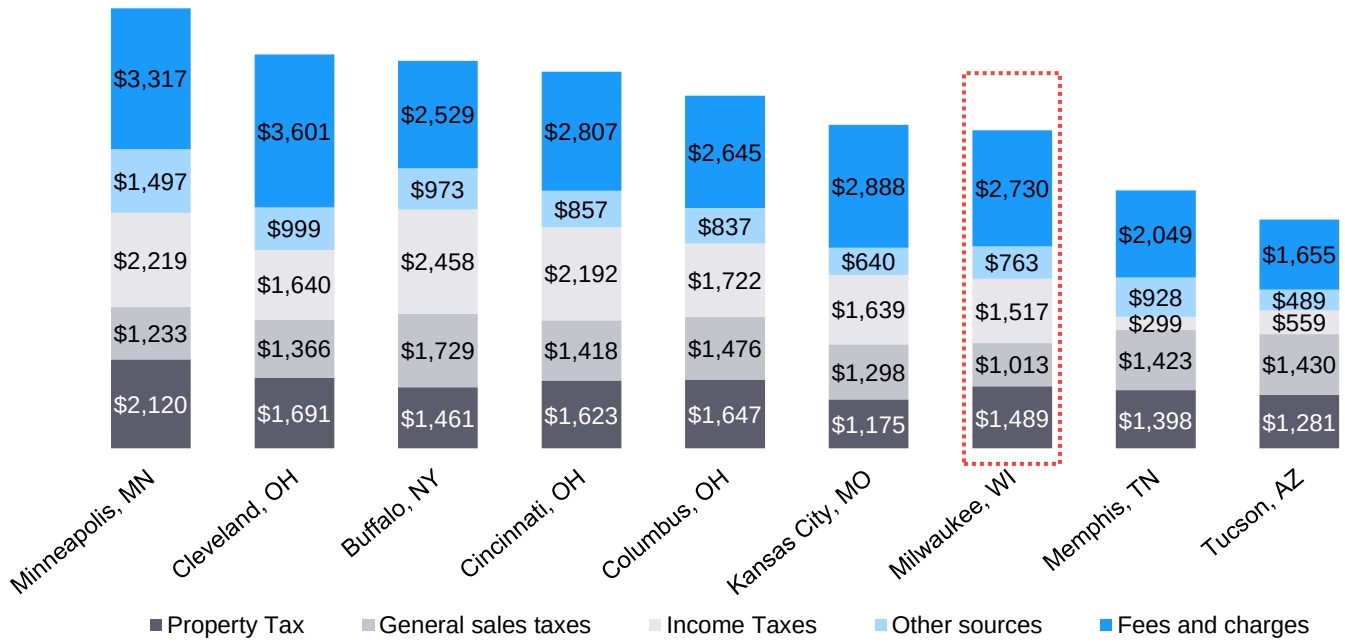
- Fee benchmarking
- Urban forestry fee
- Speed and red-light fines
- Cost of major services

Note: The benchmarking peer cities are chosen because they have economic, demographic, and geographic features or governmental structures similar to the City of Milwaukee.

# Total tax burden benchmark

## Milwaukee ranks 7th of 9 in total tax burden, including all state and local taxes and fees

### Total tax burden per capita, inclusive of all state and local taxes and fees




### Share of total burden

| | Fees and charges | Income taxes | Property tax | General sales taxes | Other |
|---|---|---|---|---|---|
| Milwaukee | 36% | 20% | 20% | 13% | 10% |
| Peer average | 33% | 20% | 19% | 17% | 11% |

Sources: 2017 Census Survey of State and Local Government Finances, GMC analysis

### Commentary

- In terms of combined state and local taxes and fees burden, the City of Milwaukee ranks the 3rd lowest among 8 peers
- Fees and charges per capita is $2,730 for Milwaukee and ranks 5th highest among 8 peers. It accounts for the largest (36%) share of Milwaukee's total taxes and fees burden compared to the 33% peer average
- For Milwaukee, the general sales tax share is 13% of the total taxes and fees burden and ranks lowest among all 8 peers. However, these are state or county taxes and are not collected by the City. On average, this category of tax accounts for 17% of the total taxes and fees burden for peers
- Property tax is the third largest (20%) component of Milwaukee's total taxes and fees burden compared to the 19% peer average. Milwaukee ranks the 5th highest among 8 peers in property tax per capita

**Note:** This analysis uses 2017 Census data because 2017 is the latest year when all US local governments were surveyed and provides the most accurate government finance data. For this analysis, the tax burden includes all taxes and fees collected by states, counties, cities, and other local governments such as school districts and special districts. The analysis consolidates city, county, and other local government taxes and fees in calculating total local taxes and fees burden. Taxes and fees collected by states are also allocated back to the peers to account for total tax burdens

# City sales tax

## A recently enacted 2% city sales tax could allow the City to collect $192 million a year

**Fiscal impact**

Small | Medium | **Large**

**31%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**

Low | **Medium** | High

**Jurisdiction requirement**

**State** | Local | None

### Context

- Currently, the State of Wisconsin levies a 5% sales tax, and Milwaukee County levies a 0.5% sales tax.
- State law recently enacted the following legislation, which:
  - Permitted Milwaukee County Board to increase its sales tax by 0.4% up to 0.9%. The County approved the increase starting in January
  - Permitted Milwaukee City Council to vote on a sales tax. The City voted to implement a new 2% sales sax also starting in January
  - Allocated 20% of the state's sales tax to aid local governments

### Impact

**Fiscal**

- **Revenue impact:** When the City levies a 2% tax on sales transactions in the City, the City is estimated to collect up to $192M, which is 31% of the current general fund revenue ($627M)
  - The impact is calculated by applying the 2% tax rate to the estimated sales volume in the City
  - The estimated sales volume for the City is calculated by applying the city-to-county employment ratio to the county sales volume (calculated based on the county's current sales tax collection[1])
- **Operational cost:** Minimal if the collection process can use the same resources as the County's existing taxes

**Equity**

- Sales taxes are generally considered vertically inequitable because it is a flat tax across all goods regardless of the income level of the buyer and is regressive in nature. The State of Wisconsin has historically exempted many basic goods and services from the sales tax

### Considerations

- The State will administer the Milwaukee City sales tax, keeping a portion of all sales tax revenue to cover its costs
- The City must use sales tax revenue to fund annual pension obligations, followed by maintaining police, fire, and EMS staffing
  - In year 1 specifically, 90% must go to pension and 10% to police, fire and EMS
  - Within 10 years, the City must attain a staffing level of 1,725 law enforcement officers, including 175 detectives and not fewer than 218 paid fire department members
- The 2% City sales tax and 0.4% County sales tax legislation expires when the pension system liability is fully funded or after 30 years

### Estimated Fiscal Impact

| | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Estimated tax base (sales volume in the City) ($m) | $9,593 | $9,929 | $10,302 | $10,672 | $11,032 | $11,380 | $11,719 | $12,057 | $12,406 | NA |
| Tax rate | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | NA |
| **Total impact ($m)** | $192 | $199 | $206 | $213 | $221 | $228 | $234 | $241 | $248 | $1,982 |

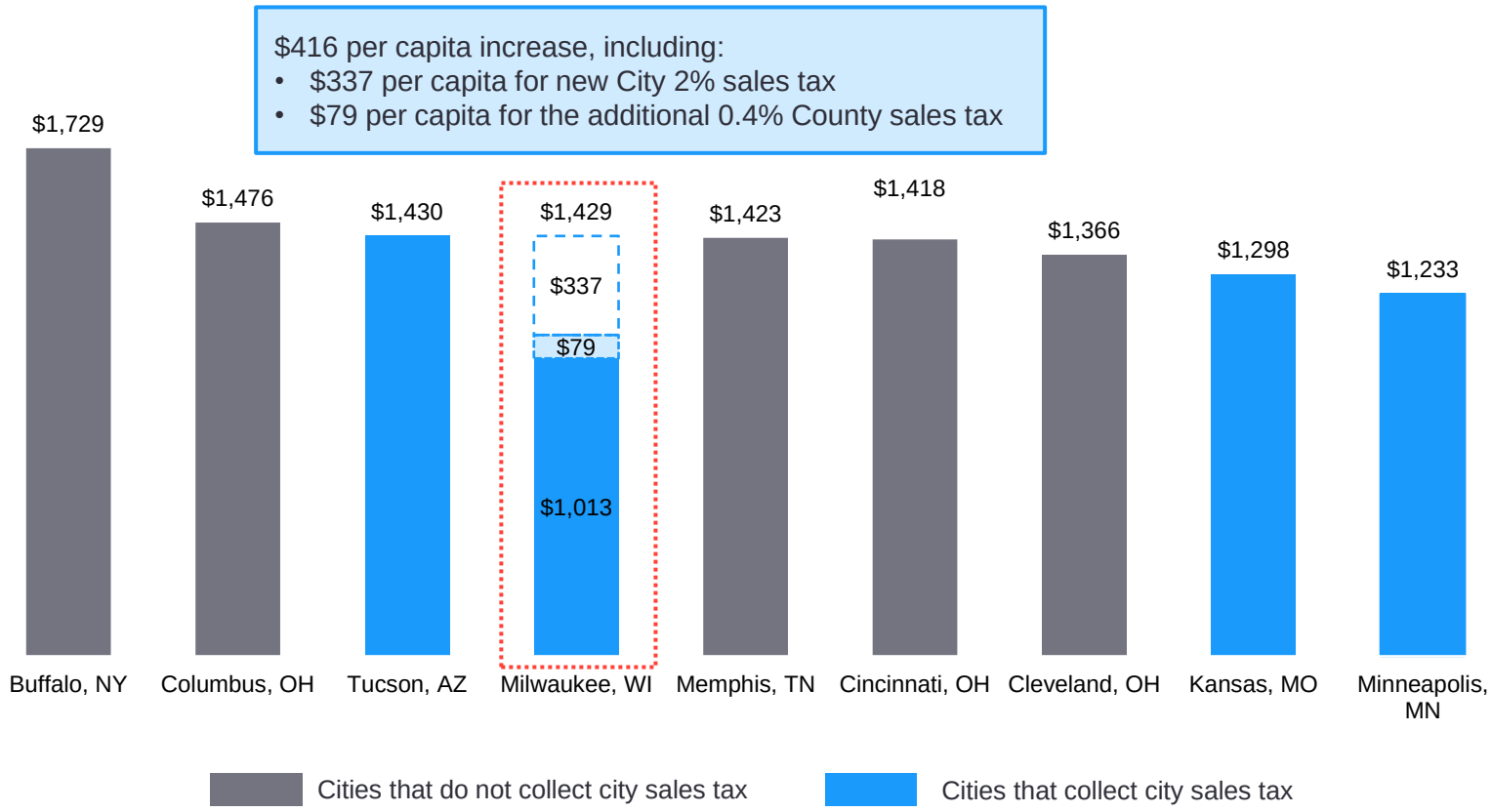
Note: The sales tax base is assumed to grow in the future with increased consumer spending (based on Oxford Economic forecast for the Milwaukee MSA)

1. County 2019 ACFR

# Sales tax benchmark

## The City's sales tax burden is expected to rank 4th with new and increased sales taxes

### Total state and local sales tax burden *(per capita)*




### Milwaukee's position among peers

- Compared to peer cities, the City of Milwaukee currently has the lowest state and local sales tax burden of $1,013 per capita
- Sales tax per capita is estimated to increase by about $416 per capita, including $337 per capita from the new 2% City sales tax and $79 from the additional 0.4% County sales tax
- At the estimated $1,429 total sales tax burden, the City ranks fourth among peers
- Currently, three peer cities (Kansas, Tucson, and Minneapolis) collect city sales tax

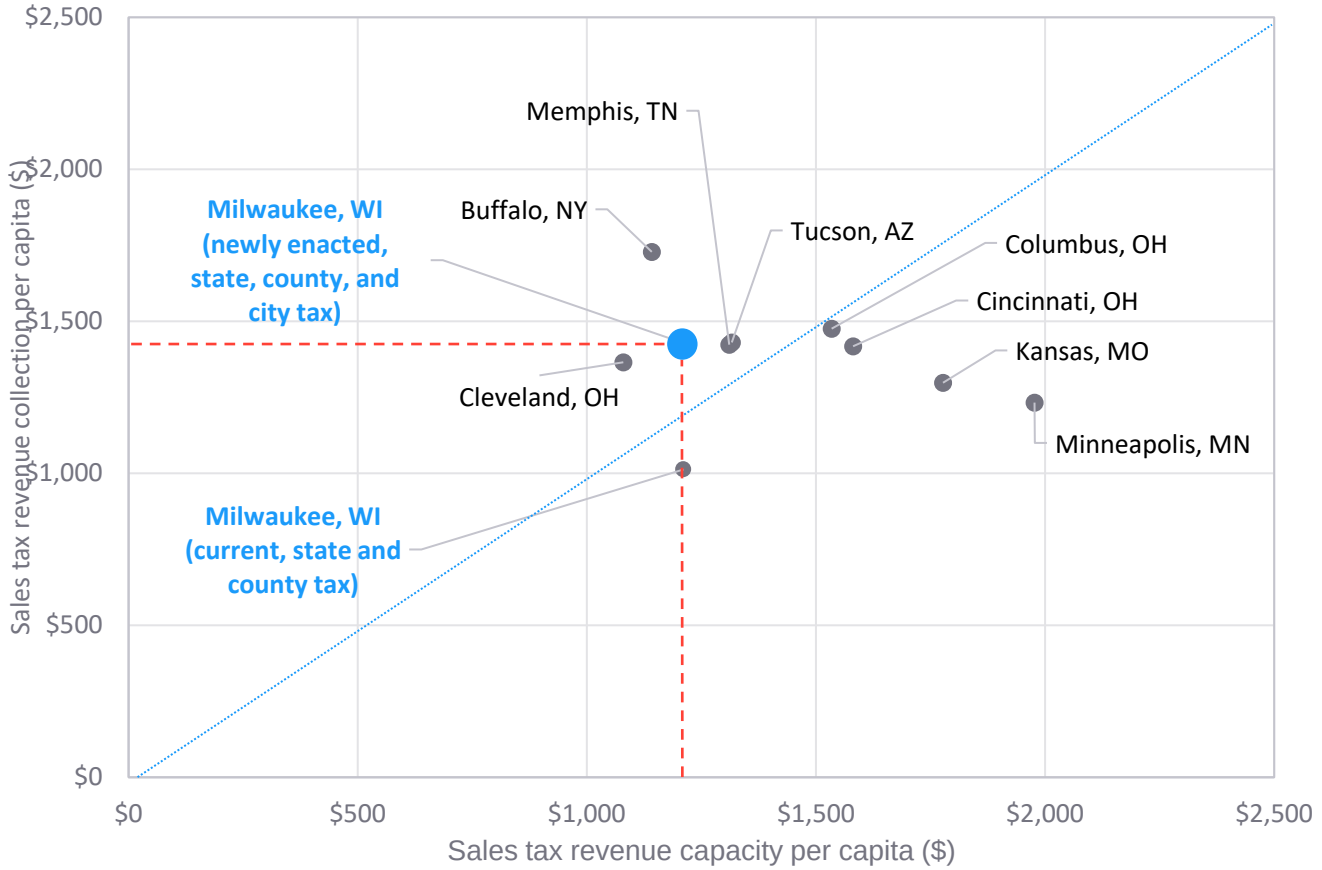
| | City sales tax collection per capita |
|---|---|
| Kansas, MO | $533 |
| Tucson, AZ | $392 |
| Milwaukee, WI | $337 |
| Minneapolis, MN | $131 |

Sources: Census Survey of State and Local Government Finance 2017 for burden analysis

# Total sales tax capacity

## Relative to peer cities, Milwaukee appears to have room to grow its sales tax revenue

### Sales tax revenue collection and revenue capacity per capita for Milwaukee County and counties in which peer cities are located

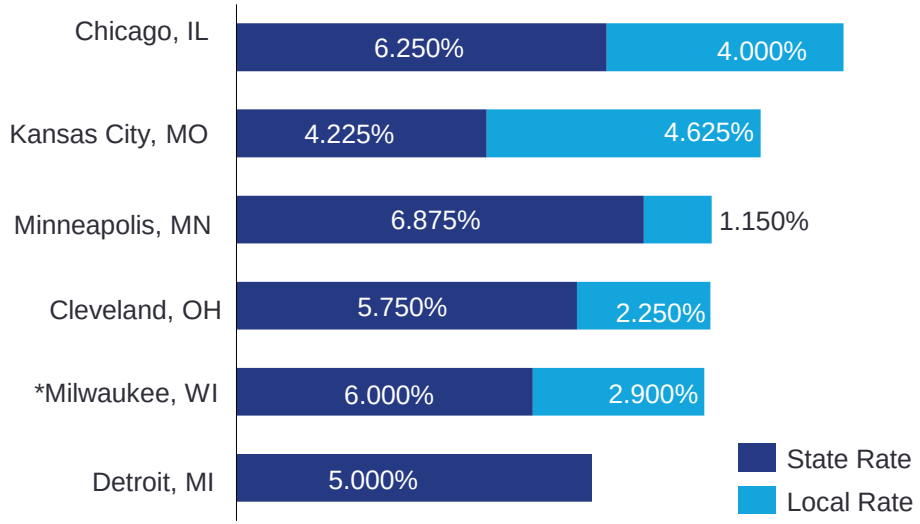



Revenue capacity measures how much revenue the city residents could contribute to state and local property tax, assuming the average tax rate is applied to a hypothetical revenue base. For sales tax, the hypothetical revenue base is the total city personal consumption expenditures (PCE).
Revenue collection means tax revenue collected by all state & local govt (county, city, special districts, and school districts) from the city residents
The diagonal line represents a ratio of equal revenue collection to revenue capacity
Sources: 2017 Census Survey of State and Local Government Finances, GMC analysis

### Commentary

- On average, Milwaukee residents will contribute $1,429 for state and county sales taxes
- This is higher than the estimated revenue capacity for a City resident at $1,211

### *Combined state and local sales tax rates by city as of mid 2021**




*New Milwaukee rate is shown and will be in effect in January 2024

# Increasing the wheel tax

## Increasing the wheel tax by $10 per vehicle could allow the City to collect $2.1M

**Fiscal impact**

Small | **Medium** | Large

**0.33%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**

Low | Medium | **High**

**Jurisdiction requirement**

State | **Local** | None

### Context

- Wheel tax is a local (county or municipal) flat fee per vehicle, which is assessed on top of the state vehicle registration fee
- The state vehicle registration fee varies by type of vehicle (e.g., automobiles, autocycle, and trucks at 8,000 lbs. or less)
- If the local government choose to collect the wheel tax, vehicle owners pay the state fee as well as the local wheel tax to the county and/or the municipal governments
- For automobiles in the City, the annual registration fee is $145, $30 of which is collected by the City, $30 collected by the County, and $85 collected by the State

### Impact

**Fiscal**

- **Revenue impact:** If the fee is increased by $10, from the current $30 to $40, the City could collect an additional revenue of $2.1M, which is 0.3% of the current general fund revenue
  - The impact is calculated using FY2020 actual revenue collection and the estimated number of vehicles that would generate the revenue, given a $30 per vehicle tax
- **Operational cost:** Since the wheel tax is an existing local tax, the incremental cost to the City is anticipated to be minimal

**Equity**

- **Horizontal equity:** Those receiving the same transportation infrastructure and services generally pay the same tax, with a caveat that heavy vehicles cause higher damage. Those within same income strata pay the same wheel tax
- **Vertical equity:** Those with high personal income owning high-valued vehicles (high capacity) do not necessarily pay higher tax compared to low-income individuals with low-valued vehicles

### Considerations

**Feasibility**

- Wisconsin state law allows the City to collect wheel tax
- The state law does not specify the wheel tax amount. However, the City will need to use the tax revenue for transportation-related purposes
- The City has authority to raise the wheel tax through budget process (public hearings and a vote by the Common Council)

**Best Practices**

- Periodic review and adjustments to ensure the tax keeps pace with the costs of providing transportation infrastructure and services
- Ensure the fee structure is equitable and does not disproportionately burden certain populations

**Estimated Fiscal Impact**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax base (# of vehicle) | 206,731 | 211,224 | 214,538 | 217,442 | 220,038 | 222,253 | 224,304 | 226,258 | 228,063 | 229,884 | NA |
| Tax per vehicle | $40 | $40 | $40 | $40 | $40 | $40 | $40 | $40 | $40 | $40 | NA |
| **Total wheel tax ($m)** | **$8.3** | **$8.4** | **$8.6** | **$8.7** | **$8.8** | **$8.9** | **$9.0** | **$9.1** | **$9.1** | **$9.2** | **$88** |
| **Incremental revenue impact ($m)** | **$2.1** | **$2.1** | **$2.1** | **$2.2** | **$2.2** | **$2.2** | **$2.2** | **$2.3** | **$2.3** | **$2.3** | **$22** |

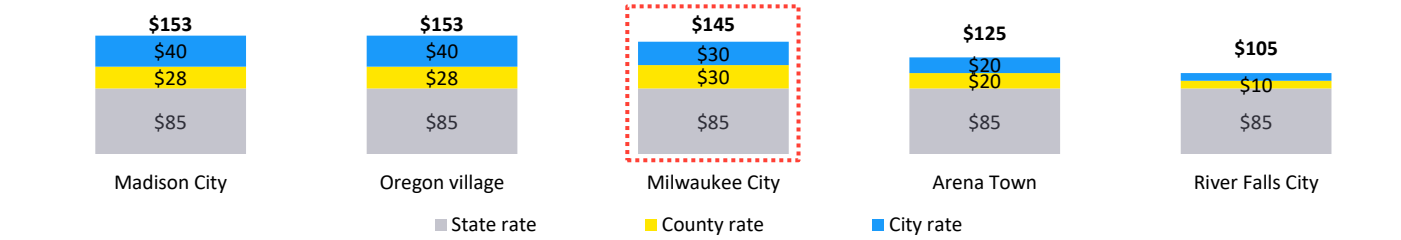
Note: FY2023 tax base is assumed to be at the same level as FY2020 and to continue in the future with an average annual vehicle sales growth at 1% (based on Oxford Economic forecast for the Milwaukee MSA).

# Wheel tax benchmark

## The City's wheel tax burden is in the middle among Wisconsin peers

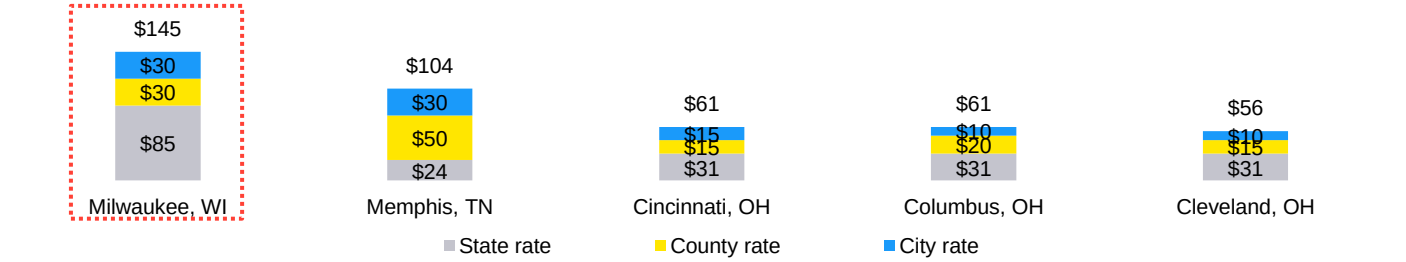
### Vehicle registration fee rate in Wisconsin cities*

where the state, county and city all have vehicle registration fees

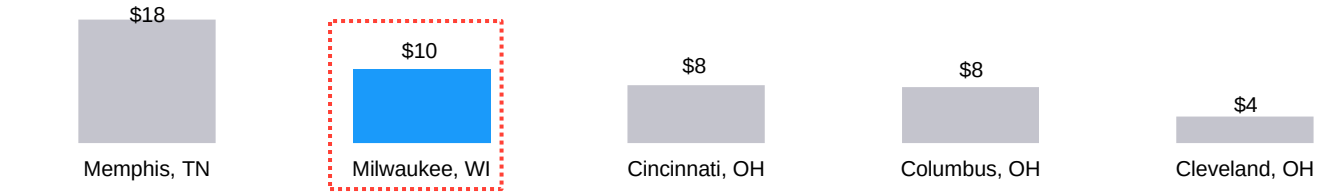



### Vehicle registration fee rate,

Milwaukee compared to peers in other states




### City wheel tax collection per capita




*Other cities and counties in Wisconsin either do not charge vehicle registration fees or do not charge all three state, county and city fees.

Sources: City budget and annual comprehensive financial reports for 2020 actual tax collection.

### Milwaukee's position among peer cities

- In five municipalities in Wisconsin (including Milwaukee), vehicle owners pay state, county and city vehicle registration fees*.
- Among these five cities, the City of Milwaukee ranks 3rd and is in the middle with a combined rate of $145, $8 lower than the $153 rate for the highest city (Madison)
- Compared to the peer cities in other states, the City of Milwaukee ranks the highest in terms of the total state and local vehicle registration fee amount
- On average, the City collects $10 of wheel tax per capita. Relative to its peers, the City of Milwaukee ranks the 2nd highest

**City of Milwaukee's tax structure:**

- **Tax base:** Number of vehicles
- **Tax rate:** $30 per vehicle (flat fee)

# Increasing Payment in Lieu of Taxes ("PILOT")

## The City could collect $6.9M in additional annual revenue from private exempt properties

**Fiscal impact**: Small | Medium | **Large**

**1.1%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**: Low | Medium | **High**

**Jurisdiction requirement**: State | Local | **None**

### Context

- In the City, non-profit entities (e.g., hospitals, universities, and governments) are exempt from property taxes
- Some exempt property owners choose to make PILOT payments to the City
  - PILOT agreement: requires property owners to make PILOT payments. Examples include development agreement (used when properties are constructed/redeveloped)
  - PILOT payment: exempt property owners (e.g., Dept. of Transportation) pay for municipal services
  - Fair Share Agreement: exempt property owners voluntarily make PILOT payments to the City

### Impact

**Fiscal**

- **Current private entity payment:** currently, the City receives **$0.4M** PILOT payments from private non-profit entities
  - Beginning in 2022, Wisconsin Center District has committed to pay PILOT to the City. The payment is a fixed amount each year[1]
- **Potential private entity payment from Fair share Agreement ($6.9M):**
  - If all private tax-exempt properties agree to pay PILOT amounts that are equivalent to 25% of their property tax, the City would potentially be able to collect additional $6.9 million from private entities
- **Operational cost**: Stakeholder engagement and community outreach to motivate and establish agreements will require additional FTEs. The City could assess the current PILOT-related FTE capacity and future need. An interview with the City of Boston to gather process information and operational cost is recommended

**Equity**

- If the City wants to pursue more PILOT payments or set a property value threshold, the City could update the assessment value for these exempt properties to provide more precise and equitable estimates for their PILOT amounts

### Considerations

**Feasibility**

- Wisconsin state law defines properties that are eligible for property tax exemption. The City is not allowed to compel exempt property owners to make PILOT payments

**Best practices**

- Consult with the City of Boston to learn from its experience
- The City could update the assessment value for tax-exempt properties to provide more precise estimates for PILOT amounts. This will also allow the City to effectively exclude properties under certain value thresholds from the voluntary payment program

### Estimated Fiscal Impact

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Existing PILOT – private entities ($m) | $0.4 | $0.4 | $0.4 | $0.4 | $0.4 | $0.4 | $0.4 | $0.4 | $0.4 | $0.4 | $4.0 |
| Newly agreed PILOT - Wisconsin Center District ($m) | 0.5 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 9.3 |
| **Estimated additional PILOT – private entities ($m)** | **6.9** | **7.1** | **7.3** | **7.4** | **7.6** | **7.8** | **7.9** | **8.1** | **8.3** | **8.5** | **76.9** |
| Total PILOT ($m) | $7.8 | $8.2 | $8.7 | $8.8 | $9.0 | $9.2 | $9.3 | $9.5 | $9.7 | $9.9 | $90.1 |

***Important note: Given that the exempt properties are not assessed frequently, the assessment value for exempt properties and revenue collections from those are subject to change.***
Note: The FY2023 assessment value is assumed to be the same level as FY2019. For FY2024 – FY2032, the property value is assumed to grow with annual inflation (based on Congressional Budget Office forecast for the US). The tax rates for all outyears are assumed to be the same as the current property tax ($9.16 per $1,000 property value)

1. Wisconsin Center District PILOT: $250k for 2022, $500k for 2023, $750 for 2024, and $1M + $1M per $10M of net income that exceeds $30M each year starting from 2025. Because net incomes from prior years were constantly below $30M, the PILOT payment for FY25 and onwards were assumed to be $1M per year

Sources: City of Milwaukee Common Council reports and Wisconsin Center District 2023 Budget

# PILOT – a case study of Boston

## Boston receives $35 million in cash PILOT payments a year from non-profits

### Context

- Similar to the City of Milwaukee, the City of Boston does not levy most local taxes that are levied by other US cities (e.g., income and payroll taxes)
- Due to its high concentration of universities and schools, Boston has a large number of tax-exempt properties which erode the property tax base
- Property tax revenue helps fund important City services such as police and fire protection and snow removal

### PILOT

- Task Force: City of Boston created a Task Force to examine the relationship between the City and tax-exempt institutions. The Task Force's main objectives were to:
  - Set a standard level of contributions (programs and payments) for all major tax-exempted property owners
  - Develop methodology to value community benefits provided by tax-exempt institutions
  - Clarify the costs associated with providing City services to tax-exempt institutions
  - Propose a structure for non-profit PILOT payments
- In 2011, Boston adopted new guidelines for the PILOT program as recommended by the PILOT Task Force:
  - All exempt properties with property values over $15 million could be asked to voluntarily participate
  - New guidelines call for voluntary payments based on the institution's tax-exempt property values, and a new PILOT formula was phased in over a 5-year period
  - PILOT contributions are 25% of what an institution might expect to pay in property taxes if their properties were not exempted, but an institution can receive up to a 50% PILOT deduction for a qualifying community program

### PILOT – payment forms

- Institutions make PILOT contributions in two forms:
  - Community programs that uniquely benefit the City's residents
    - Examples: school funding, community health initiatives, park open spaces
  - Cash
- In FY2022, the City of Boston identified 47 private educational, medical, and cultural institutions with property values over $15 million. The City requested a total of $123.6 million PILOT payments from these institutions
- The 47 institutions paid $57 million in PILOTs as community benefits to City residents and $36 million in cash to the City. In total, the 47 institutions contributed $92 million (or 75% of the $123.6 million requested) through PILOTs

| Category | Requested PILOTs | Community benefits credits | Cash contributions | % PILOT request met |
|---|---|---|---|---|
| Educational | $66,709,087 | $30,793,921 | $14,788,450 | 68% |
| Medical | $52,435,618 | $25,032,192 | $20,245,257 | 91% |
| Cultural | $4,434,883 | $1,085,610 | $470,562 | 35% |
| **Total** | **$123,579,587** | **$56,911,723** | **$35,504,268** | **75%** |

Sources: City of Boston PILOT program FY2022 PILOT results.

# PILOT – City of Milwaukee status

## The City's private tax-exempted properties worth $3.2 billion

### Property tax exemption

- Approximately **20% of the real estate value** in the city is exempted from property taxes
- **Wisconsin law defines** the properties that are eligible for these exemptions. Exempted properties include but are not limited to educational institutions, religious institutions, non-profit hospitals, and government entities

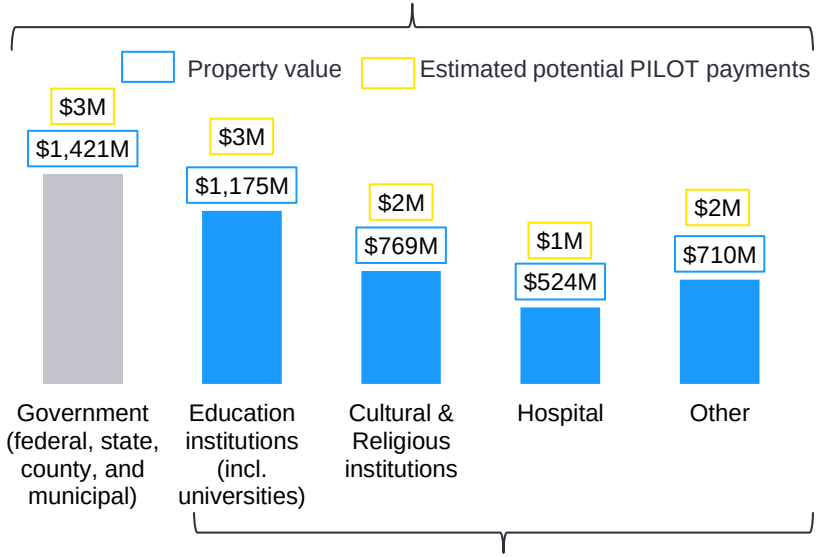
### PILOT

Some exempt property owners choose to make a **PILOT**. While they are not obligated to pay property taxes, they acknowledge the local government services they receive and agree to a voluntary payment

- The total property values for all tax-exempt properties in the City is $4.5 billion
  - Private (non-governmental) properties worth $3.2 billion, $1.2 billion of which are education institutions
- Currently, the City collects $0.4 million from private tax-exempt entities. If all private tax-exempt properties agreed to pay PILOT amounts equivalent to 25% of their property tax, the City would collect $6.9 million additional PILOT from private entities[1]
- Wisconsin Center District, a public entity, agreed to pay at least $0.25 million a year starting in FY2022

| | |
|---|---|
| **Estimated total property value for private tax-exempted properties** | **$3.2B** |
| City property tax rate (per $1,000 property value) | $9.16 |
| Total potential property tax | $29M |
| **Total property tax with 75% discount from private tax-exempt properties** | **$7.3M** |
| Existing PILOT agreement from private entities | $0.4M |
| **Potential net impact (private entities)** | **$6.9M** |

**$4.5 billion total property value for tax-exempted properties**
In Milwaukee City




**$3.2 billion total property value for private tax-exempted properties**

1. Currently, Boston's PILOT guideline states the PILOT contributions could be 25% of what the institutions might expect to pay in property taxes if their properties were taxable. We assume the Milwaukee PILOT program will apply 25% to the property tax estimate. While Boston excludes properties with property values less than $15 million from the voluntary participation, this estimate assumes all private tax-exempted properties are in the voluntary program

*: The 0.4 million collection is the PILOT collection from exempt property owners only. Source: 2021 City of Milwaukee budget Page 148

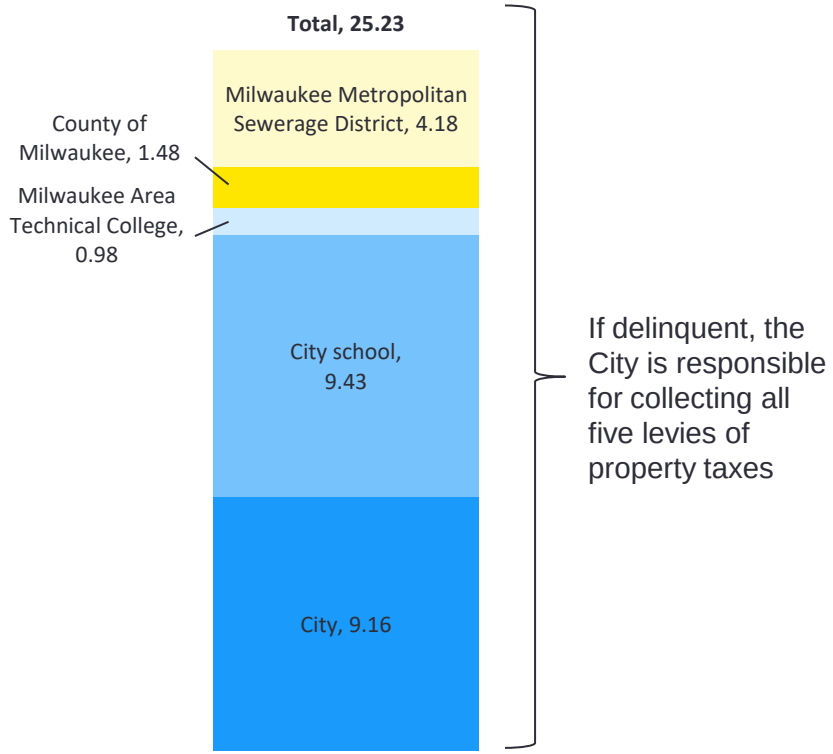
Sources: City of Milwaukee Common Council reports and Wisconsin Center District 2023 Budget

# Delinquent property tax overview

## The City is in charge of collecting delinquent property taxes for 5 taxing jurisdictions

### Property tax rate by levying jurisdiction

In $ per $1,000 property value




### Context

- Currently, five jurisdictions levy taxes in the City of Milwaukee:
  - City of Milwaukee
  - Milwaukee Public Schools
  - Milwaukee Area Technical College
  - Milwaukee Metropolitan Sewerage District
  - Milwaukee County
- Each February, the City Treasurer identifies City property tax accounts not paid in full by January 31 and not scheduled for payment through the City's installment plan
- The Treasurer then purchases the County taxes owed on all these delinquent accounts and makes all jurisdictions whole
- The City Treasurer has a longstanding practice of purchasing the County's portion of delinquent taxes (which includes Milwaukee Metropolitan Sewerage District fees but excludes Milwaukee Area Technical College and Milwaukee Public Schools levies)
  - The City charges 18% interest and penalty on unpaid balances

### Three phases of collection

- The City follows three phase process in collecting the delinquent real property taxes:
  - Phase I: letters sent to homeowners
  - Phase II: If the real (personal) property owners do not pay after three (two) letters from the City, the City contracts with a collection agency (currently Kohn Law Firm) to collect delinquent taxes
  - Phase III: In the last phase, the City pursues in rem foreclosure against parcels that are still delinquent after phase II

Sources: City of Milwaukee Treasurer and Assessor's Office.

# Delinquent property tax proposed next steps

## Consider conducting an ROI analysis accounting for all revenues and costs

### Current understanding and next steps

- The data provided by the Office of the City Treasurer indicates the total expenditure for collecting property taxes was $4.8 million in 2021, and net revenue flows from the delinquent property tax collection in rem foreclosure arrangement
- However, significant costs are not apparently accounted for in the process – primarily those related to the management of the foreclosed properties. Also, the information available does not include expenses and revenue related to foreclosed properties, which are required to conduct a comprehensive assessment of the net position of the current arrangement
- Delinquent tax collection and foreclosure process involve multiple Departments and complex foreclosure process. Some of the major Departments are:
  - City Treasurer
  - Comptroller
  - Department of City Development (DCD)
  - Department Public Works
  - Department of Neighborhood Services
- Consider conducting a total return on investment (ROI) assessment with a comprehensive list of costs associated with the delinquent property tax collection process and managing delinquent properties. The analysis could include direct overhead costs and any indirect cost to the City involving all relevant Departments
- Given complexity of the foreclosure process, consider a working group to facilitate stakeholder engagement and return-on-investment analysis

### Cost of property tax collection, in $M

| | |
|---|---|
| **Tax collection cost** | **$4.8** |
| Treasurer's in-house costs (e.g., labor cost) | $3.0 |
| Contract with collection agency | $0.3 |
| Delinquent Tax Fund | $1.4 |

### Statistics on delinquent county tax receivables purchased, in $M

| **Fiscal Year** | **2018** | **2019** | **2020** | **2021** |
|---|---|---|---|---|
| **Levy Year** | **2017** | **2018** | **2019** | **2020** |
| County Levy | $182.3 | $187.0 | $191.2 | $194.8 |
| Delinquent Purchases[1] | $10.6 | $7.8 | $9.8 | $8.3 |
| Balance Due on 07-05-2022 | $0.2 | $0.3 | $0.4 | $0.9 |
| Accounts Written Off | $0.3 | $0.2 | $0.2 | $0.1 |
| Delinquent Taxes Collected | $10.0 | $7.3 | $9.2 | $7.3 |
| Interest/Penalty Collected | $0.9 | $0.8 | $0.7 | $0.7 |
| Outcome Indicator Factor | 0.53% | 0.61% | 0.59% | 0.54% |
| Cost of Tax Collection | $0.05 | $0.04 | $0.05 | $0.04 |
| Accounts Written Off | $0.3 | $0.2 | $0.2 | $0.1 |
| **Gain[2] on Delinquent County Tax Receivables Purchased** | **$0.52** | **$0.52** | **$0.52** | **$0.53** |

1. It includes Milwaukee County and Milwaukee Metropolitan Sewerage District (MMSD)
2. Based on Treasurer's reports only. This does not include costs from other departments such as Comptroller and DCD

Note: The data included in this slide are directly gathered from the City of Milwaukee Treasurer office and have not been thoroughly analyzed.

Sources: City of Milwaukee Treasurer and City budget.

# Tax Incremental Finance ("TIF") overview

## The City currently has 89 tax increment districts with over 100 TIF projects

### City of Milwaukee context

**1 Tax Incremental District ("TID") creation**

- The City identifies TID, a specific geographic area (all parcels in the area) for development
- The TID project plan must be approved by Joint Review Board, the City of Milwaukee, Milwaukee County, Milwaukee Public Schools (MPS), and Milwaukee Area Technical College (MATC)

**2 Base value determination**

- Once the TID project plan receives appropriate approvals, the local assessors and the State of Wisconsin Department of Revenue determine a "**base value**" for all properties in the TID

**3 City and private investment**

- City or developers make investment to improve the TID
- Examples of investments:
  - Construction of a new headquarters for Northwestern Mutual
  - Public infrastructure to complement private development (e.g., Riverwalk)

**4 Increased property value and tax**

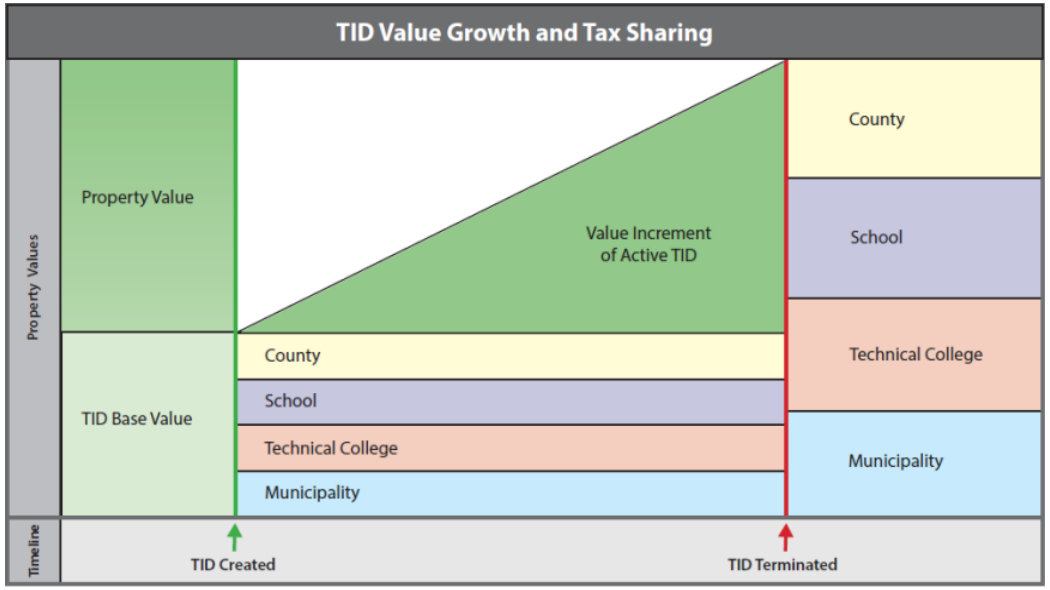
- Property values and property taxes in the TID increase with improvement
- **Value increment** = taxes on the portion of property value over and above the ***base value***
- Value increment is used to **pay off the City's upfront investments in the district with interest**

**>89** TIDs in the City of Milwaukee

**>100** TIF projects in Milwaukee

**27yrs** Max allowed to pay off TIF costs (state statute)

**18yrs** Avg. payback period in Milwaukee




Source: City of Milwaukee Department of City Development

# TIF considerations

## Future considerations and next steps



## Future considerations

**Ensure each TIF district is solvent, and the tax increment is sufficient to cover the debt service** to identify those that are failing to maintain enough incremental revenue to pay the debt service. This will allow the City to preemptively mitigate strategies to ensure that the financial health of the City does not further deteriorate

**Estimate the relative magnitude of the total TIF value increment (all TIDS) and the total City property tax base** to estimate the scale of tax increment districts impact on the overall property tax base. An aggregated report on all expired, existing, and future TIDs could provide comprehensive information to support decision making at the City leadership level

**Revisit how the administrative costs are estimated** to ensure the employees' time directly related to creating the TID or time spent implementing the TID is appropriately allocated and paid for with TIF funds, in accordance with the current Wisconsin TIF legislation. Similarly, municipalities may include projects within a half-mile radius outside of the TID if the projects are documented in the approved project plan

- **Case study- Illinois.** Some IL municipalities have accounted for general fund administrative costs through TIF by funding a portion of the salary cost of relevant City employees based on the time they spend on TIF-related activities

**Consider dedicating a certain percentage of tax revenue to the General Fund** while planning future TIFs, to account for increased impact on general government services due to TIFs. While the current state law does not allow this, there could be potential to engage stakeholders and influence state legislation in the future

- **Case study- Washington D.C.** Revenues for the Ballpark Revenue Fund and for some projects in the Tax Increment Financing Program and Repayment of PILOT Financing program have accumulated faster than needed for the purposes of these funds, which is to pay debt service. Depending on legislation and bond documents in each instance, the excess amounts may be available for transfer to the General Fund, and in recent years these transfers have added to General Fund resources for D.C.

**Establish a robust ROI analysis framework to evaluate the cost-benefit of each TIF project during planning and establish monitoring system to evaluate its effectiveness thereafter.** A detailed framework to weigh each TIF's long-term costs and benefits could allow the City to track the outcomes of the projects and make any adjustments, if needed

**Be transparent about the TIF program's activities, including the use of revenues, the progress of the project, and the program's impact on the community** to build trust with stakeholders and ensure that the TIF program is accountable to the community. Currently, the information available is limited and requires significant expertise to understand the basics

Source: City of Milwaukee Department of City Development; https://www.revenue.wi.gov/DOR Publications/tif-manual.pdf

# Levy a parking tax

## A 2.5% parking tax on downtown parking could result in $1.8M City revenue per year



**Fiscal impact**

Small | Medium | Large

**0.28%** of current City General Fund revenue

**Incremental revenue impact**

**Feasibility**

Low | Medium | High

**Jurisdiction requirement**

State | Local | None

### Context

- The City of Milwaukee currently does not levy a parking tax
- 34,000 off-street private parking spaces are located in downtown Milwaukee

### Impact

**Fiscal**

- **Revenue impact:** If the City levies an 2.5% parking tax on the downtown private parking revenue, the City will be collecting $1.8M, which is 0.28% of the current general fund revenue
  - The impact is calculated by applying hypothetical parking tax rate to the 2023 estimated private parking revenue in Milwaukee City
- **Operational cost:** Minimal, if the collection process can use the same resources as the City's existing taxes

**Equity**

- The tax levy may inadvertently disadvantage certain groups, given parking taxes typically don't account for people's ability to pay

### Considerations

**Feasibility**

- By state law, Milwaukee City is not allowed to levy any local taxes except for property, wheel, and cable franchise taxes

**Best practices**

- Review geographic locations of current parking spots to determine the tax base
- Periodically review the commuting and traffic flow surrounding the parking locations to determine the demand for parking
- Tax could be applied to both public and private spaces

**Estimated Fiscal Impact**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax base (parking revenue, $m) | $70.1 | $71.7 | $72.8 | $73.8 | $74.6 | $75.4 | $76.1 | $76.8 | $77.4 | $77.4 | N/A |
| Tax rate | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | N/A |
| **Total parking tax ($m)** | **$1.8** | **$1.8** | **$1.8** | **$1.8** | **$1.9** | **$1.9** | **$1.9** | **$1.9** | **$1.9** | **$1.9** | **$18.6** |

Note: The tax base is based on 34,000 downtown off-street private parking spaces and average hourly parking rate. It is assumed to grow in the future along with an average annual vehicle sales growth at 1% (based on Oxford Economic forecast for the Milwaukee MSA).

# Parking tax case example and hypothetical scenario assessment

## Cleveland levied 8% parking tax and collected $10.5M parking revenue per year

### Case Study – Cleveland, OH

| | |
|---|---|
| **Tax rate** | **8% of parking revenue** |
| **Tax collection** | **$10.5M** |
| **% of total City Revenue** | **1.4%** |

Sources: City budget and annual comprehensive financial reports for 2021 actual tax collection and 2021 rate.

- In the City of Cleveland, the local government imposes an 8% parking tax on both public and private parking revenue. The parking tax does not apply to residential structures
- The parking tax generated $10.5M in revenue in 2021, which represented 1.4% of the City's total revenue

### Hypothetical Scenario - Milwaukee

| | |
|---|---|
| **Tax rate** | **2.5% of parking revenue** |
| **Tax Base** | **$86.6M parking revenue** |
| **Estimated City Revenue** | **$2.2M** |

**Key metrics**

| | |
|---|---|
| Average hourly rate | $4 |
| Average hours per parking space (per day) | 1.69 |
| Average hours per parking space (in a year) | 516 |
| Total downtown parking spaces | 42k |

Sources: Estimates based on Milwaukee parking statistics from Milwaukee downtown: Parking & Commuting and other third-party sources.

- Hypothetically, the City of Milwaukee could levy a 2.5% parking tax on parking in downtown Milwaukee
  - The State and County already levy a 5.5% combined sales tax on parking
  - The total tax on parking will be 8%, including the 5.5% state and county sales tax and the hypothetical 2.5% city parking tax.
- It is estimated that total parking gross receipts could generate $86.6 million per year. This estimation was calculated by applying the average Milwaukee parking rate (for any parking in the city) of $4 per hour to the 42K parking spaces in downtown Milwaukee
- If the 2.5% tax rate is applied, the City of Milwaukee will potentially gain approximately $2.2M in revenue per year
- With the enactment of the additional sales tax in the City and Milwaukee County, a stand-alone parking tax is not likely to be considered at this time

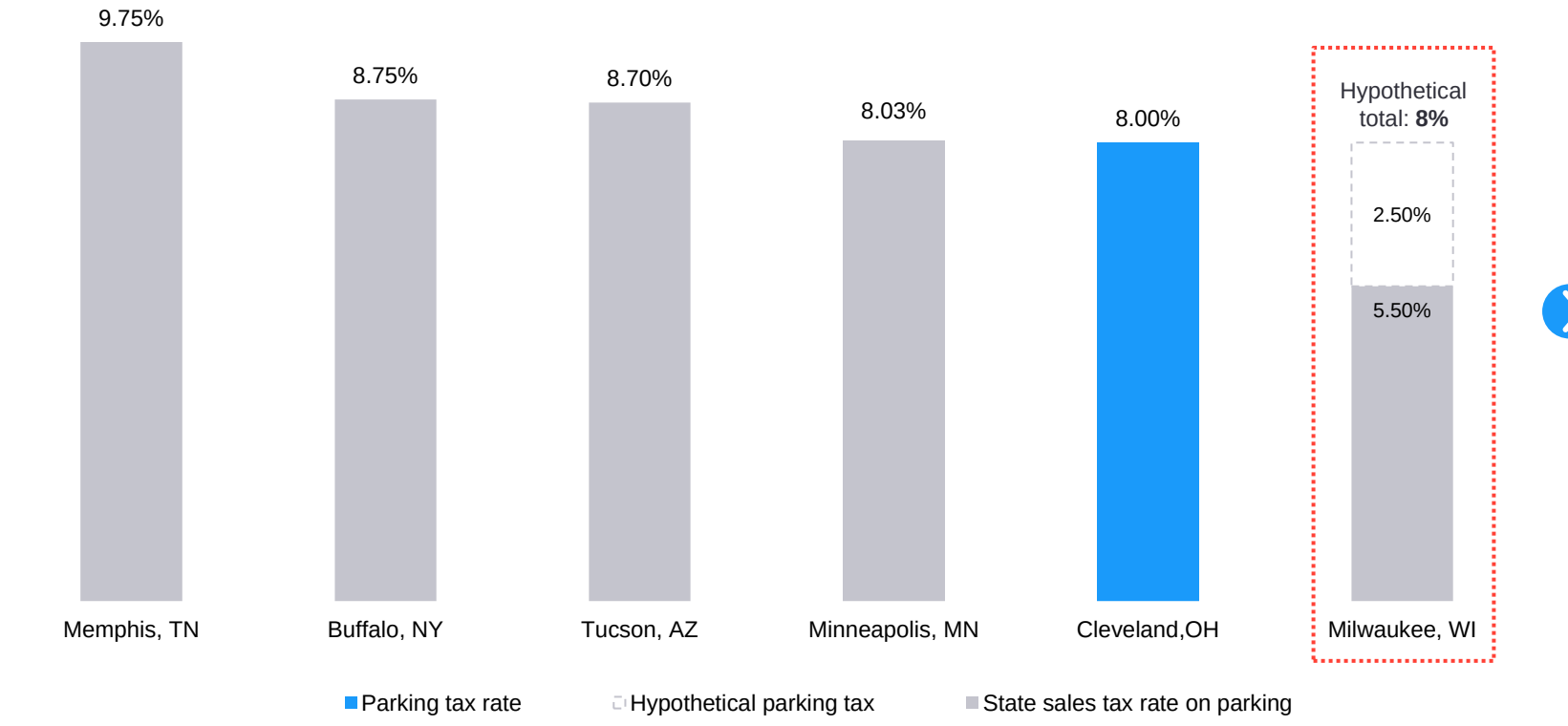
Sources: Milwaukee annual comprehensive financial report for 2021 actual tax collection.

# Parking tax benchmark

## The City currently ranks last relative to peers for tax rates on parking



**Parking tax and state and local sales tax rate on parking revenue,**
Milwaukee compared to peers in other states




Note: Cincinnati, OH, Columbus, OH, and Kansas, MO are excluded because they do not levy parking tax or state and local sales tax on parking

Sources: multiple government websites.

### Milwaukee's position among peer cities

- Compared to peer cities, Milwaukee currently ranks last with a state and local sales tax rate of 5.5% on parking
- If the City introduces a 2.5% parking tax on parking, the total tax rate will increase to 8%, including state sales tax
- With the 2.5% parking tax, the City's total tax rate on parking would be the same as Cleveland at 8%.
- Cleveland is the only peer city that levies a city parking tax and has no state and local sales tax on parking. Other peer cities levy state and local sales tax on parking instead of a city parking tax
- An additional 2% City sales tax, combined with a slight increase in the County sales tax, will generate a similar amount of overall revenue and put Milwaukee in line with peer cities in terms of the overall rate

# Ridesharing tax

## A 5% tax on all rideshare rides gross bookings could bring $13.6M revenue a year

**Fiscal impact**
Small | Medium | **Large**

**2.2%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**
**Low** | Medium | High

**Jurisdiction requirement**
**State** | Local | None

### Context

- The City of Milwaukee currently does not levy a rideshare tax.
- **Case study:**
  - **Rhode Island**: Gross receipts from rideshare rides are subject to a 7% sales tax
  - **Washington, DC**: Equivalent to the sales tax rate, 6% tax on the gross receipts from ride-hailing companies

### Impact

**Fiscal**

- **Revenue impact:** If the City were to collect a 5% tax from all rideshare gross receipts (equivalent to the state sales tax rate), the City would collect $13.6M additional revenue, which is 2.2% of the current general fund revenue
  - The impact is calculated by applying the tax rate to the estimated rideshare gross bookings in the City
  - The rideshare gross booking in the City is estimated by applying the Milwaukee-to-US population share to the US total rideshare gross booking
- **Operational cost:** Costs could be significant since the City does not have an existing City tax structure to leverage

**Equity**

- Flat rate could be avoided to limit equity issue. Rideshare fares are based on several factors, including distance, demand patterns and other surcharges. This means the rideshare tax could also depend on these factors

### Considerations

**Feasibility**

- By state law, Milwaukee City is not allowed to levy any local taxes except for property, wheel, and cable franchise taxes
- Taxi cabs are exempted from the state sales tax. If rideshares are considered in the same class, they are also exempted from the state sales tax

**Best practices**

- Many jurisdictions have revised their tax codes to keep up with the changing economy and have begun taxing rideshare rides, while taxicabs may still be exempted
- Periodically review commuter trend, traffic flow and population to determine the rideshare demand to estimate changes in tax base

### Estimated Fiscal Impact

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax base (Rideshare gross bookings $m) | $273 | 272 | 272 | 272 | 272 | 271 | 271 | 271 | 271 | 271 | N/A |
| Tax rate | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | N/A |
| **Total rideshare tax ($m)** | $13.6 | $13.6 | $13.6 | $13.6 | $13.6 | $13.6 | $13.6 | $13.5 | $13.5 | $13.5 | $135.8 |

Note: The rideshare gross booking in the City is estimated by applying the Milwaukee-to-US population share to the US total rideshare gross booking
The tax base is assumed to decline in the future along with an average annual population negative growth at -0.1% (based on Oxford Economic forecast for the Milwaukee MSA)

# Local service tax

## A $52 tax on employees in the City could allow the City to collect $7 to $11.6 million

**Fiscal impact**
Small | Medium | **Large**

**1.9%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**
**Low** | Medium | High

**Jurisdiction requirement**
**State** | Local | None

### Context

- The City of Milwaukee currently does not levy a local service tax
- **Case study:** The City of Pittsburgh charges $52 tax on the income of all individuals who are employed in Pittsburgh. This includes those who commute to Pittsburgh for work
  - Individuals are exempt if their total income is less than $12,000 a year, if they are in active duty military or if they are honorably discharged veterans

### Impact

**Fiscal**

- **Revenue impact:** If the City of Milwaukee collects $52 per year from employees who earn more than $15K per year, the City could collect $11.6M, which is 1.9% of the current general fund revenue
  - The impact is calculated by applying the tax rate to the 2019 number of employees in the City based on their work location. 224K employees work in the City, including 135K commuters and 88K residents also employed in the City
- **Operational cost**: In the case of Pittsburgh, employers generally withhold these types of taxes and pay directly to the City Treasurer. However, because the City of Milwaukee does not have existing payroll or income tax, a service tax would likely require new administrative costs

**Equity**

- Taxing commuters who rely on the City services helps reduce tax burden on residents only. However, taxing individuals who are working remotely leads to inequity issue
- While employees of lower income are exempted from this tax, employees with different levels of income will be charged the flat rate, making it a regressive tax

### Considerations

**Feasibility**
- Under state law, the City of Milwaukee is not allowed to levy any local taxes except for property, wheel, and cable franchise taxes

**Best practices**
- Periodically review commuter trend, traffic flow and employment by location to determine the tax base.
- Remote work could be taken into consideration to avoid inequity issue.
- Employers are generally required to withhold the tax from their employees' wages and salary and remit the tax to the City Treasurer

| Estimated Fiscal Impact | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax base (# of commuters with annual income over $15k) | 135,315 | 135,446 | 136,203 | 136,497 | 136,565 | 136,626 | 136,862 | 137,201 | 137,552 | 137,904 | N/A |
| Tax base (# of workers in city with annual income over $15k) | 223,591 | 223,808 | 225,058 | 225,544 | 225,656 | 225,758 | 226,147 | 226,708 | 227,287 | 227,868 | N/A |
| Tax rate | $52 | $52 | $52 | $52 | $52 | $52 | $52 | $52 | $52 | $52 | N/A |
| **Total local service tax ($m)** | **$7 to $11.6** | **$7 to $11.6** | **$7.1 to $11.7** | **$7.1 to $11.7** | **$7.1 to $11.7** | **$7.1 to $11.7** | **$7.1 to $11.8** | **$7.1 to $11.8** | **$7.2 to $11.8** | **$7.2 to $11.8** | **$71 to $117** |

Note: The tax base is assumed to grow in the future along with an average annual employment growth at 0.3% (based on Oxford Economic forecast for the Milwaukee MSA).

# Local service tax case example and hypothetical scenario

## Pittsburgh collected $14.6M revenue from Local Service Tax

### Case Study - Pittsburgh

| | |
|---|---|
| Tax rate | $52 per year |
| Tax collection | $14.6M |
| % of total City Revenue | 2.5% |

Sources: city budget and annual comprehensive financial reports for 2019 actual tax collection.

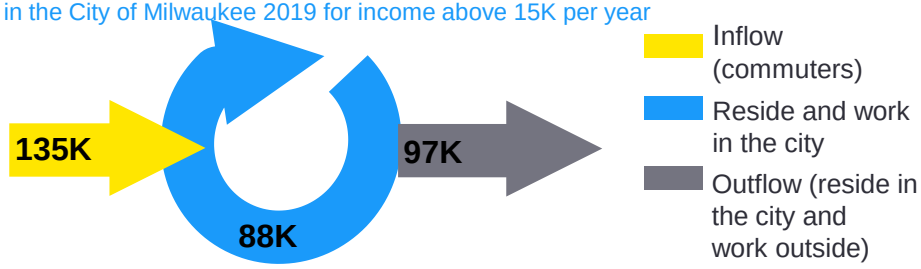
- The City of Pittsburgh charges $52 tax on the income of all individuals who are employed in Pittsburgh. This includes those who commute to Pittsburgh for work
- The City's local service tax collection reduced from $14.6M in 2019 to $11.7M in 2021, although it is projected to go up to $15.2 M in the 2023 City budget
- Individuals are exempt if their total income is less $12,000 a year, if they are active-duty military, or are honorably discharged veterans
- Individuals are required to pay this tax as long as their employer offers them office space in the City, regardless of if the employee opts to work remotely outside the City

### Hypothetical Scenario - Milwaukee

| | |
|---|---|
| Tax rate | $52 per year |
| Tax Base | 135K to 224K employees |
| Estimated City Revenue | $7.0 M to $11.6M |

**Worker inflow and outflow**

in the City of Milwaukee 2019 for income above 15K per year




- In a hypothetical scenario, the City could collect $52 per year from people whose work location is in the City and income is more than $15K a year
- In 2019, the City was the work location for 224K employees with incomes more than $15K a year. This includes 88K City residents and 135K non-residents who commute to the City
- If the City were to collect $52 per year from all 224K employees in the City (135K commuters and 88K who live and work in the City), the City would collect $11.6M Local Service Tax revenue
- If the City were to collect $52 per year from 135K commuters only, the City would collect $7M Local Service Tax revenue

Note: Due to the COVID-19 lockdown, commuting patterns have changed, with fewer people commuting to the city. Therefore, the 135K non-residents from 2019 Census may be overestimated

Sources: Census on the map, city budget and annual comprehensive financial reports for 2019 actual tax collection.

# Amusement tax

## A 2.5% amusement tax could bring $1.8M City revenue

**Fiscal impact**
Small | Medium | Large

**0.29%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**
Low | Medium | High

**Jurisdiction requirement**
State | Local | None

### Context

- The City of Milwaukee currently does not levy an amusement (recreational and entertainment events) tax
- **Case study:**
  - Baltimore, Cleveland, Columbus, Cincinnati, Minneapolis, and Tucson collect city amusement tax
  - In addition to amusement tax, Minneapolis and Tucson have state and county sales tax
  - The total sales (on amusement events) and amusement tax levy for peer cities varies from 3% to 11%

### Impact

**Fiscal**

- **Revenue impact:** If the City of Milwaukee collects a 2.5% tax on amusement and entertainment events, the total tax levy on amusement events (including 5.5% sales tax) will be 8%. The city could collect $1.8M which is 0.29% of the current general fund revenue
  - The impact is calculated by applying the tax rate to the estimated entertainment sale revenue
- **Operational cost:** Minimal if the collection process can coordinate with the County to leverage the current resources as the County's sales tax

**Equity**

- This tax is levied on residents of the City and visitors for entertainment events within the City

### Considerations

**Feasibility**

- By state law, Milwaukee City is not allowed to levy any local taxes except for property, wheel, and cable franchise taxes
- The State of Wisconsin already levies sales taxes on admissions to amusement

**Best practices**

- Periodically review sales on amusement and entertainment events and activities to determine the tax base
- Monitor state sales tax on amusement events to ensure the overall tax burden for recreational activities and events remain affordable

**Estimated Fiscal Impact**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax base ($m admission sales gross receipts) | $74 | $76 | $79 | $81 | $84 | $87 | $90 | $93 | $95 | $98 | N/A |
| Tax rate | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | N/A |
| **Total amusement tax ($m)** | $1.8 | $1.9 | $2.0 | $2.0 | $2.1 | $2.2 | $2.3 | $2.3 | $2.4 | $2.5 | $21.4 |

Note: The admission sales gross receipts in the City of Milwaukee is assumed to be the average of those in peer cities that levy amusement tax. The admission sales gross receipts for peer cities was calculated by dividing the amusement tax collection by the corresponding tax rate
The tax base is assumed to grow in the future along with an average annual consumer spending growth at 3% (based on Oxford Economic forecast for the Milwaukee MSA)

# Amusement tax case example and hypothetical scenario

## Total amusement and sales taxes on amusement vary from 3% to 11% for peer cities

### Case study of peer cities

| Peer city | City amusement tax rate | Sales tax rate on amusement | Total |
|---|---|---|---|
| Baltimore City, MD[1] | 5-10% | 6% | 10-11% |
| Cleveland, OH | 8% | N/A | 8% |
| Columbus, OH | 5% | N/A | 5% |
| Cincinnati, OH | 3% | N/A | 3% |
| Minneapolis, MN | 3% | 8.025% | 11.025% |
| Tucson, AZ | 2.6% | 6.1% | 8.7% |

1: For Baltimore city, the city amusement tax rate varies by type of amusement activities. Gross receipts from certain activities may be subject to both the admission and sales taxes. In that case, the amusement tax rate is limited to 5% and therefore the total tax burden will not exceed 11% (5% for amusement and 6% for sales tax)

- Baltimore City, Cleveland, Columbus, Cincinnati, Minneapolis, and Tucson collect city amusement tax. The local amusement tax rates for these peer cities vary from 2.6% to 10%
- In addition to city amusement tax, Baltimore City, Minneapolis, and Tucson have state and county sales tax of 6%, 8.025% and 6.1%, respectively
- In 2019, the City of Cleveland collected $18.9M in amusement tax revenue

### Hypothetical scenario - Milwaukee

| | |
|---|---|
| **Tax rate** | **2.5%** |
| **Tax base** | **$74M** |
| **Estimated City revenue** | **$1.8M** |

| Key metrics | |
|---|---|
| Average Admissions Revenue Per Capita (Cleveland, Columbus, Tucson) | $125 |
| Milwaukee Population (2021 Census) | 593k |

Sources: estimates based on budget files from peer city government websites and other third-party sources.

- In a hypothetical scenario, the City could collect a 2.5% amusement tax. Combined with the 5.5% state and county sales tax, the total tax levy on amusement event admissions is 8%
- Among the peer cities, individuals on average contribute $125 to ticket revenues per year
- The contribution per individual is calculated by averaging the revenue collection per capita of peer cities that levy amusement taxes
- With a population of 592k, Milwaukee is projected to generate $73.9 million in total amusement ticket sales. The City could collect an estimated revenue of $1.8 million from these amusement ticket sales
- With the enactment of the additional 2.4% combined City and County sales tax, a separate amusement tax is not likely to be considered at this time

# Increasing cable franchise tax

## Increasing the cable franchise tax by 1% could raise nearly $1M in annual revenue

**Fiscal impact**

Small | Medium | Large

**0.13%** of current City General Fund revenue

**Incremental revenue impact**

**Feasibility**

Low | Medium | High

**Jurisdiction requirement**

State | Local | None

### Context

- Cable franchise tax is a local tax that municipalities charge on video service providers. The tax base consists of video service gross revenues and does not include video streaming services
- Currently, the City of Milwaukee levies the cable franchise tax at 4%. Under state law, the rate has continually dropped since 2019, decreasing from 5% to 4.5% in 2020, then to 4% in 2021
- The decline in the tax rate contributed to a drop in cable franchise tax collection in recent years. Part of this decline is also due to the drop in cable gross revenue (tax base) from $92 million in 2017 to $90 million in 2020

### Impact

**Fiscal**

- **Revenue impact:** If the City's cable franchise tax rate increases from the current fee of 4% to 5% (1% increase), then the City could collect additional revenue of $840k, which is 0.13% of the current general fund revenue
  - The impact is calculated by applying the tax rate increase to the actual 2020 cable franchise collection
- **Operational cost:** Since the cable franchise tax is an existing local tax, the incremental cost to the City is anticipated to be minimal

**Equity**

- **Horizontal equity**: Those receiving the same benefit (government services related to cable franchise operation) are taxed the same. Those within same income strata pay the same cable franchise tax
- **Vertical equity:** Those with low personal income would pay same tax rate (tax as a share of their income) as high-income individuals

### Considerations

**Feasibility**

- Wisconsin state law allows the City to collect cable franchise tax
- The state law limits the cable franchise tax rate to be no more than 4%

**Best practices**

- Review trends of cable and streaming services in Milwaukee to determine tax base

**Estimated Fiscal Impact**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax base (Gross Cable Revenue, $m) | $84 | $81 | $78 | $75 | $72 | $69 | $67 | $64 | $62 | $59 | N/A |
| Tax rate | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | N/A |
| **Total cable franchise tax ($m)** | **$4.2** | **$4.0** | **$3.9** | **$3.7** | **$3.6** | **$3.5** | **$3.3** | **$3.2** | **$3.1** | **$3.0** | **$36** |
| **Incremental revenue impact ($m)** | **$0.8** | **$0.8** | **$0.8** | **$0.7** | **$0.7** | **$0.7** | **$0.7** | **$0.6** | **$0.6** | **$0.6** | **$7** |

Note: FY2023 tax base is assumed to be at the same level of FY2021 and to continue declining in the future at a rate of 3.8% every year. This 3.8% is the historical average decline each year from 2018 to 2021.

# Cable franchise tax benchmark

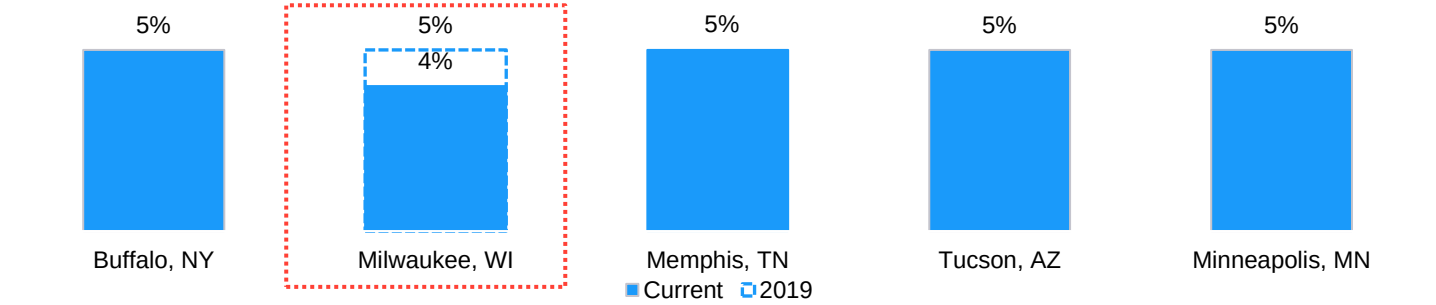
## The City of Milwaukee has the lowest tax rate and moderate burden among peers

### Cable franchise tax per capita

Milwaukee compared to peers in other states


### Cable franchise tax rate

Milwaukee compared to peers in other states




Note: Kansas City, MO levies 5% and Ohio cities levy up to 5% on cable franchise. However, due to data limitation on these cities' tax burdens or tax collections, these cities are excluded from the benchmark above.

**Milwaukee's position among peer cities**

- The City of Milwaukee was compared against peer cities, including Buffalo, Memphis, Tucson, and Minneapolis
  - All four peers levy 5% cable franchise tax, while the City of Milwaukee has a lower rate at 4%
  - The City was allowed to charge 5% until 2019. According to state law, the rate dropped to 4.5% in 2020, then to 4% in 2021
- Among the comparison set (4 peers and Milwaukee), the City of Milwaukee ranks the 2nd highest in tax collection at $7 per capita

**City of Milwaukee's tax structure:**

- **Tax base:** Gross cable revenue
- **Tax rate:** 4%

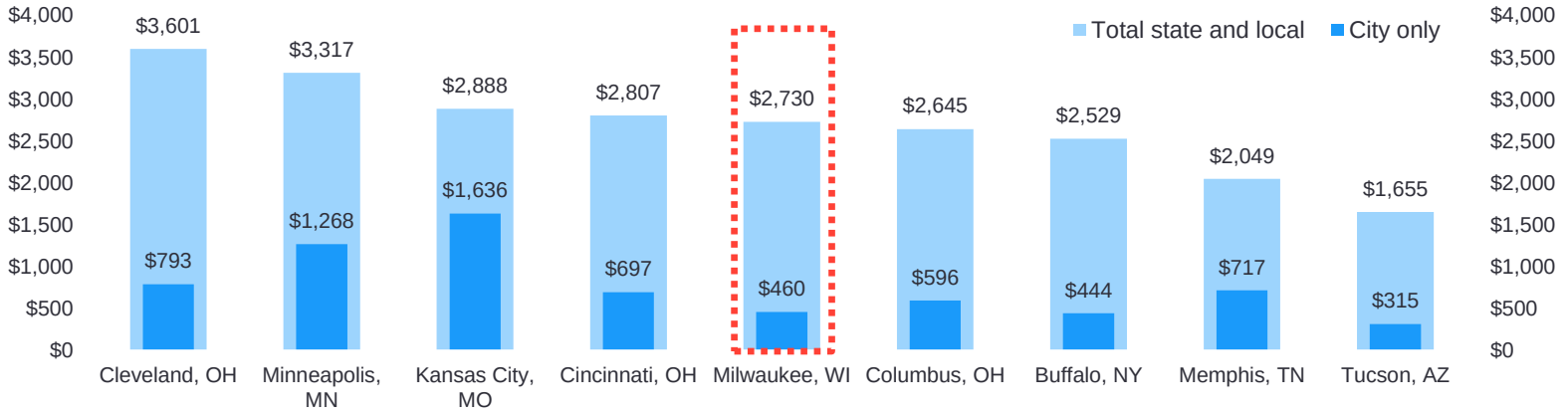
Sources: City budget and annual comprehensive financial reports for 2020 actual tax collection.

# Fees benchmarking

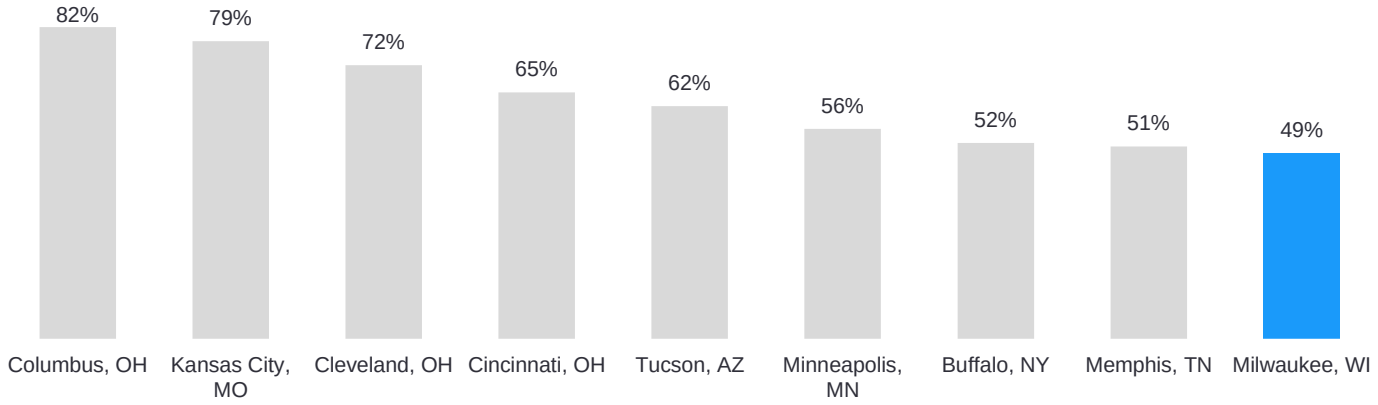
## Relative to peer cities, the City of Milwaukee has a moderate fee burden



### Fees per capita




### City fees as a share of city own source revenue (excluding sales and income taxes)




### Commentary

- The City of Milwaukee has room to increase fees per capita while still ranking below some of its peers.
  - For example, with a hypothetical $500 increase in the City fees per capita, the City would still rank lower than two peer cities for state and local fees and charges
- The City of Milwaukee ranks in the middle of 8 peers for total state and local fees of $2,730
- Relative to all peers, the City of Milwaukee ranks the 3rd lowest for city-only fees at $460 per capita
- On a per capita basis, the City's fees ($460) represent 17% of all state and local fees ($2,730). This the lowest percentage among all peers
- The City's fees are 49% of the City's own-source revenue (excluding sales and income taxes). This represents the lowest among all peers

Sources: 2017 Census Survey of State and Local Government Finances, GMC analysis

# Urban forestry fee

## The City could create a special urban forestry charge with estimated revenue of $5M



**Fiscal impact**

Small | Medium | **Large**

**0.8%** of current City General Fund revenue

**Incremental revenue impact**

**Feasibility**

Low | Medium | **High**

**Jurisdiction requirement**

State | **Local** | None

### Context

- The City of Milwaukee currently does not levy a separate urban forestry fee. Currently, Milwaukee funds forestry via stormwater fees
- If the City of Milwaukee decides to enforce this fee, it could be considered in conjunction with the stormwater fee, which currently funds forestry
- The City of Madison created a special urban forestry charge. The charge helps recover the costs to maintain the City's urban forest
- The urban forestry special charge in Madison is collected as part of the municipal services monthly bill, which includes water, sewer, and stormwater utility charges

### Impact

**Fiscal**

- **Revenue impact:** If the City decides to create a special urban forestry charge like the City of Madison, the City could collect a revenue of $5M which is 0.1% of the current general fund revenue
- **Operational cost:** Minimal, if the City collects the special charge as part of the municipal services monthly bill, which includes snow and ice control, street sweeping, and storm water

**Equity**

- A flat rate by parcel of all types could lead to equity issues; for example, commercial, residential, and industrial properties could be treated differently. As a result, the rates could be designed by the property type
- Similarly, City's urban forest benefits all City residents, regardless of whether their parcels are adjacent to trees or the size of street frontage. Therefore, the rate structure could consider the overall beneficiaries

### Considerations

**Feasibility**

- The State of Wisconsin limits the City of Madison in the amount of money it can raise through property tax levy to pay for urban forestry maintenance costs. The City of Madison sought alternatives to raise revenues to help pay for its urban forestry services through municipal ordinance

**Best practices**

- Revenue target could be identified each year to estimate the rate for each parcel classification
- Clear and transparent communication with City residents would be essential to helping community understand the benefits of the urban forestry development

**Estimated Fiscal Impact**

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Per capita | $9 | $9 | $9 | $9 | $9 | $10 | $10 | $10 | $10 | $11 | N/A |
| Per housing unit average | 20 | 20 | 21 | 21 | 22 | 22 | 23 | 23 | 24 | 24 | N/A |
| Per parcel (average of all type) | 32 | 33 | 34 | 34 | 35 | 36 | 37 | 37 | 38 | 39 | N/A |
| **Urban forestry fee target ($m)** | $5.1 | $5.3 | $5.4 | $5.5 | $5.6 | $5.7 | $5.9 | $6.0 | $6.1 | $6.3 | $56.8 |

Note: The FY2023 targeted revenue is estimated using the City of Madison's target revenue (paid by residential, commercial/industrial, government, and multi-family parcels), which is adjusted by the ratio of Madison to Milwaukee area square miles). The out-year estimates are grown by CPI, assuming the number of parcels stays the same.

Sources: Wisconsin Center District 2023 Budget.

# Urban forestry special charge – Madison case example

## The City of Madison collects a special charge to help cover its urban forestry costs

### Context

- The Madison City Council created and adopted an “urban forestry special charge” to recover all urban forestry costs to the City in 2014. The State of Wisconsin limits the City of Madison in the amount of money it can raise through property tax levy to pay for urban forestry maintenance costs. The City of Madison sought alternatives to raise revenues to help pay for its urban forestry services
- The Urban Forestry Special Charge allows the City to recover all urban forestry costs to the City to maintain, protect and grow the City’s urban forest while maintaining existing levels of service associated with the City's urban forestry program. The services provided by the City's urban forestry program ensure a healthy, vibrant and sustainable urban forest and benefits all residents and properties in the City

### Fee rate and structure

- The City levies an urban forestry special charge on all real property owners in the City. The rate is flat but varies by the parcel classification:
  - Residential
  - Commercial/Industrial
  - Government
  - Multi-family
  - Storm Water
- The urban forestry special charge is **collected as part of the municipal services monthly bill** (including water, sewer, and stormwater utility charges). The rate for each of the five parcel classifications is determined by calculating a proportional distribution of aggregate street frontage for all properties of the same property type and applying that percentage to the **revenue target set by the common council.** The flat fee per parcel within each classification is then calculated by dividing the total charge by number of parcels in that classification

**2023 Monthly Urban Forestry Special Charges,** by property class

| Residential | Commercial/ Industrial | Government | Multi-Family | Storm Water |
|---|---|---|---|---|
| $6.38 | $18.40 | $49.84 | $11.40 | $21.63 |

### Equity & efficiency considerations

- The City of Madison did not link the rates to street frontage to avoid equity issues
  - Linking the rate to street frontages could place disproportionately high burden on small number of select parcels while providing minimal savings to a large number of parcels
  - More than 900 parcels do not have street frontage. If charging based on street frontage, the City would not be able to collect urban forestry special charge from these 900 parcels
  - Charging fees based on street frontage would result in significantly higher administrative costs and labor time for the City
- The City did not set the rate based on whether the parcels are adjacent to trees. The underlying rationale is that the City’s urban forest benefits all City residents, regardless of whether their parcels are adjacent to trees. Examples of the benefits include:
  - Improved air quality for all residents
  - Increased quality of life due to a healthy urban forest

Source: City of Madison Urban Forestry program.

# Speed and red-light cameras

## Tickets from speed and red-light cameras could bring $16.6M net revenue a year

**Fiscal impact**
Small | Medium | **Large**

**2.65%** of current City General Fund revenue
**Incremental revenue impact**

**Feasibility**
Low | Medium | **High**

**Jurisdiction requirement**
**State** | Local | None

### Context

- Currently, Wisconsin does not allow red-light or speed cameras to automatically generate tickets for traffic violations. However, the Milwaukee City police can issue traffic tickets
- **New 2023 bill (Safe Roads Save Lives Act) proposed**:
  - If passed, this bill will allow Milwaukee City to install up to 75 red-light cameras
  - The bill will also allow the City to install speed cameras and fine vehicles traveling at least 20 mph over the limit
  - The bill allows a **five-year pilot program** for speed and red-light cameras. The authorization will expire in five years and will need renewal

### Impact

**Fiscal**

- **Revenue impact:** If the State passes the bill, the City can use up to 75 red-light cameras. Hypothetically, the City uses 75 red-light and 75 speed cameras. The City will issue more traffic violation tickets from the cameras and generate an estimate of $21.6M revenue each year from the additional traffic violation tickets
  - The impact is calculated by applying the current fine rate ($70 midpoint for a traffic signal violation ranging from $40 to $100 and $200 for speeding) to the estimated number of tickets for traffic signal violations and speed violations
- **Operational cost:** assuming the City will lease cameras from vendors (similar to Chicago), the estimated vendor fees for leasing and maintaining 75 red-light cameras and 75 speed cameras are $5 million per year
  - The cost is calculated by applying the average lease and maintenance cost of per speed and red-light camera to the number of cameras in Milwaukee

**Equity**

- Some studies have shown limited impact of speeding and red-light cameras on deterring speeding and red-light violations. Also, low-income individuals, who may not be able to afford to pay the fines, could be disproportionately affected
- Potential for errors or technical glitches could result in innocent drivers being fined

### Considerations

**Feasibility**

- Similar bills have been introduced in previous years but not passed
- "Safe Roads Save Lives Act" also aligns with the Mayor's goal to reduce reckless driving and traffic deaths ("Vision Zero" resolution)

**Best practices**

- Given revenue from cameras will decline over time, it should not be used for general government services expenditure. Consider covering pension, debt prepayment, capital investments, or other one-time costs
- Monitor traffic violation rates after the implementation of speed and red-light cameras.
- Consider the impact of 20 mph speed threshold to 10 – 12 mph threshold, which is common in other jurisdictions

### Estimated Fiscal Impact

| | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Red-light cameras (in $M) | $5.2 | $2.9 | $2.6 | $2.4 | $2.1 | - | - | - | - | - | $15.2 |
| Speed cameras (in $M) | 16.4 | 9.3 | 8.9 | 8.5 | 8.0 | - | - | - | - | - | 51.1 |
| **Total traffic violation fine from speed and red-light cameras (in $M)** | **21.6** | **12.2** | **11.5** | **10.9** | **10.1** | **-** | **-** | **-** | **-** | **-** | **66.4** |
| **Total cost of speed and red-light cameras (in $M)** | **(5.0)** | **(5.0)** | **(5.0)** | **(5.0)** | **(5.0)** | **-** | **-** | **-** | **-** | **-** | **(25.1)** |
| **Net fiscal impact** | **$16.6** | **$7.2** | **$6.5** | **$5.9** | **$5.1** | **-** | **-** | **-** | **-** | **-** | **$41.3** |

Note: Due to data limitation, the operational cost in this analysis does not include additional labor and administration costs from the City Police Department or other relevant departments. Therefore, the net fiscal impact may be overestimated slightly

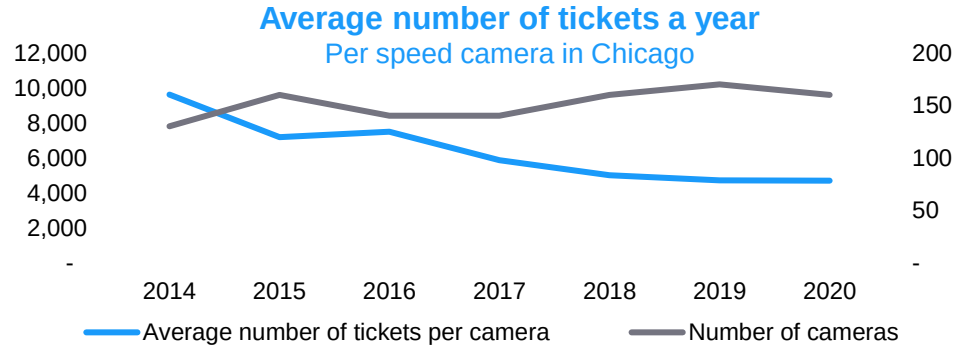
Sources: City of Chicago Automated Enforcement Program 2020 report, Illinois Policy study on Chicago speed cameras, and Northwestern University study on Chicago red light camera enforcement.

# Speed and red-light camera – Chicago case example

Speed violations dropped by 56% and red-light violations by 60% after 5 years.

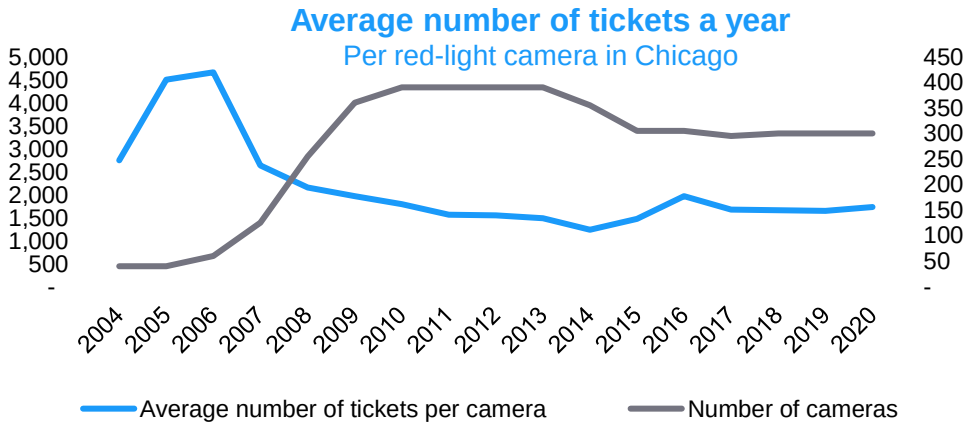
## Case Study – speed cameras

| | |
|---|---|
| # of tickets per camera – 2014 (annual) | 9,615 |
| # of tickets per camera – 2019 | 4,706 |
| Rate of decline one year after installation | 43% |
| Rate of decline five years after installation | 56% |




## Case Study – red-light camera

| | |
|---|---|
| # of tickets per camera – 2005 (annual) | 4,500 |
| # of tickets per camera – 2010 (annual) | 1,795 |
| Rate of decline one year after installation | 43% |
| Rate of decline five years after installation | 60% |




Sources: Year 2- year 1 decline is based on a literature review of speed camera studies in Arlington, VA, Fairfax, VA and Oxnard, CA.
All other data points are based on Chicago's case study.

- Used data points above to estimate the number to tickets per year in Milwaukee
- Considering the population and traffic differences between Milwaukee and Chicago, the Milwaukee-to-Chicago population share was applied to the number of tickets in Chicago
- *Note:* For the data points above, Chicago fined drivers when the vehicle speed was 12 mph over the limit. Compared to Chicago, Milwaukee has a higher threshold of speed violations at 20 mph over the limit. This means Milwaukee could have a lower number of speed violations than Chicago even if adjusted for traffic flow/population differences. Because the fiscal impact estimation for Milwaukee used the Chicago data points, the fiscal impact of speed cameras may be overestimated

Sources: City of Chicago 2020 automated enforcement program and studies on speed camera effectiveness..

# Cost recovery for major services

## Considering additional costs for major services may justify fee increase



| Fiscal impact | Feasibility | Jurisdiction requirement | Implementation timeline |
|---|---|---|---|
| Small / **Medium** / **Large** | Low / **Medium** / High | State / **Local** / None | Quick win / **0-5 yrs** / 5-10 yrs / 10+ yrs |

### Description

- The City of Milwaukee is currently not considering the following costs as part of the costs to provide sanitation, forestry, snow and streetlighting services:
  - Normal OPEB costs
  - Unfunded pension liability costs
  - Shared building and other property related costs
  - Recycling costs covered by state grants
  - Indirect cost rate for overhead
  - Capital costs (streetlighting)
  - Interest costs (streetlighting)
- Therefore, the fees currently charged by the City are insufficient to recover the full cost of these services

### Impact

**Fiscal**

- Increasing fees to cover the total cost of the major services could allow the city to generate ~$417m in additional fee revenue over the next 10 years
- Full cost recovery for major services will change the current fee rates for property owners in the City of Milwaukee

**Performance**

- No material impact on performance is anticipated from this option

**Equity**

- Fee increases would disproportionately affect lower-income residents unless the City adopts an income-based fee relief program

### Considerations

- When considering potential fee increases, the City will need to carefully evaluate the impact they would have on the overall livability of the City and its attractiveness as a business environment
- It is important to anticipate that fee increases may not be well-received by the public. The City could consider phasing-in these additional costs over the years to minimize the impact that a one-time fee increase may have on the City's residents
- Ensuring transparency about the fee increase is crucial for successful implementation. The City will need to communicate the reasons for the increase and how the additional fees will be used to cover the full cost of the services

**Estimated Fiscal Impact** *($ millions)*

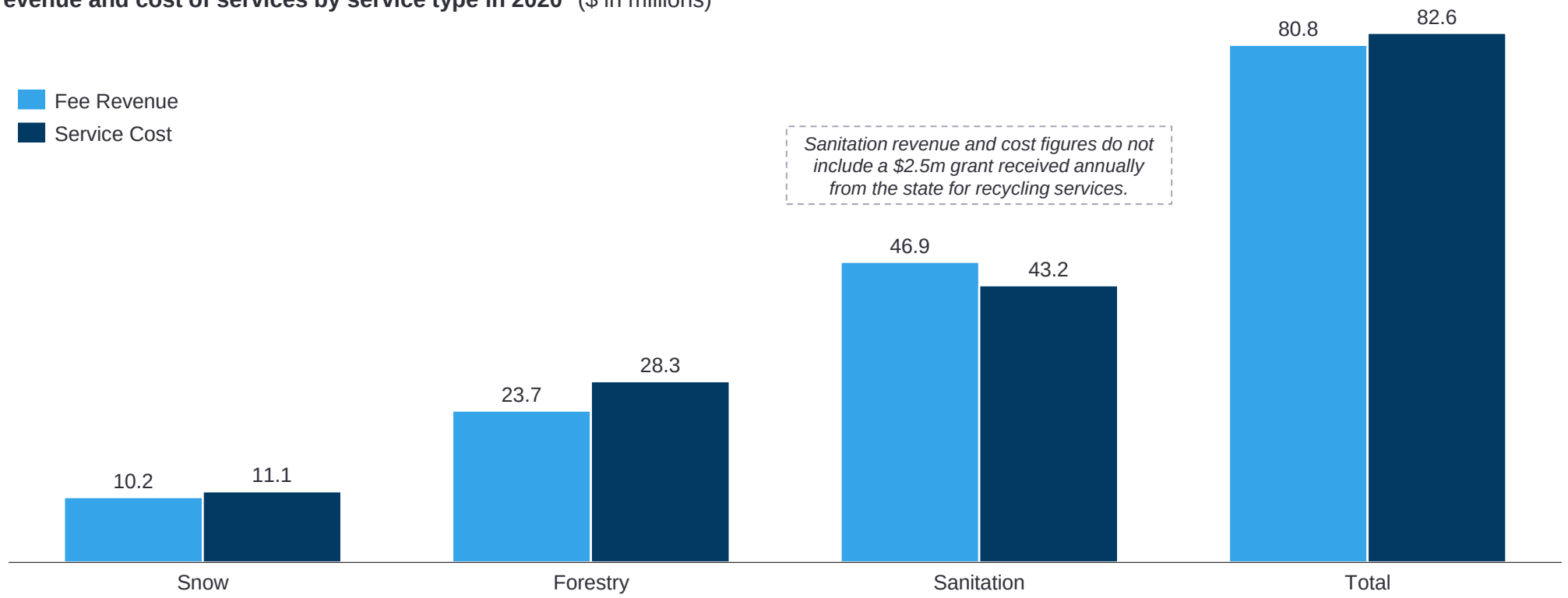
| Uncaptured costs for services | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sanitation, Forestry, and Snow[1] | 22.2 | 22.8 | 23.3 | 23.8 | 24.3 | 24.8 | 25.3 | 25.8 | 26.4 | 26.9 | 245.5 |
| Streetlighting[2] | 15.5 | 15.9 | 16.3 | 16.6 | 16.9 | 17.3 | 17.7 | 18.0 | 18.4 | 18.8 | 171.4 |
| **Total uncaptured costs** | **37.8** | **38.7** | **39.5** | **40.4** | **41.2** | **42.1** | **42.9** | **43.9** | **44.8** | **45.7** | **416.9** |

1. Sanitation, Forestry and Snow costs for forecast period based on FY20 cost data provided by City of Milwaukee, and are grown by inflation
2. Streetlighting costs for forecast period based on FY21 cost data provided by City of Milwaukee, and are grown by inflation

# Cost of major services: sanitation, forestry, and snow

## Current estimates indicate near full recovery of cost of services

**Total estimated fee revenue and cost of services by service type in 2020[1]** ($ in millions)



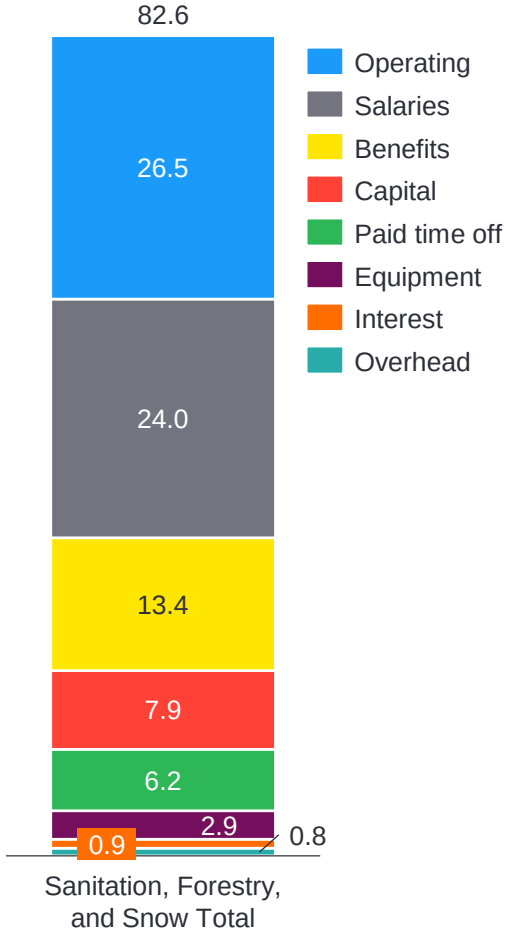

| Service | Snow | Forestry | Sanitation | Total |
|---|---|---|---|---|
| **Fee revenue** | $10.2 | $23.7 | $46.9 | $80.8 |
| **Service cost** | 11.1 | 28.3 | 43.2 | 82.6 |
| ***Difference*** | ***($0.9)*** | ***($4.6)*** | ***$3.6*** | ***($1.8)*** |

1. Data provided by City of Milwaukee Budget and Management Division

# Estimated cost of major services

## Sanitation, forestry, and snow services were estimated to cost ~$83m in 2020

**Total estimated cost of sanitation, forestry and snow services in 2020[1]** ($ in millions)




| Cost Category | Description | Source / Allocation | Current Cost Estimate |
|---|---|---|---|
| **Operating** | Direct, non-personnel costs associated with providing the services | Costs are pulled directly from City's ERP system | $26.5 |
| **Salaries** | Base salaries and wages and other direct compensation for employees relating to services | Costs are pulled directly from City's ERP system | 24.0 |
| **Benefits** | Costs include fringe benefits for employees | Allocated proportionately to each service based on the salaries for each service | 13.4 |
| **Capital** | Represents the capital allocation that is allowed for each of the services per year | Allocated to each service proportionately to equipment count of each service | 7.9 |
| **Paid time off** | Represents costs related to paid time for personnel absences | Costs are pulled directly from City's ERP system | 6.2 |
| **Equipment** | Direct costs associated with maintaining and operating existing equipment | Costs are pulled directly from City's ERP system | 2.9 |
| **Interest** | Costs of interest on capital allocation | Allocated to each service proportionately to equipment count of each service | 0.9 |
| **Overhead** | Cost of overhead for each service | Allocated to each service using Central Services Cost Rate provided by Office of Comptroller | 0.8 |
| **Total Current Cost Estimate for Sanitation, Forest & Snow Services** | | | **$82.6** |

1. Data provided by City of Milwaukee Budget and Management Division

# Additional costs are required to provide major services

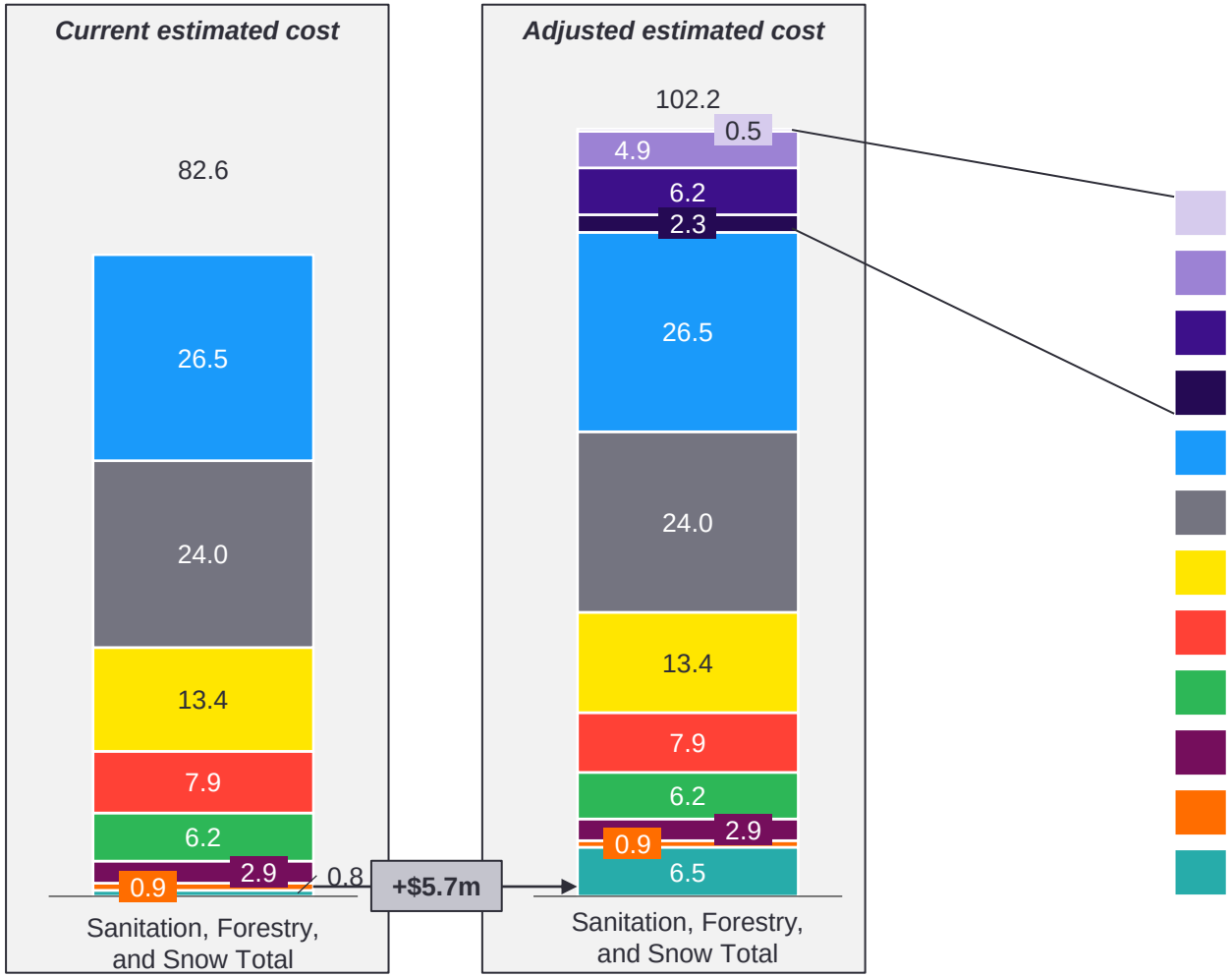
## Table below shows examples of additional costs to be considered

| Cost Category | Description | Source / Allocation | Additional Cost Estimate |
|---|---|---|---|
| **Additional OPEB Costs**[1] | Currently, the actual cost of OPEB is included in the Fringe Benefit Rate, which is captured in benefits. Additional costs are incurred for normal OPEB, which represents the accrued cost of future OPEB benefits for current employees. These costs are not being accounted for in the current cost estimation of major services | Additional OPEB Costs are estimated by taking the uncaptured cost of OPEB (normal cost less employee contributions) and allocating the amount to major services based on salaries | $0.5m |
| **Unfunded pension liability costs**[2,3] | The current pension costs are being captured in the Fringe Benefit Rate. However, the cost of unfunded pension liability are not being included | Unfunded pension liability cost estimated by using the Total Pension Contribution less estimated current pension costs included in Fringe Benefit Rate, and allocating to major services based on salaries | 4.9m |
| **Shared building and other property related costs**[4,5] | Service operations use buildings and other property to perform operations, but cost of using these assets are not captured | Shared building & other property related costs are estimated by taking the square footage of shared DPW buildings and applying a rate per square foot for office and facility space. Those costs are then allocated by salaries to major services | 6.2m |
| **Recycling costs** | Cost of recycling (sanitation) services covered by state grant currently not being captured | Recycling cost figures provided by City of Milwaukee | 2.3m |
| **Indirect cost rate in overhead** | Currently, only the central service cost rates are being included in Overhead Cost allocation. Including indirect cost rate would allocate the entirety of the Overhead Costs for services. Indirect cost rate includes the following costs: supplies and materials, administration, records, personnel, information systems and data, customer service, facilities maintenance, maintenance and equipment, and paid time off | Allocated to each service using Indirect Cost Rate provided by Office of Comptroller | 5.7m |
| **Total additional costs** | | | **$19.2m** |

1. OPEB figures based on City of Milwaukee Retiree Healthcare and Life Insurance Programs Actuarial Valuation Report as of January 1, 2019
2. Total pension contribution figures provided by City of Milwaukee Budget & Management Division
3. Fringe Benefit Rate information provided by City of Milwaukee Office of the Comptroller
4. DPW building and square footage information provided by Department of Public Works
5. Cost per square foot estimate based on Newmark Milwaukee Office Market 2022 Q4 Report and Newmark Southeastern Wisconsin Industrial Market 2022 Q4 Report

# Additional costs of major services

## Adjustments in overhead and additional indirect costs represent uncaptured costs




**Current vs. Updated Estimated Cost of Sanitation, Forestry & Snow Services in 2020** ($ in millions)

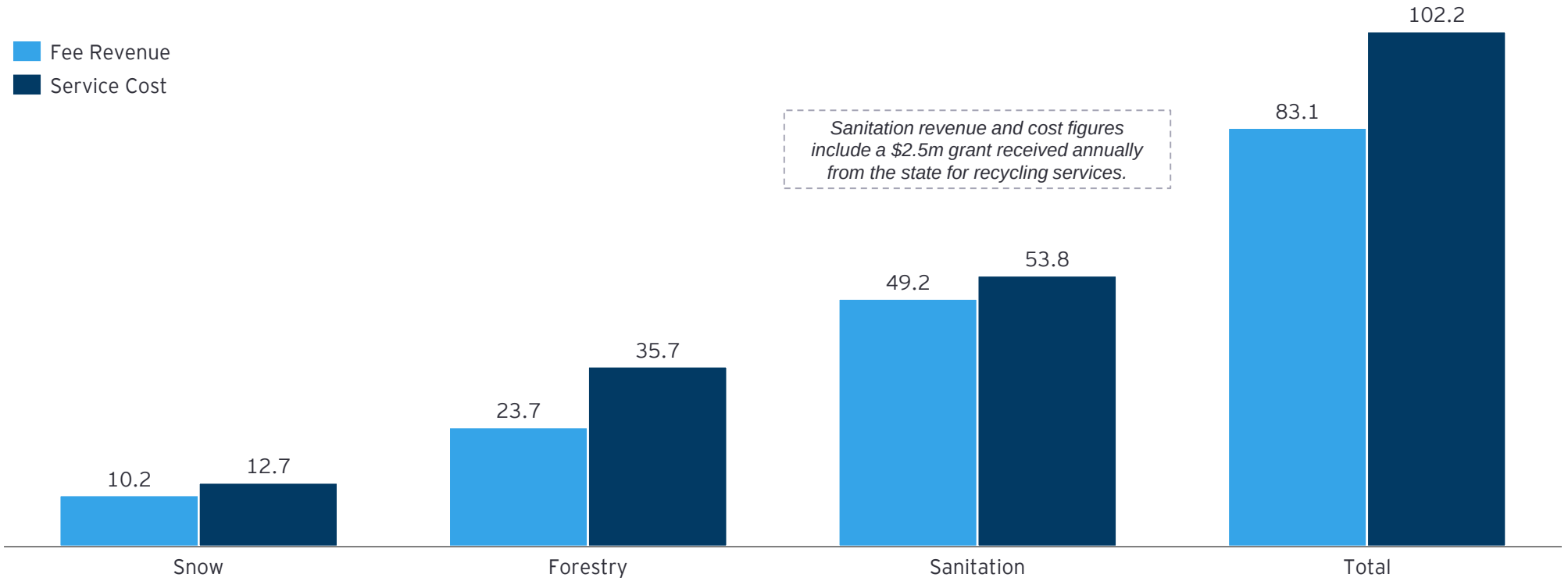
| Cost Category | Current Cost Estimate[1] | Adjustment | Updated Cost Estimate |
|---|---|---|---|
| **Additional OPEB costs** | - | $0.5 | $0.5 |
| **Unfunded pension liability costs** | - | 4.9 | 4.9 |
| **Shared building & property costs** | - | 6.2 | 6.2 |
| **Recycling costs** | - | 2.3 | 2.3 |
| **Operating** | 26.5 | - | 26.5 |
| **Salaries** | 24.0 | - | 24.0 |
| **Benefits** | 13.4 | - | 13.4 |
| **Capital** | 7.9 | - | 7.9 |
| **Time Paid Off** | 6.2 | - | 6.2 |
| **Equipment** | 2.9 | - | 2.9 |
| **Interest** | 0.9 | - | 0.9 |
| **Overhead** | 0.8 | 5.7 | 6.5 |
| **Total** | **$82.6** | **$19.6** | **$102.2** |

1. Data provided by City of Milwaukee Budget and Management Division

# Considering additional costs indicates full costs are not recovered

## Fees could be increased, or costs reduced to ensure recovery

**Total updated estimated fee revenue and cost of services by service type** ($ in millions)

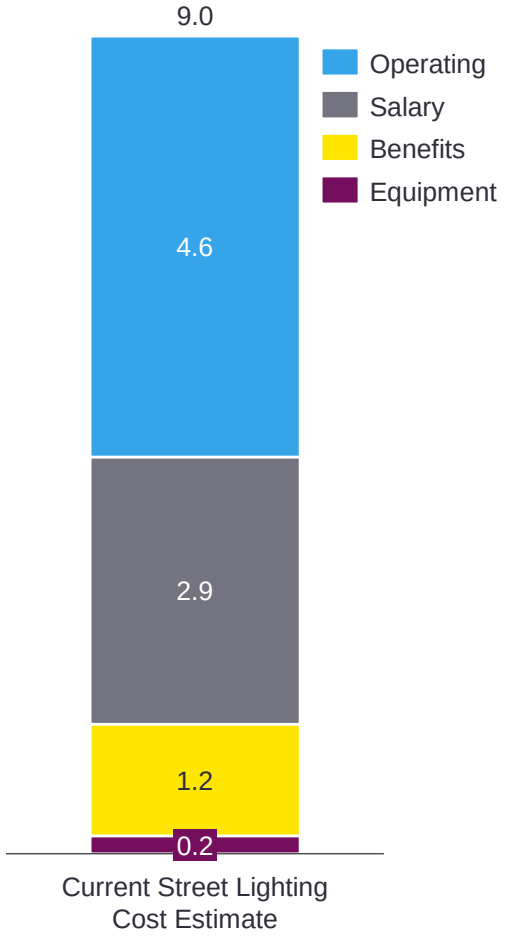



| Service | Snow | Forestry | Sanitation | Total |
|---|---|---|---|---|
| **Fee Revenue** | $10.2 | $23.7 | $49.2 | $83.1 |
| **Service Cost** | 12.7 | 35.7 | 53.8 | 102.2 |
| ***Difference*** | ***($2.5)*** | ***($12.1)*** | ***($4.6)*** | ***($19.1)*** |

# Street lighting is currently estimated to cost ~$9.0m for 2021

## The City is excluding significant costs in its current cost estimates

**Total estimated cost of street lighting services in 2021** ($ in millions)




| Cost Category | Description | Source / Allocation | Current Cost Estimate |
|---|---|---|---|
| **Operating** | Direct, non-personnel costs associated with providing the services | Costs are pulled directly from City's ERP system | $4.6 |
| **Salaries** | Base salaries and wages and other direct compensation for employees relating to services | Costs are pulled directly from City's ERP system | 2.9 |
| **Benefits** | Costs include fringe benefits for employees | Costs are pulled directly from City's ERP system | 1.2 |
| **Equipment** | Direct costs associated with maintaining and operating existing equipment | Costs are pulled directly from City's ERP system | 2.9 |
| **Total Current Cost Estimate for Street Lighting** | | | **$9.0** |

# Additional costs are incurred to provide street lighting

## Table below shows examples of additional costs to be considered

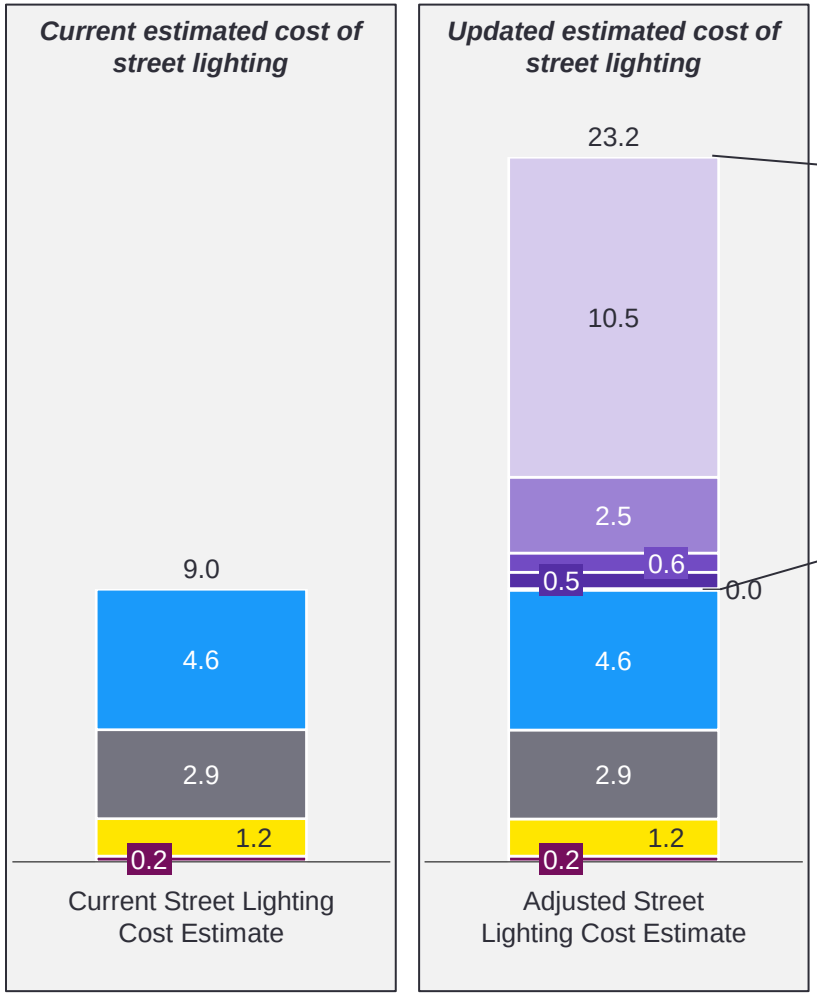
| Cost Category | Description | Source / Allocation | Additional Cost Estimate |
|---|---|---|---|
| **Capital cost** | Currently, the cost of Capital (fixed assets) is not being factored into the cost of providing street lighting | Capital costs provided by City of Milwaukee Budget & Management Division | $10.5m |
| **Interest** | Currently, the cost of interest associated with Capital (fixed assets) is not being factored into the cost of providing street lighting | Interest costs provided by City of Milwaukee Budget & Management Division | 2.5m |
| **Shared building & other property related costs**[1,2] | Service operations use buildings & other property to perform operations, but cost of using these assets are not captured | Shared building & other property related costs are estimated by taking the square footage of shared DPW buildings and applying a rate per square foot for office and facility space. Those costs are then allocated by salaries to major services | 0.6m |
| **Unfunded pension liability costs**[3,4] | The current pensions costs are being captured in the Fringe Benefit Rate. However, the cost of unfunded pension liability are not being included | Unfunded pension liability cost estimated by using the Total Pension Contribution less estimated current pension costs included in Fringe Benefit Rate, and allocating to major services based on salaries | 0.5m |
| **Additional OPEB Costs**[5] | Currently, the actual cost of OPEB is included in the Fringe Benefit Rate, which is capture in benefits. However, the additional costs of OPEB could be included in the cost of major services | Additional OPEB Costs are estimated by taking the uncaptured cost of OPEB (normal cost less employee contributions) and allocating the amount to major services based on salaries | 0.05m |
| **Total Additional Costs** | | | **$14.3m** |

1. DPW building and square footage information provided by Department of Public Works
2. Cost per square foot estimate based on Newmark Milwaukee Office Market 2022 Q4 Report and Newmark Southeastern Wisconsin Industrial Market 2022 Q4 Report
3. Total pension contribution figures provided by City of Milwaukee Budget & Management Division
4. Fringe Benefit Rate information provided by City of Milwaukee Office of the Comptroller
5. OPEB figures based on City of Milwaukee Retiree Healthcare and Life Insurance Programs Actuarial Valuation Report as of January 1, 2019; FY2021 street lighting figures based on FY2020 OPEB & salary figures.

# Additional costs of street lighting

## Additional costs considered account for ~$14m of uncaptured costs









**Current vs. updated estimated cost of street lighting in 2021** ($ in millions)

| Cost Category | Current Cost Estimate | Adjustment | Updated Cost Estimate |
|---|---|---|---|
| **Capital cost** | - | $10.5 | $10.5 |
| **Interest** | - | 2.5 | 2.5 |
| **Shared building & other property related costs** | - | 0.6 | 0.6 |
| **Unfunded pension liability costs** | - | 0.5 | 0.5 |
| **Additional OPEB Costs**[1] | - | 0.0 | 0.0 |
| **Operating** | 4.6 | - | 4.6 |
| **Salary** | 2.9 | - | 2.9 |
| **Benefits** | 1.2 | - | 1.2 |
| **Equipment** | 0.2 | - | 0.2 |
| **Total** | **$9.0** | **$14.3** | **$23.2** |

1. Additional OPEB costs based FY2020 figures.

# Infrastructure innovation options

- Guiding principles
- Approach and goals
- Overview of innovation options

# Guiding principles to harness innovation

## Themes Milwaukee leaders could draw on in choosing strategies

**Focus on strategies that resonate with city leadership**

What's the "best" performance-improvement strategy?

It is the one (or more) that top city leaders "own" and value. When leaders show ownership, the rest of the organization understands its importance

**Emphasize evidence *and* innovation**

Developing new and better ways of doing things is important, but if those innovations aren't rigorously tested, it's tough to know if they are effective

Evidence and innovation are both important

**Guiding principles**

**Think top-down and bottom up**

Both top-down and bottom-up strategies can be useful

A top-down strategy, for example, might use messaging and recognition from leadership to highlight and drive innovation, while a bottom-up strategy might involve teams of frontline employees finding ways to do things better.

**Harness the power of goal setting**

A culture of innovation requires leaders to set ambitious goals that push the organization (city government, in this case) to do things differently

When the status quo is unacceptable, strategies around innovation and continuous improvement become even more important

# Innovation team's approach and goal

The team was cross-departmental and focused on advancing the Mayor's priorities

The innovation team consisted of **24 members**, and it was comprised of GMC and City leaders, including directors and managers of various City agencies

## *Approach*

**Reviewed best practices in U.S. on innovation and results-focused government**

**Created working groups to develop specific options**

**Honed options based on Milwaukee's context and Mayor's goals**

## *Goal*

To recommend to the Mayor a set of complementary strategies to:

- Strengthen a culture of **innovation** and **continuous improvement** in City government
- Use data-driven approaches to increase **racial equity** and **inclusion** and to advance the **Mayor's top goals**

# Innovation options for the City's consideration

The four options that were selected were driven by purpose

| Options | Purpose |
|---|---|
| Launch **MAPP-Go** meetings, building on existing MAPP Meetings | Drive Mayor's top goals with cross-departmental focus |
| Create a city **analytics unit**, ideally foundation-funded to start | Help departments tackle pressing challenges with analytics and data |
| Create an **employee-driven innovation initiative**, building on successful model within DPW Water Works | Harness innovative ideas from front-line employees to improve customer service and efficiency |
| Implement **budgeting for outcomes** approaches | Better align budget to Mayor's goals and encourage cross-department collaboration |

# Best practices and other options

- Fees and charges
- Department of Public Works
- Department of Neighborhood Services

# Fees and charges best practices

City can maximize the value obtained from fees and charges by deploying best practices

**Government fees and charges best practices**

| | |
|---|---|
| **Transparency and accountability** | ▸ Ensure revenue is being used for intended purposes and not for unrelated activities<br>▸ Information should be easily accessible and presented in an understandable manner<br>▸ Options for citizen feedback could be available, especially surrounding new or changed rates<br>▸ Outline clear policy on full cost recovery, existing subsidies or discounts, information about amounts of charges and fees, and any impact of a new fees on future services |
| **Cost-effectiveness** | ▸ Fees and charges should be proportionate to the services being provided and evaluated regularly<br>▸ Full cost should incorporate direct and indirect costs, overhead, and charges for the use of facilities<br>▸ Use of Activity Based Costing (ABC) should be considered over traditional methods, so that costs are assigned directly to the activities required to deliver a service and can therefore be more accurate |
| **Regular review** | ▸ Charges and fees should be reviewed regularly to ensure they are relevant and appropriate<br>▸ Identify areas where charges and fees may need to be updated to reflect changes in service delivery or cost<br>▸ Benchmark fees and charges against comparable or neighboring jurisdictions when setting rates<br>▸ Utilize long-term forecasting to ensure that charges and fees anticipate future costs in providing the service |
| **Consistency** | ▸ Consistency in the application of charges and fees can help build public trust and confidence<br>▸ Consider the potential impact of charges and fees on vulnerable populations to ensure they are not disproportionately affected<br>▸ Charges and fees should be consistent and predictable across all users, with no sudden changes |
| **Efficient Payment Systems** | ▸ Payment systems should be efficient and convenient, so that it is easy for citizens to pay fees and charges<br>▸ Online payment options and other digital payment methods should be made available |

# Evaluate ability to engage in warranty recovery

## In-house repairs could result in higher efficiencies and fleet availability

### *DPW fleet services*

| Description | Impact | Considerations |
|---|---|---|
| ▸ Warranty recovery is the process of conducting repairs that are eligible for reimbursement under warranty in house vs. sending them out to a certified warranty repair shop<br>▸ Fleet engineers are already participating in warranty recovery, but at a limited capacity<br>▸ The team could consider expanding their efforts to become a warranty provider for certain automobile makes and/or parts that are popular within the fleet<br>▸ As much as 15% of Milwaukee's current fleet may be eligible for warranty covered repairs<br>▸ Warranty recovery could be done for services where the service cost is less than the warranty reimbursement<br>▸ Doing in-house repairs could result in additional revenue. However, the main benefit would be improving turnaround time for repairs and reducing the need to rent cars | **Fiscal**<br>▸ Cost savings could be realized by completing in-house repairs more quickly vs. sending the fleet back to the dealership or manufacturer. The department would no longer need to rent cars for extended periods of times while they wait for repairs<br>▸ Similarly, if the warranty reimbursement rate is higher than the total cost of the in-house repair, this could result in additional revenue for the department<br><br>**Performance**<br>▸ Time savings could result in an improved fleet availability percentage rate as repairs are completed more quickly and efficiently<br><br>**Equity**<br>▸ No material impact on equity is anticipated from this option | ▸ Different requirements are faced by the Department in order to provide certain warranty work. The department could identify these requirements and ensure that they have the appropriate capacity and resources<br>▸ Warranty reimbursement rate is usually less than the shop rate that the department could charge for other external work |

# Utilize Smart City technology to optimize sanitation routes

## Holistic approach to work order management would result in more efficient processes

### *DPW sanitation*

| Description | Impact | Considerations |
|---|---|---|
| ▸ The City could use Smart City technology in order to ensure faster and easier sanitation routes<br>▸ The City has previously used RouteSmart, which did not meet full needs<br>▸ The City currently uses Center Line for mapping, which is not a significant improvement from previous technology<br>▸ The current technology is difficult to use and slow, causing inefficiencies throughout the department, and does not include route optimization capabilities<br>▸ Smart City is a holistic technology that can include asset management, work orders, and route optimization | **Fiscal**<br>▸ Smart City technology could increase performance efficiency and allow for work orders to be completed promptly. This may allow the department to right size personnel costs and eliminate budgeted, vacant positions<br><br>**Performance**<br>▸ The sanitation department would be able to complete work orders more quickly and efficiently<br><br>**Equity**<br>▸ Switching technology may disproportionately impact employees with less technological savvy, including older employees | ▸ This technology would need to be rolled out at the truck level to feed into the system<br>▸ The City may need to invest in and prioritize training to ensure employees can successfully leverage the technology |

# Improve work order management and scheduling

## Improvements in management and scheduling could reduce inefficiencies

### *DPW operations*

| Description | Impact | Considerations |
|---|---|---|
| ▸ The City has expressed a need to be able to better track work orders and schedule requests to improve efficiencies at DPW<br>▸ An improved work order management system would allow the department to see what, when, and how much is spent for each work order, and identify waste<br>▸ The updated system would allow the team to identify how many dollars are allocated to each work order<br>▸ Work order information entry would be standardized for all projects<br>▸ The team would be able to conduct post-mortems to review how projects went, understand the volume of day-to-day operations, and see where there may be options for improvement | **Fiscal**<br>▸ Improving work order management and scheduling will allow the department to be more efficient and potentially find savings in personnel costs and OpEx<br><br>**Performance**<br>▸ Performance would improve, as work orders would be more clearly organized and scheduled, thereby creating efficiencies<br><br>**Equity**<br>▸ A new work order management system may disproportionately affect employees who are less familiar with new technologies, especially older employees | ▸ The City may need to make upfront investments in training for the new work order management system in order to ensure a smooth transition<br>▸ A slowdown in processes may occur as the team becomes accustomed to a new work order management and scheduling system<br>▸ Compliance monitoring is necessary for a new work order management system<br>▸ The City must enforce the new management system and ensure that everyone is using it proactively and consistently |

# Develop a capital plan for preventative street maintenance

## Savings will be achieved over time as the need for reactive repairs decreases

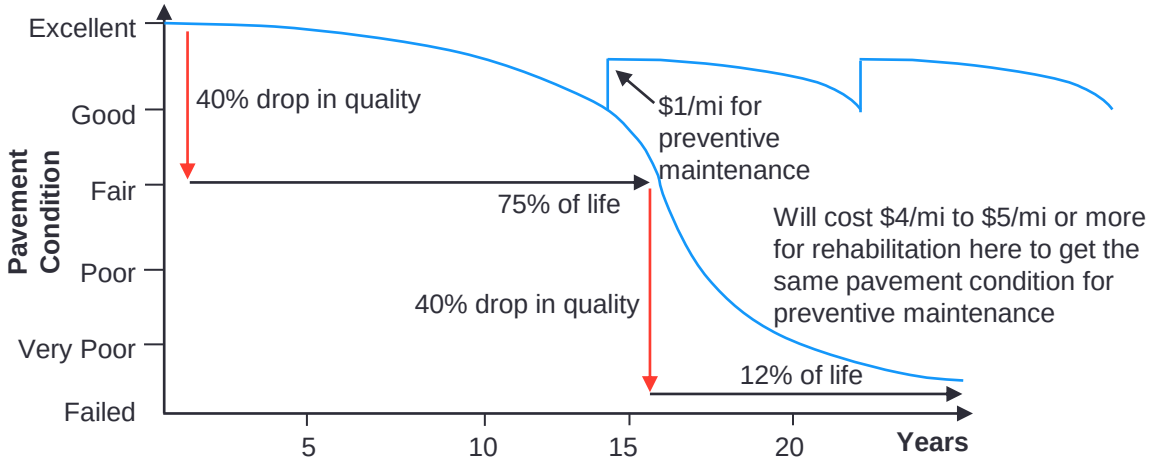
### *DPW street maintenance*

| Description | Impact | | Considerations |
|---|---|---|---|
| ▸ Overlaying and repaving existing streets is the highest cost service for the street maintenance department<br>▸ Investing in additional preventive street maintenance could reduce number of lane miles in need of active repair annually<br>▸ Preventative street maintenance includes more active efforts to fill cracks and small potholes as they appear, to prevent minor issues from accumulating into larger ones<br>▸ In peer cities, a preventative street maintenance program has proven to be more financially viable in the long-term as opposed to a "worst first" model, which Milwaukee currently operates under |  **Fiscal** | ▸ The City would need to fund a robust preventative street maintenance plan, but a significant reduction in street maintenance costs could emerge over time, since the need for expensive repairs may decrease | ▸ Weather and chemical effects on pavement, as well as degradation due to high traffic areas should be considered when developing a preventative street maintenance program<br>▸ Capital plan will require an upfront investment, and savings will be gained over time |
| |  **Performance** | ▸ Preventative street maintenance may improve the City roads<br>▸ Because less complex repairs may be needed, the team may be able to focus attention elsewhere, particularly in completing more preventative maintenance | |
| |  **Equity** | ▸ No material impact on equity is anticipated | |

# Preventative street maintenance

## 4-5x more cost effective than rehabilitation and reconstruction of flexible asphalt pavements

### Variation in pavement condition




| Treatment | Pavement age at time of first application (yrs.) | Frequency of application (yr.) | Observed increase in pavement life (yr.) |
|---|---|---|---|
| Crack filling | 5 to 6 | 2 to 4 | 2 to 4 |
| Single chip seal | 7 to 8 | 5 to 6 | 5 to 6 |
| Multiple chip seal | 7 to 8 | 5 to 6 | 5 to 6 |
| Slurry seal | 5 to 10 | 5 to 6 | 5 to 6 |
| Micro-surfacing | 9 to 10 | 5 to 6 | 5 to 6 |
| Thin hot-mix overlay | 9 to 10 | 9 to 10 | 7 to 8 |

### Commentary

- Cost of repairs increases exponentially as the amount of deterioration increases. For example, **one mile of roadway costs $160,000 to repave with a functional overlay**. If excessive deterioration occurs and reconstruction is necessary, **the cost of rebuilding that mile could easily reach $480,000 per mile**[1,2]
- **Preventative maintenance** can **maximize the performance** by effectively deferring the need for more expensive reconstruction and rehabilitation repairs
  - Preventive maintenance every 5 to 10 years is four to five times more cost-effective than reconstructing the pavement. Currently, the City is achieving this only in certain roads
- The New York DOT reported a cost effectiveness ratio of 3.65 for preventive maintenance as compared to a "do-nothing" strategy
  - In this study, a preventative maintenance strategy of sealing cracks every 4 years and placing a 40-mm overlay at years 12 and 24 was compared to a do-nothing approach and reconstructing the pavement after 24 years
  - Similarly, a study by the United States Army Corps of Engineers noted that placing chip seals at the proper time was 4 times more cost-effective than repairing a deteriorated pavement
- **Deferred pavement maintenance is a liability not showing up on balance sheet but the cost to repair failed pavements is unavoidable**

Source: Selecting a preventative maintenance treatment for flexible pavements, US Department of Transportation; Pavement Maintenance Effectiveness – Preventive Maintenance Treatments, Mamlouk et.al
Notes: 1. https://www.worldhighways.com/wh3/feature/preventive-maintenance-preserving-pavements 2.. Converted to miles

# Preventative street maintenance

## Leveraging technology & data-driven best practices reduces road maintenance costs

### Data driven preventative maintenance of flexible pavements

#### Collect Data

- Maintain inventory of all flexible pavements across city
  - Categorize based on traffic density
- Regularly conduct surveys to determine pavements' health and deterioration
- Leverage satellite imaging data along with AI to build automated pavement monitoring systems
- Record pavements' health data on pavement distress
  - Cracks, rutting, other distress etc.

#### Identify Pavement

- Analyze pavement performance parameters to identify candidates for preventative maintenance program based on:
  - Traffic density
  - Remaining service life ("RSL")
  - International roughness index ("IRI")
  - Crack density, rut depth, etc.
- Pavements with severely distorted cross section are not ideal candidates for the program

#### Select Treatment

- Identify the distress types for each of the candidates identified for preventative maintenance program
  - Longitudinal / transverse cracks
  - Crack density and depth
- Based on distress select appropriate treatment
  - Crack sealing with or without mastic
  - Pothole patching
  - Over-band crack fill
  - Micro surfacing
  - Thin / ultra thin overlays etc.

#### Apply and Monitor

- Apply the selected treatments considering all city guidelines and maintain quality checks
- Implement traffic control on treated surfaces, as required until curing is achieved
- Regularly monitor condition of all treated pavements for pavement distress

### Maintenance of flexible pavements

- Leverage technology to build a pavement management system
  - Leverage satellite imaging data to identify pavement distress and health
  - Implement smart AI-based models on imaging datasets to monitor pavement health and distresses
  - Leverage data-driven models and analysis to optimize the preventative maintenance program to achieve higher efficiency at reduced maintenance budgets
  - Explore statistical models to analyze distress data for better quantification of surface distress parameters and pavement health
- **Michigan has developed a comprehensive capital preventative maintenance manual and program to guide administrative, engineering, and technical staff while carrying out preventative maintenance of pavements**

Source: EYP Analysis and secondary research

# Cross-train DPW and DNS inspectors and virtual follow-ups

## Improving efficiencies would allow the Department to address complaints more quickly

### *DNS code enforcement*

| Description | Impact | Considerations |
|---|---|---|
| ***Cross-departmental inspections***<br>▸ DPW and DNS inspectors inspect similar properties for different code violations. Currently, both Departments send inspectors to conduct their own inspections<br>▸ Cross-departmental inspections for certain violations (e.g., litter and vehicle nuisances) could lessen the workload and improve efficiency<br><br>***Virtual follow-up inspections***<br>▸ DNS could consider conducting virtual reinspection for lower-risk violations<br>▸ Property owners would submit documentation to show that the violation has been addressed, eliminating the need for inspectors to be on site | **Fiscal**<br>▸ Fiscal impact from this option may be minimal, but it will help reduce the workload for DNS inspectors<br><br>**Performance**<br>▸ Cross-departmental inspections and virtual follow-up could improve key efficiency KPIs such as average days to resolve complaints<br>▸ Inspectors would have more time to focus on complex code violations and be able to address those more quickly<br><br>**Equity**<br>▸ More efficient inspections would ensure that any code violations are promptly resolved, guaranteeing safer living conditions for all City residents | ***Cross-departmental inspections***<br>▸ The Departments could consider a pilot program with a select number of inspectors to identify and address any pain points before rolling the cross-departmental inspections out to the entire population of inspectors<br>▸ FAQs and other informational material may need to be rolled-out to ensure the residents are aware of these cross-departmental efforts<br><br>***Virtual follow-up inspections***<br>▸ Virtual follow-ups would be done for lower-risk code violations, ensuring that any structural violation is still thoroughly inspected in-person<br>▸ The Department should implement a severe penalty for submitting false documentation to deter this behavior<br>▸ City Attorney must review any liability risks associated with virtual reinspection |

# Appendix

*Appendix*

# Service optimization survey scope & takeaways

## Survey insights indicate opportunity for cost recovery and improved efficiency

The GMC conducted a survey and utilized a set of diagnostic questions to identify key services which may have the potential for improvement

### Survey Audience

The service optimization survey was sent to:

**11** **Departments**

…containing…

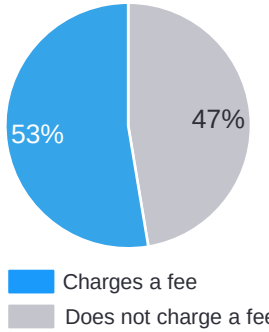
**48** **Services**

…representing…

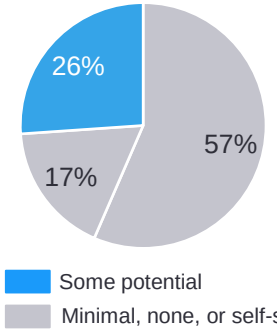
**$381m** **in FY23 Budget**

### Service Insights

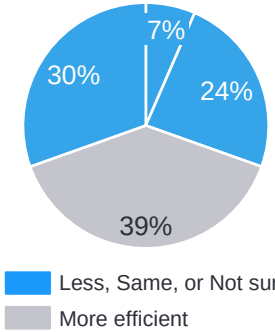
*53% do not currently charge a fee*



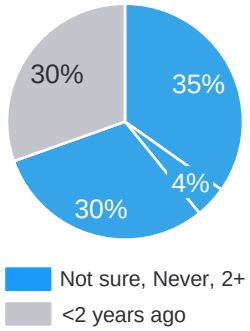

*26% have some potential to charge fees*



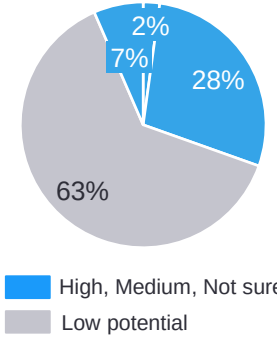

*61% are not more efficient than peers*



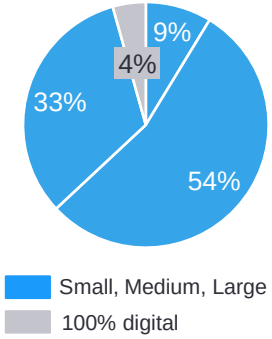

*70% have not been evaluated for efficiency in the last 2 years*




*37% have moderate to high potential for efficiency improvement*




*96% are paper-based to some extent*



*Appendix*

# Service optimization survey scoring

Responses were ranked, weighted, and totaled resulting in one final score per service

## Service Optimization Survey Scoring Methodology

| ***Weight*** | ***1.0*** | ***1.0*** | | ***1.0*** | | ***1.0*** | | ***2.0*** | | ***2.0*** | | ***2.0*** | | ***1.0*** | | ***2.0*** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY2023 Budget Quartile[1] | | Q1. To the best of your knowledge, have total service costs increased faster than inflation over the past 10 years? | | Q2. Is there a fee charged for this service? | | Q3. What is the potential for all or some portion of service costs to be recovered (e.g., with user charges)? | | Q4. How does efficiency for this service compare to peer jurisdictions or industry standards? | | Q5. When was the last time the service was formally evaluated to improve performance and/or cost per unit efficiency? | | Q6. Overall, how would you rate the potential for finding more cost-efficient ways to deliver the service? | | Q7. How has the need or demand for the service changed over the past ten years? | | Q8. To what extent are business processes paper-based for this service? | |
| Response | Score | Response | Score | Response | Score | Response | Score | Response | Score | Response | Score | Response | Score | Response | Score | Response | Score |
| 4th quartile | 4 | Yes | 2 | Yes | 2 | Some potential | 3 | Less efficient | 6 | Never | 6 | High | 6 | Decreased | 3 | Large extent | 8 |
| 3rd quartile | 3 | Not sure | 2 | No | 1 | Minimal or none | 2 | Not sure | 6 | 2+ years ago | 4 | Medium | 4 | Increased | 2 | Medium extent | 6 |
| 2nd quartile | 2 | No | 1 | | | Not sure | 2 | About the same | 4 | Not sure | 4 | Not sure | 4 | Not sure | 2 | Small extent | 4 |
| 1st quartile | 1 | | | | | Service is already self-supporting | 1 | More efficient | 2 | Less than 2 years ago | 2 | Low | 2 | No change | 1 | 100% digital | 2 |

**For each service, scores were multiplied by the assigned weights per question, and an aggregate number of points was totaled**

1. Service FY23 budgets were ranked from highest to lowest, then quartiled. The 4th quartile represents the top 25% services with the highest FY23 budget as reported in the survey

*Appendix*

# Service optimization survey scoring

| Name of department: | Sub-unit mapping: | FY2023 Budget | Budget Quartile | Q1. have total service costs increased faster than inflation over the past 10 years? | Q2. Is there a fee charged for this service? | Q3. What is the potential for all or some portion of service costs to be recovered? | Q4. How does efficiency for this service compare to peer jurisdictions or industry standards? | Q5. When was the last time the service was formally evaluated to improve performance? | Q6. Overall, how would you rate the potential for finding more cost-efficient ways to deliver the service? | Q7. How has the need or demand for the service changed over the past ten years? | Q8. To what extent are business processes paper-based for this service? | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Public Library | Circulation Bureau Pool | $1.9M | 1st | No | No | Minimal or none | Less efficient | Not sure | High | Decreased | Large extent | 33 |
| Port Milwaukee | Operations Division | $6.4M | 3rd | No | Yes | Service is already self-supporting | Not sure | 2+ years ago | Low | Increased | Medium extent | 32 |
| Dept. of Neighborhood Services (“DNS) | Special Enforcement Division | $1.2M | 1st | Not sure | Yes | Some potential | Not sure | 2+ years ago | Low | Increased | Large extent | 30 |
| Health Department | Office of Violence Prevention | $4.5M | 3rd | Not sure | No | Minimal or none | Not sure | Never | Low | Increased | Medium extent | 30 |
| DNS | Code Enforcement Section | $2.4M | 2nd | Yes | Yes | Service is already self-supporting | Not sure | Not sure | Not sure | Increased | Medium extent | 29 |
| DPW (Operations Forestry) | Field Operations | $11.3M | 3rd | No | Yes | Service is already self-supporting | Not sure | Less than 2 years ago | Medium | Increased | Medium extent | 28 |
| DPW (ISD Transportation Operations) | Underground Communications | $3.6M | 2nd | Yes | Yes | Some potential | More efficient | 2+ years ago | Medium | Increased | Medium extent | 28 |
| Public Library | Central Library Services Pool | $3.5M | 2nd | No | No | Minimal or none | Less efficient | 2+ years ago | Medium | No change | Medium extent | 28 |
| DPW (ISD Transportation Operations) | Street Lighting | $14.6M | 4th | Yes | Yes | Some potential | More efficient | 2+ years ago | Low | Increased | Medium extent | 27 |
| Fire | Firefighter Paramedic Service | $104.4M | 4th | Yes | Yes | Some potential | About the same | 2+ years ago | Low | Increased | Small extent | 27 |
| DPW (Operations Sanitation) | Field Operations | $44.3M | 4th | Not sure | Yes | Service is already self-supporting | About the same | Less than 2 years ago | Medium | Increased | Medium extent | 27 |
| DPW Infrastructure Services Bridges | Bridge Operations/Maint. | $9.6M | 3rd | No | No | Minimal or none | About the same | 2+ years ago | Medium | No change | Medium extent | 27 |
| Community Development Grants Administration | Administration | $0.47M | 1st | No | No | Minimal or none | Not sure | 2+ years ago | Low | Increased | Large extent | 27 |
| Fire | EMS | $3.5M | 2nd | Yes | No | Minimal or none | About the same | Not sure | Not sure | No change | Medium extent | 27 |
| Health Department | Sexual & Reproductive Health | $2.1M | 1st | Yes | Yes | Some potential | Less efficient | Less than 2 years ago | Medium | Increased | Small extent | 27 |

1. The team is also reviewing the following services beyond the top 15 services listed above: Police Department, DPW service fees cost allocation, Comptroller and Treasurer, and Purchasing

*Appendix*

# Service optimization survey scoring *(continued)*

| Name of department: | Sub-unit mapping: | FY2023 Budget | Budget Quartile | Q1. have total service costs increased faster than inflation over the past 10 years? | Q2. Is there a fee charged for this service? | Q3. What is the potential for all or some portion of service costs to be recovered? | Q4. How does efficiency for this service compare to peer jurisdictions or industry standards? | Q5. When was the last time the service was formally evaluated to improve performance? | Q6. Overall, how would you rate the potential for finding more cost-efficient ways to deliver the service? | Q7. How has the need or demand for the service changed over the past ten years? | Q8. To what extent are business processes paper-based for this service? | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DNS | Electrical Inspection Section | $1.1M | 1st | Not sure | Yes | Some potential | More efficient | Not sure | Medium | Increased | Medium extent | 26 |
| DNS | Plumbing Inspection Section | $1.1M | 1st | Not sure | Yes | Some potential | More efficient | 2+ years ago | Medium | Increased | Medium extent | 26 |
| DPW Administrative Services Division | Finance & Planning Section | $3.1M | 2nd | Yes | Yes | Minimal or none | About the same | Not sure | Low | Increased | Medium extent | 26 |
| Department of City Development | Real Estate & Development | $3.1M | 2nd | Yes | Yes | Minimal or none | More efficient | Not sure | Low | Increased | Large extent | 26 |
| DNS | Code Enforcement Section | $0.9M | 1st | Yes | Yes | Service is already self-supporting | Not sure | Not sure | Low | Increased | Medium extent | 26 |
| Fire and Police Commission | Administration | $0.4M | 1st | Not sure | No | Minimal or none | Not sure | Not sure | Low | Increased | Medium extent | 26 |
| Fire | Training Division | $6.7M | 4th | Yes | No | Minimal or none | More efficient | Not sure | Not sure | No change | Medium extent | 26 |
| DNS | Cross Connection Section | $1.1M | 1st | Yes | No | Some potential | More efficient | 2+ years ago | Medium | Increased | Medium extent | 25 |
| DPW | Street Maintenance | $9.6M | 4th | No | Yes | Some potential | More efficient | Less than 2 years ago | Medium | Increased | Small extent | 24 |
| DPW ISD/Transportation Operations | Signal Shop | $4.4M | 3rd | Yes | No | Minimal or none | More efficient | 2+ years ago | Low | Increased | Medium extent | 24 |
| Fire | Construction & Maintenance | $5.1M | 3rd | Yes | No | Minimal or none | About the same | Not sure | Low | Increased | Small extent | 24 |
| DPW Operations / Fleet Services | Fleet Repairs | $29.4M | 4th | No | No | Minimal or none | Not sure | Less than 2 years ago | Low | Increased | Small extent | 24 |
| DPW | Central Drafting & Records | $1.8M | 1st | No | No | Minimal or none | Not sure | 2+ years ago | Medium | No change | Small extent | 24 |
| Fire | Technical Services/Dispatch Division | $4.3M | 3rd | Yes | No | Minimal or none | About the same | Not sure | Low | Increased | Small extent | 24 |
| DNS Development Center | Development Center Division | $1.8M | 2nd | No | Yes | Service is already self-supporting | About the same | 2+ years ago | Low | Increased | Medium extent | 24 |

# Service optimization survey scoring *(continued)*

| Name of department: | Sub-unit mapping: | FY2023 Budget | Budget Quartile | Q1. have total service costs increased faster than inflation over the past 10 years? | Q2. Is there a fee charged for this service? | Q3. What is the potential for all or some portion of service costs to be recovered? | Q4. How does efficiency for this service compare to peer jurisdictions or industry standards? | Q5. When was the last time the service was formally evaluated to improve performance? | Q6. Overall, how would you rate the potential for finding more cost-efficient ways to deliver the service? | Q7. How has the need or demand for the service changed over the past ten years? | Q8. To what extent are business processes paper-based for this service? | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DPW | Design, Field Eng., Programming | $4.3M | 3rd | No | Yes | Some potential | More efficient | Less than 2 years ago | Low | Increased | Medium extent | 23 |
| Department of Public Works | Construction Management | $4.7M | 3rd | No | Yes | Some potential | More efficient | Less than 2 years ago | Low | Increased | Medium extent | 23 |
| Department of City Development | Housing Development | $3.0M | 2nd | Yes | No | Minimal or none | More efficient | 2+ years ago | Low | Increased | Medium extent | 23 |
| Department of City Development | Finance & Administration | $1.5M | 1st | No | No | Minimal or none | About the same | Not sure | Low | Increased | Medium extent | 23 |
| Assessor's Office | Real Property | $6.1M | 3rd | Yes | No | Minimal or none | More efficient | Not sure | Low | Increased | Small extent | 22 |
| Transportation - Enterprise Fund | Parking Enforcement and Information | $42.2M | 4th | No | Yes | Service is already self-supporting | More efficient | Less than 2 years ago | Medium | Increased | Small extent | 22 |
| Budget and Management Division of DOA | Administrative | $1.2M | 1st | No | No | Minimal or none | Not sure | Not sure | Low | No change | Small extent | 22 |
| Health | Laboratory | $2.5M | 2nd | No | Yes | Some potential | About the same | Less than 2 years ago | Low | Increased | Small extent | 22 |
| Milwaukee Public Library | Branch Library Services Pool | $8.6M | 4th | No | No | Minimal or none | More efficient | 2+ years ago | Low | No change | Small extent | 21 |
| Department of Administration | Applications and Development | $6.1M | 3rd | No | No | Minimal or none | About the same | Not sure | Low | Increased | 100% digital, no paper usage | 21 |
| Health Department | Empowering Families of Milwaukee | $1.8M | 2nd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Small extent | 21 |
| Health Department | Home Environmental Health | $3.2M | 2nd | Yes | No | Minimal or none | More efficient | Less than 2 years ago | Low | Increased | Medium extent | 21 |
| Health Department | Disease Control & Prevention | $0.9M | 1st | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Small extent | 20 |
| Health Department | Maternal & Child Health | $2.1M | 2nd | No | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Small extent | 20 |
| Health Department | Consumer Environmental Health | $1.67M | 1st | Yes | Yes | Service is already self-supporting | More efficient | Less than 2 years ago | Low | Increased | Medium extent | 20 |
| Department of Administration | Information Services | $4.8M | 3rd | No | No | Minimal or none | More efficient | Not sure | Low | Increased | 100% digital, no paper usage | 19 |

*Appendix*

# Service optimization survey scoring

## Scoring for Police Department

| Sub-unit mapping: | FY2023 Budget | Budget Quartile | Q1. have total service costs increased faster than inflation over the past 10 years? | Q2. Is there a fee charged for this service? | Q3. What is the potential for all or some portion of service costs to be recovered? | Q4. How does efficiency for this service compare to peer jurisdictions or industry standards? | Q5. When was the last time the service was formally evaluated to improve performance? | Q6. Overall, how would you rate the potential for finding more cost-efficient ways to deliver the service? | Q7. How has the need or demand for the service changed over the past ten years? | Q8. To what extent are business processes paper-based for this service? | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| District 2 | $24.3M | 4th | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 27 |
| District 3 | $27.9M | 4th | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 27 |
| District 5 | $26.4M | 4th | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 27 |
| District 7 | $26.2M | 4th | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 27 |
| Forensics | $8.4M | 3rd | Yes | No | Some potential | About the same | Less than 2 years ago | Medium | Increased | Medium extent | 27 |
| District 1 | $16.0M | 3rd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 26 |
| District 4 | $20.7M | 3rd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 26 |
| District 6 | $15.3M | 3rd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 26 |
| Motorcycle Unit | $6.4M | 2nd | Yes | No | Some potential | About the same | Less than 2 years ago | Low | Increased | Large extent | 26 |
| Technical Communications Division | $21.5M | 4th | Yes | No | Minimal or none | About the same | Less than 2 years ago | Medium | Increased | Small extent | 25 |

# Service optimization survey scoring *(continued)*

## Scoring for Police Department

| Sub-unit mapping: | FY2023 Budget | Budget Quartile | Q1. have total service costs increased faster than inflation over the past 10 years? | Q2. Is there a fee charged for this service? | Q3. What is the potential for all or some portion of service costs to be recovered? | Q4. How does efficiency for this service compare to peer jurisdictions or industry standards? | Q5. When was the last time the service was formally evaluated to improve performance? | Q6. Overall, how would you rate the potential for finding more cost-efficient ways to deliver the service? | Q7. How has the need or demand for the service changed over the past ten years? | Q8. To what extent are business processes paper-based for this service? | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Homicide Division | $7.6M | 2nd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 25 |
| Violent Crimes Division | $7.8M | 2nd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 25 |
| Special Investigations Division | $5.4M | 1st | Yes | No | Some potential | About the same | Less than 2 years ago | Low | Increased | Large extent | 25 |
| Sensitive Crimes Division | $7.2M | 2nd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 25 |
| Facilities Services Section | $9.9M | 3rd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Medium | Increased | Small extent | 24 |
| Tactical Enforcement Unit | $5.8M | 1st | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 24 |
| Robbery Division | $5.7M | 1st | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 24 |
| Narcotics | $5.0M | 1st | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 24 |
| Central Booking | $8.3M | 2nd | Yes | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Medium extent | 23 |
| Internal Affairs Division | $5.1M | 1st | No | No | Minimal or none | About the same | Less than 2 years ago | Low | Increased | Large extent | 23 |

# Service optimization analytical diagnostic

## Analytical questions to conduct a deeper dive on key focus areas

| Category | Question |
|---|---|
| **Cost Analysis** | 1. What is the breakdown of costs by type – personnel, materials and supplies, equipment, contractual services, etc.? |
| | 2. What activities are the main cost drivers? |
| | 3. What is the trend in the cost of the service over the past ten years? Has it grown faster than inflation? If so, why? (If available) |
| | 4. What steps has the service taken to control costs? |
| | 5. How is cost efficiency measured? |
| | 6. Does the service recover any of its costs? Could it charge a user fee? If it charges a user fee, does the fee cover the full cost of the service? |
| **Organizational Analysis** | 1. How many positions and FTE are budgeted for the service? What is the trend in budgeted and actual FTE over the past ten years? |
| | 2. How many funded positions are vacant? How long has each position been vacant? |
| | 3. What is the turnover rate? |
| | 4. Does the service have a documented staffing model? |
| | 5. How does the staffing trend compare to service demand or output? |
| | 6. How many hours of training do employees receive annually? Does the training support performance or efficiency improvements? |
| **Process Analysis** | 1. What are the key technologies used to perform the service? How current are the technologies? Are any business processes paper-based? |
| | 2. How does the service use data to prioritize work, schedule employees, route vehicles, and otherwise optimize efficiency? |
| | 3. Has the service mapped and analyzed its key business processes? |
| | 4. What, if any, process improvements have been implemented in the last five years? What has been the impact? |
| | 5. What business processes do employees believe are most inefficient or in need of improvement? |
| | 6. To what extent are customers able to receive services via self-service methods? |
| | 7. To what extent does the service collaborate with other parts of city government? |

# Service optimization analytical diagnostic *(continued)*

## Analytical questions to conduct a deeper dive on key focus areas

| Category | Question |
|---|---|
| **Performance Analysis** | 1. What are the purposes/outcomes of the service? |
| | 2. What is the trend in the need or demand for the service over the past five years? |
| | 3. How does the service measure performance? How do front-line staff, managers, and executives use performance information? |
| | 4. How well is the service performing against its own targets? How are variances explained? |
| | 5. Are employees rewarded or penalized based on individual or team performance? |
| | 6. Does the service collect customer satisfaction data? |
| **Sourcing Analysis** | 1. What goods and services does the service contract for? |
| | 2. Does the service cooperatively contract for any goods or services? (With other departments, regional jurisdictions, national contracts, etc.) |
| | 3. Are contracts or grants results-driven? Is the service paying for outcome as opposed to time and materials? Do contracts incentivize good performance and efficiency? |
| | 4. Does the service make grants to achieve its purpose? |
| | 5. Could the service or any part of it be performed by others? (Private vendors, non-profit orgs, volunteers, other departments, other governments) |
| **Equity Analysis** | 1. Has the service disaggregated delivery and outcome data by race, socioeconomic status, geography and other factors related to equity? If so, what do the data say? |
| | 2. Has the service taken steps or made plans to improve equity? Explain. |
| | 3. Are there any racial or socioeconomic disparities related to the area of service? Explain. |
| **Legal Analysis** | 1. What is the legal authorization or mandate for this service? |
| | 2. Are there any labor contract provisions that management feels are barriers to efficiency? |