



**Tom Barrett**  
Mayor, City of Milwaukee

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## **MAYOR BARRETT'S 2013 PROPOSED EXECUTIVE BUDGET**

*September 27, 2012 – as delivered*

Good morning President Hines, members of the Common Council, members of the Cabinet and residents of our great city.

I want to start by welcoming our new comptroller, Marty Matson, as he assumes his important role in the city budget process. I want to thank him, Mr. Matson for his cooperation in developing a stable debt service budget.

I'd also like to welcome, my friend, our new City Treasurer, Spencer Coggs. Customer service has been a high priority for the Treasurer, and I'm very confident that Spencer will continue that tradition.

I'm pleased to see City Attorney Grant Langley. We're very happy to have you back at work and in good health.

I also want to welcome our newest member of the Common Council, Alderman Jose Perez, welcome to your first city budget. You will find that you love it.

And I'm proud to say that our budget ends the NFL lockout, which is good news for everyone.

Since 2008, communities and people across our great nation have been dealing with the effects of the 2007-2008 Global Financial Crisis. Here in Milwaukee, the impacts have been intense and widespread. Foreclosures, job losses, and declining property values reflect the economic distress caused by the collapse of the markets and inadequate regulation.

The economic crisis hammered the security of millions of working families, public and private pension plans and municipal budgets. The crisis that no one here caused has turned life upside down for so many.

During this difficult period, we have taken our duty to budget responsibly and because of that Milwaukee is positioned well to come out of the recession.

My 2013 proposed budget continues the responsible approach that has characterized our constructive partnership on budgets during the last eight years. We continue to address our challenges and preserve the city services residents expect.

The city's long-standing fiscal structure, with a reliance on State Shared Revenue increases, rising property values and minimal pension payments unfortunately is no longer in place.

In fact, current projections show \$65-million in structural improvements are required by 2016 to achieve the changes necessary to put the city budget closer to balance.

I am confident though that the city is prepared to take on these difficult challenges. I believe that we can do this in an orderly fashion over four years, without layoffs, budget gimmicks, or excessive borrowing.

Our four-year plan will continue to apply a "3 R" strategy to annual budgets – resizing, restructuring, and reinvesting – in order to achieve structural balance. Successful innovation cannot rely on across-the-board budget cutting. City government needs to choose its priorities carefully and implement them in a manner that increases productivity.

The budget includes a reduction of approximately \$13-million dollars to department operating and special fund expenditures. This includes a proposed elimination of 112 funded full-time equivalent positions. Fortunately, no layoffs are projected as a result of my proposed budget. But these reductions are necessary steps toward restoring structural balance.

Responsible borrowing and budget decisions have led to stabilizing our debt service levy. The city's debt service levy has stabilized over the last three budgets and is expected to remain within 1% annual increases during the next four years. The city's annual new levy-supported borrowing authorizations over the last four years have remained at essentially the same level as 2004.

The proposed amount of levy-supported general obligation borrowing is \$74.7-million. Continuing this stable level of borrowing will help control our future debt levy increases, and that's important.

I have proposed modest increases to our municipal service charges that amount to an annual increase of \$17 for a typical homeowner with one garbage cart. However, because residential property values have declined, the owner of a typical residential property will see an estimated city tax levy decrease of \$43. On a combined basis, the new proposed levy and municipal service charge changes result in a decreased cost of \$26 to the typical residential property owner, when compared to 2012.

I want to spend some time talking about our pension obligation and the steps we have taken to ensure we responsibly fund the pension benefits that our past and present employees have earned.

Between 1996 and 2009, the city, consistent with the Charter, did not make any employer contributions. As you well know, because of the global financial crisis, we needed to make a \$49-million contribution in the 2010 budget. With your help, and I

emphasize that, with your help, we fulfilled this obligation in full, without resorting to borrowing or fiscal gimmicks. As you also know, the funding status of the pension plan allowed us to avoid employer contributions for the 2011 and 2012 budgets. While we acted responsibly, by adding \$44-million over two years to the Employer's Pension Reserve, the storm clouds are still present.

Our plan continues to be one of the best-funded public plans in the United States. Just take a look at this morning's Chicago Tribune. Projections still indicate that substantial annual employer contributions will be required for the foreseeable future.

This year's actuarial valuation calls for a contribution of \$59.3-million from the general fund and \$1.4-million from the Water Works. My budget includes this funding in full, helped by a prudent \$18.4-million withdrawal from the Pension Reserve.

It is absolutely necessary to approach the challenge of pension funding with a balanced, multi-year perspective. The current employer contribution policy is hyper-sensitive to each year's investment results, which is not conducive to budget planning and is inconsistent with the reality of financial market cycles. In order to address these issues, our Budget Office engaged the city's actuary to analyze whether a responsible alternative contribution policy could be developed. The conclusions from the analysis indicate that an alternative contribution policy can indeed meet the objectives of solid funding while avoiding the extreme volatility incorporated in the current funding method.

Once the ERS' current experience study is completed, I will work with you to introduce Charter legislation for a new contribution policy based on the actuarial analysis.

I want to thank Alderman Mike Murphy for his leadership in forming a Pension Task Force which has been focusing on ways to maintain a solid defined benefit plan for city employees in a sustainable manner.

Like pensions, health costs have been a real challenge for our city.

We have made tremendous progress on managing the cost of employee health care. Prior to 2012, we had been experiencing annual increases of about 9%. I'm extremely pleased we have reversed this trend. Our health care benefits cost containment strategy, coupled with our decision to self-fund this program, has led to a savings of approximately \$25-million. Current projections indicate a 2.2% increase for 2013.

I am happy to announce that the progress we have achieved in health care savings will produce a dividend for our employees. Most employees are still paying more than they did a few years ago, but with this proposed budget they will see decreases to their monthly premiums.

My budget continues to support economic and community renewal through careful prioritizing, organizational restructuring, and investments in our operations.

We will continue robust strength levels in the Milwaukee Police Department, including funding for an estimated 1,862 sworn positions. The budget provides an increase of almost \$1.3-million in overtime to enable continuation of the Neighborhood Task Force and other strategic deployments without diluting district patrol capacity.

Our commitment includes \$1.2-million of tax levy funding to convert 41 of 50 police officers who are currently federally-funded to local funding, as grant funding expires mid-year. We will also convert the other nine grant-funded positions once that funding expires. I am very appreciative of President Obama's support for effective community-based policing in Milwaukee; now, it's time for us to make good on our end of the bargain.

The Police Department budget also includes a very important restructuring which is an initiative based on intergovernmental cooperation. Under my proposal, the city and Milwaukee County will enter a Memorandum of Understanding to improve law enforcement and 9-1-1 communications. The Police Department will be recognized as the primary law enforcement agency for policing County parks inside city limits, including the lakefront. The department will use strategic deployment strategies to maximize public safety in the parks and on the lakefront. The memorandum will improve 9-1-1 emergency call services for cell phone calls, by adding eleven positions that are funded through the proposed County payment. Prior to the agreement, some cell phone calls that originated in the city went to the Sheriff's Department and were transferred to the city. This agreement, which is subject to your approval, will eliminate the need for call transfer and enhance rapid response capacity. City residents will benefit from improved police protection and a more cost-effective approach.

The leadership of Chief Mark Rohlfing and the commitment of the firefighters, EMS personnel, and support staff will ensure the continuation of response capacity that is far superior to national standards. The Department's emphasis on cost-effective use of its resources continues to add value. In the 2013 proposed budget, changes in the County Paramedic Training program and a new approach to the training of Advanced Life Support personnel are expected to save approximately \$732-thousand without affecting service levels or the quality of training. That's good news.

My 2013 proposed budget also transfers the Center from the Department of City Development to the Department of Neighborhood Services. This is part of a strategy to expedite plan review, streamline permit and plan examination processes and improve customer service. We are adding four new positions to achieve these goals. The Development Center will see an increase in development activity in 2013 and we will be ready.

Infrastructure is essential to neighborhood quality, economic development, and public health and safety. I have included a \$2.2-million increase for the Local Street Paving program, which is 15% higher than this year's appropriation level. Overall, the proposed 2013 funding level is expected to achieve a 55-year replacement cycle, down from 108 years a decade ago – a near 50% reduction. I appreciate your cooperation on that as well.

My budget also includes a \$2-million increase for local bridges, part of a transition to a much larger local funding effort for bridges over the next six years.

Effective financial planning and DPW's creative use of relining strategies has helped us reduce the sewer replacement program from a 142-year replacement cycle to 90 years. My 2013 proposed budget enables 42 miles of sewer to be relined or replaced, almost triple the amount of effort that we accomplished in 2007.

Aldermen Jim Bohl and Joe Dudzik are advocates for strong and cost-effective infrastructure investments, and I appreciate their insights.

The Department of Public Work's solid waste programs represent the grass roots component of environmental protection and neighborhood cleanliness. DPW continues to meet its collection goals at a cost that compares very favorably with neighboring communities. Its efforts have also increased recycling tonnage by more than 9% since 2009, and recycling revenue will provide almost \$2-million in 2013, an 87% increase in just three years. The 2013 budget invests significantly in productivity and improved environmental performance. Twenty compressed natural gas packers will lower overall operating cost and reduce emissions from city operations. We have also initiated a multi-year plan to purchase fully-automated equipment for use on our garbage routes.

Operational innovations will enable us to continue operating all of our library facilities in 2013 with very minimal changes to service. I am very pleased to include resources to support the schools' efforts to help children succeed. In addition to a full menu of programs at the children's library downtown, we will continue our neighborhood-based Teacher in the Library Program and maintain expanded commitments to summer reading. Alderwoman Milele Coggs, Alderman Ashanti Hamilton and Alderman Nik Kovac are library trustees who know the importance of good libraries to their constituents. Thank you for your extra work that you have taken on for the Milwaukee Public Library.

Reducing infant mortality has been one of my highest priorities. Milwaukee has one of the highest infant mortality rates for African American babies in the nation. Last year, I set a goal for 2017 to reduce the overall infant mortality rate by 10% and to reduce the African American infant mortality rate by 15%. The positive news is that Milwaukee's three-year infant mortality rate has steadily decreased since 2004 and there's been a 14.3% drop since I took office. We are on track to meet our 2017 goal. The positive trend is due, in large part, to the hard work of the Milwaukee Health Department and our very important community partners. To keep moving in the right direction, my budget will supplement grant-funded home visitation initiatives with seven city-funded public health nurses.

My budget also consolidates two areas of information technology under the Department of Administration. First, networking, telecommunications and support functions move from the Department of Public Works. The proposal will save \$135-thousand without reducing staffing levels.

My budget also incorporates the Unified Call Center into the Information and Technology Management Division. Better integration will result in smooth technical operations and make the call center a more meaningful part of the city's management program.

While other levels of government hack away at important programs or rush toward fiscal cliffs, my budget avoids simplistic across-the-board budget-cutting. The budget makes investments to strengthen operations and improve productivity. Overall, restructuring and organizational changes account for approximately \$4-million in savings. My hat goes off to all the city employees who serve the public, and whose collaboration is instrumental. Thank you.

While there are signs of improvement in our economy, too many people in Milwaukee are looking for work or hold jobs that pay too little. We all know we need more private sector opportunity – jobs that realize the great potential of Milwaukee workers.

This budget continues investments that create economic opportunity.

The city's role is straightforward – set the stage for private sector growth and strategically deploy the available tools that promote job creation. That's what happened in the Menomonee Valley. Our success there was not arrived at by chance. As of today, the 60-acre, city-owned Menomonee Valley Industrial Center is close to our goal of nearly 13-hundred private-sector jobs.

But we are not resting. The progress at Century City continues. The city will build the infrastructure and market Century City business sites. We will have companies at Century City that employ Milwaukee residents, add value to the 30th Street Industrial Corridor, and demonstrate that Milwaukee is a great place to grow. Alderman Willie Wade, your work on the Council and at the Redevelopment Authority has been instrumental in the progress at Century City. Alderman Joe Davis, your partnership has added great value, as well.

And at the Reed Street Yards, the city is literally laying the groundwork for another site where private sector jobs can be created. The Reed Street Yards is adjacent to the Global Water Center where the Water Council, UWM and private businesses are setting a course for the future for water-related industry in Milwaukee. The Reed Street Yards can be the location where great ideas connected to water can turn into businesses and jobs.

On the northwest side, with the help of Aldermen Bob Puente, we are enlisting businesses and encouraging development. On the Southside, Aldermen Terry Witkowski has done amazing work promoting business corridors, green initiatives, and transportation assets. Their work is spawning economic activity and adding to the quality of life in Milwaukee.

Despite the challenging economic times, Milwaukee's neighborhoods reflect progress on important social indicators. Violent crime has declined 32% since 2007. Teen birth rates have declined sharply, and a growing percentage of our children enter school with the vaccinations they need. Our award winning summer reading program has expanded its participation levels by 48% since 2008.

We are maintaining the strength of Milwaukee's neighborhoods.

Through our efforts with the Milwaukee Homeownership Consortium, we have worked to stabilize and strengthen homeownership in the city. In 2011, more than 24-hundred homeowners who were facing foreclosure received help and 448 families received assistance in purchasing a home.

With federal Neighborhood Stabilization Program funding, we have addressed the impacts of foreclosed properties on city neighborhoods - acquiring, rehabilitating and constructing over 800 housing units.

Our efforts to preserve and improve our neighborhoods are paying off. Through July this year, home sales in the city are up 26%.

These signs of renewal point to an important lesson for us as we enter another budget deliberation. City government has an important and practical role in supporting the local and regional economy. Economic development starts with the basics: safe and confident neighborhoods, sound infrastructure, high quality drinking water, a healthy, well-educated and prepared workforce, and a clean environment. The City of Milwaukee plays an essential role in making all of these happen – and we will continue to do so in 2013.

President Hines, your leadership has been so important in the positive accomplishments of city government. Thank you.

As we begin the process of Council deliberation over the 2013 budget, please keep in mind that a serious commitment to multi-year fiscal renewal is essential to our ability to continue our mission of making Milwaukee a great place to live, work, and invest. This is no time to depart from our proven ability to budget responsibly. I stand ready to veto any irresponsible use of reserves or unsustainable program initiatives. But I am confident that if we collaborate and communicate as well as we have in the past, we will produce a financially sound budget that meets our obligations and serves our citizens and businesses effectively.

Thank you very, very much.