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City's "Surplus" Needs Some Clarification

Statement of Alderman Jim Bohl April 28, 2010

It's a positive that the City of Milwaukee has closed the books on 2009 with a budget surplus. But, I also believe city residents need to understand the truth behind the numbers.

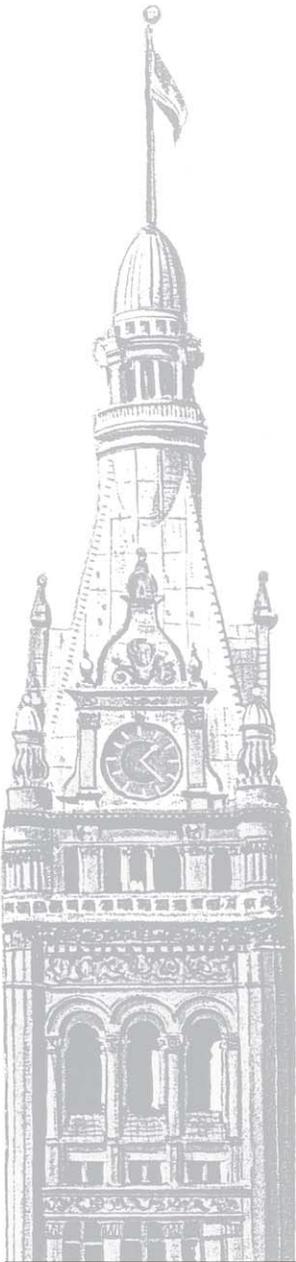
The Mayor is using the \$20 million surplus figure based on the city's Tax Stabilization Fund (TSF), which is withdrawn from and replenished (or regenerated) each year as needed to stabilize the city's tax rate and protect citizens from tax rate fluctuations that can result from erratic variations in non-property tax revenues. According to his administration, after regeneration at the end of 2009, the TSF was to have a balance of approximately \$28.5 million.

So, according to my calculations, if the TSF currently has \$33 million – as claimed by the Mayor today – that would mean the city *really* has a surplus of \$4.5 million. Again, the surplus is a positive thing for the city, but residents and taxpayers need to have a clear idea of what it truly is, and how it came to be.

Why is the clearer picture needed?

Because, in my opinion, information is deliberately being manipulated for political reasons. Don't misunderstand that yes, the Mayor and the Common Council have made some prudent budgetary decisions to help us achieve the surplus (and Mother Nature spared us the snow removal headaches and costs this past winter), but the claim of the \$20 million surplus has more to do with the Mayor's run for higher office and is much less about fiscal reality. There's a reason some call election time the "silly season."

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I believe the distortion of the \$20 million surplus claim is dangerous because it leads citizens to question why the city is raising taxes and fees, furloughing city workers, reducing firefighter and police officer positions, “browning out” fire crews and reducing library hours to save money. The real \$4.5 million surplus was made possible by increases in fees and those very moves (furloughs, staff cuts, etc.). The additional monies spoken about by the Mayor today are part and parcel of the fact that the city’s budget process does not jibe, calendar-wise, with the timing of the closing of the city’s books.

In other words, the Mayor is happy to hold a news conference and gloat about a surplus, but I don’t recall him holding a news conference when he proposed increasing fees. Nor do I recall him calling in reporters to boast about the \$13 million (2010 budget) withdrawal he proposed from the TSF, or the \$22 million proposed withdrawal made in 2009, or the \$29 million proposed withdrawal in 2008.

As indicated, during the last several years there have been, under this Mayor, some very large withdrawals from the TSF. This has occurred at the same time that city fund reserves have been reduced, leading some experts to issue warnings that the city’s bond rating could be at risk of being downgraded.

I think it would be prudent for us all to worry more about the structural financial future of the city, and less about making political gains with exaggerated claims.

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