

Vision for 2005 and Beyond: Budget Address 2005

Chairman Holloway, members of the Milwaukee County Board of Supervisors, Clerk Ryan, members of my cabinet and co-workers in county government, neighbors from all over Milwaukee County, good morning. It is an honor to appear before you for the third time and present our plans for the next county budget.

~~Tonight, each of us will join millions of people all across America to watch the first Presidential debate. This event will be key to determining who leads this great country for the next four years.~~

This morning, however, I want to talk about my vision for the future of Milwaukee County government over the next four years and beyond. Even though this is a document for the 2005 budget, what we do with it will have implications for many years to come.

Challenges We Face From Overwhelming Fringe Benefit Package

We are at a crossroads in county government and our budget plan will surely generate debate, but we need to be clear about the facts and about the consequences of our action or inaction on important matters. As you recall from my comments before the Committee of the Whole, we face some very serious financial matters. Heading into the budget process this past summer, we had a projected gap of \$56.8 million even after each department budgeted for a 0% increase in tax levy. ~~because of the difference between what each department got with no levy increase and what it costs to cover our large benefit package. Significant increases in employee and retiree benefits continue to drive this structural imbalance.~~

Just a few days after Halloween of this year, four years will have passed since the infamous pension and sick leave plan was approved and yet we are still haunted by the fallout of that deal today. In 2000, ~~payments to the pension fund from the tax levy were zero. In contrast, we need \$37.8 million in y in~~ 2005 to cover the pension contribution.

Health care is also a major challenge for us again this year. As you know, we inherited employee contracts that r, the county budget included no tax levy payment to the pension fund. In contrast, we need \$37.8 million in tax lev un through the end of 2004. These contracts include health care benefits that - with out significant changes ~~— were are~~ projected to increase costs to the county by ~~\$22.8XX~~ million for 2005.

~~Add these all together and we have a~~ Left untreated the fringe benefit line ~~that would have approachereached~~ 70% of the salary line this year and ~~will reach~~ nearly 100% of the salary line by 2008. No government, business or organization can survive with benefits that generous. It is like a virus parasite that eats-upconsumes more and more of our budget.

Raising Taxes Not the Answer

Some suggest that the answer to lifting this financial albatross from the neck of county government is to raise taxes. Two truths need to be ~~remembered~~ kept in mind as we enter this debate.

First, ~~the county board~~this government cannot legally raise the tax levy high enough to cover the \$56.8 million projected gap. By our estimates, the most ~~that~~ the levy can be raised under the state levy limits is ~~\$XX-20.5~~ million. That would represent an ~~XX11%~~ increase in property taxes and would not even cover half of the shortfall.

~~Beyond not even covering half of the shortfall,~~ The reality is that taxing to the maximum in 2005 through 2008 would still leave a \$29.1 million structural imbalance by 2008. In other words, we have to make some tough decisions now to avoid more frightening choices in the future.

Taxing to the “max” would raise the property tax levy from \$219.4 million this year in 2004 to \$297.2 million in by 2008. ~~On For~~ an average homeowner in Milwaukee County that would mean a 43% increase just for the county portion of property in-taxes – from \$728.51 this year in 2004 to \$1,039.94 in just four years.

Second, raising taxes is clearly the wrong answer if we want to attract more people and more jobs to Milwaukee County, while seeking to retrain the people and the employers who are currently here in our county call Milwaukee County home. A couple of key statistics stand out.

~~While every other county in the state continues to grow, Milwaukee County saw another loss in population this past year. Thankfully, the decline is not as large as in previous years, but it is still a significant factor.~~ Out of 72 counties in the state, we're: Milwaukee County is the only one that did not grow during the past decade. During the late 1990s and early 2000s, Milwaukee County lost jobs. Over the last 30 years, Milwaukee County has become a diminishing component of Wisconsin's economy. Once, we held nearly 40% of the personal income of the state. Today, we only represent 20% of the state's economy, a telling statement of our shrinking economic importance.

Why is this happening? Last year, Milwaukee Magazine ran a story called “Tax Hell.” In the story, it is The story noted that eight of the twenty highest taxed communities in the state are in our county. CNN and *Money Magazine* rank Wisconsin as the 6th highest taxed state and Milwaukee as the 6th highest taxed city in the country. You cannot tell me that this doesn't have an impact on keeping and attracting jobs.

~~During the late 1990s and early 2000s, we lost jobs in Milwaukee County. And our county has become a diminishing component of the overall state economy. Once we held nearly 40% of the personal income of the state and now we are only at 20%.~~

Thanks to your help, we are moving in the right direction. Last year, we lowered the property tax levy in ~~our county~~Milwaukee County and I am happy to announce that this budget lowers the tax levy again for 2005.

In fact, it is also lower than the levy in the adopted ~~budget in 2003~~ budget and the tax rate is the lowest it has been since 1980. Now that may not seem like a long time ago, but Jimmy Carter was the President and I was just going into 7th grade.

To the ~~home~~owner of a home with an assessed value of \$150,000-home, that means that the county portion of your tax bill will go down by 7.36% on your tax bill this

~~December~~\$53. Holding the line on taxes isn't easy, but it is vital to keeping working families, seniors and jobs in our county. So how do we do it?

Plan For A Return To Fiscal Stability

~~Preparations for tackling our challenges already began during this budget year.—The path towards fiscal stability begins by streamlining county government. We began this process early in 2004 by not filling many of the positions left open from retirements. In the 2005 budget, we streamlined our employee count by dramatically reducing the vacancy and turnover rate in departments.~~ Of the ~~XXX-740~~ positions eliminated in this budget – ~~all but XX~~the overwhelming majority are vacant. In fact, this budget includes more than twice as many position reductions as the City of Milwaukee budget with ~~hardly any few~~ layoffs.

~~We streamlined our employee count by dramatically reducing vacancy and turnover rate in departments and by not filling many of the positions left open from retirements.~~ In many cases, retirements allowed us to balance the budget with minimal impact on the lives of our employees. That's the good news about the high volume of retirements.

The bad news is that they drive up pension payments, sick leave payouts and health care costs – particularly because the current agreements require us to provide health care coverage for life at no cost to our retirees. It is also important to remember the heavy impact on our budget over the next several years because of the volume of retirees electing to take ~~the lump sum payouts~~the enhanced backdrop payouts.

With this in mind, we include the use of Pension Obligations Bonds in this budget. ~~Pension Obligation Bonds have been effectively used by many state and local governments including the State of Wisconsin and the Milwaukee Public School system. A year ago, the State of Wisconsin and the Milwaukee Public Schools system—with the help of the City of Milwaukee—issued Pension Obligation Bonds. In comparison, our plan is much more conservative than the state or MPS plans.~~

Our budget includes specific language on setting an open and a fair process to select a financial advisor and a banker for the county on this plan. ~~Prudent use of this financial tool is appropriate for Milwaukee County because of the growing costs of our pension contributions, driven largely by the pension enhancements. Using the financial tool of a Pension Obligation Bond is ideal for Milwaukee County because of the high costs of covering the lump sum payouts that we face over the next three to four years.~~

Rising health care costs are also a long-term challenge for the county. Originally, we projected a ~~\$xx-22.5~~ million increase in our ~~health care~~employee and retiree health insurance costs. Several of you asked that we go back to the providers and get a better deal – and we did. Thanks to ~~working with~~the providers ~~for working with us to reduce our projected~~, our increase is reduced by ~~\$X-6~~ million for ~~the~~ next year.

We believe that we can achieve even greater savings in ~~employee and retiree~~ health care insurance costs, but we need help. Our unions must help with new employee contracts ~~that include changes to the current level of health care benefits. As an incentive, this budget includes no funding for wage increases, but it does fully fund the~~

~~remainder of the cost increases projected for health care coverage. Future employee wage increases will be tied to fringe benefit savings.~~

The logic is simple: we got providers to lower part of the cost of health care. If we get further savings in health care costs through the new contracts, we can use those proceeds for wages. In other words, we must have an ability to pay.

Collectively, these actions will help us balance the budget for 2005, but they also ~~prepare us for a~~ put us in a much better budget position for the future. Thanks to a superb budget team (led by Linda Seemeyer and Steve Agostini), efficient managers and dedicated employees, we found a way to ~~cure this virus~~ balance the budget without devastating core county services.

Quality of Life in Milwaukee County Preserved

Providing cost effective health care for those in need is one of those core services. Thanks to the leadership of Chairman Lee Holloway and the work of the members of the Wisconsin Hospital Association in our area – as well as ~~our excellent staff in~~ Rob Henken and his excellent staff in the Department of Health and Human Services, the General Assistance Medical Program will continue in 2005.

Providers stepped forward to help cover our costs. ~~Our investment~~ This partnership allows us to continue to draw down \$~~XX.X~~32.7 million in state and federal aid to ~~our area to help offset our high health care costs while~~ insuring that the needy in our community get health care coverage in the most effective method possible.

After attending the Mental Health Summit, we worked with members of the task force, providers and Chairman Holloway ~~again~~ to reach an agreement to redirect more funds from the county and from outside the county to improve care for those ~~with in need of~~ mental health ~~issues-services~~ in our community. ~~These budget initiatives will fit into the overall recommendations of the task force.~~

In another core service area, we found a way to preserve bus and ~~p~~Para-~~t~~Transit routes. Originally, we were given the option of increasing fares and reducing the coverage for ~~p~~Para ~~t~~Transit riders. After listening to people at our budget workshops, it became crystal clear that this was not a good idea.

As mentioned yesterday, our budget maintains services for Para Transit without a fare increase and without cutting bus routes. Thanks to the good work of ~~the management at~~ the Milwaukee County Transit System, we found a way for them to come in on budget and still protect these key services.

I particularly want to thank Tom Kujawa who is retiring as the head of the transit system. Not only has he made ~~it into~~ Milwaukee County Transit one of the best transit systems in the country, ~~but he found away to do it in a very cost effective way, too.~~ Thanks for your service, Tom.

This budget also reflects a new partnership with those who are independently elected to provide public safety in our county. Special thanks to Sheriff Clarke and District

Attorney McCann for coming in under budget. I also want to thank Chief Judge Sullivan and the courts staff for working with us on the budget this year.

Elsewhere in county government,

- we preserve support for the Milwaukee County Zoo and put in place language to ~~renew our partnership with the Zoological Society~~ assist the Zoo in securing long-term financial and operating stability;
- we ~~increase~~ maintain our support for the Parks System and give our superintendent the flexibility needed ~~to continue~~ to increase revenues and ~~approved projects like XXXXXXXXX~~ deploy staff to meet priorities;
- we continue to support our older adults through ~~our~~ senior centers, ~~our~~ fitness classes and ~~our~~ meal programs ~~(in fact, we even moved forward with~~ including a new ~~one~~ meal site in southwestern Milwaukee County); and
- we provide eight additional Economic Support Specialists in the Department of Health and Human Services dedicated to improved eligibility determination for the Family Care program; and
- ~~we continue to honor our veterans through improvements in veterans' services and full funded of the flag program.~~
- We continue to honor our conservative guidelines for funding of capital projects, by maintaining our existing infrastructure, while remaining well below the cap; and
- We will significantly reduce the size of the county's fleet by 12%, a savings of \$350,000 in 2005 and ongoing savings in future years.

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Creating a Healthy Environment for Jobs

A strong quality of life system is good for our residents, ~~but~~ and it is also good for our employers. ~~Along with that~~ To that end, we want to make sure that we have the tools that businesses need to succeed in our county. A quality transportation system is important. As mentioned, this budget maintains bus routes without raising fares.

A great airport is important too. We have just that and we are on track to have another record-breaking year – in terms of passengers. ~~This budget insures that we are ahead of the flight patterns and not playing catch up like our friends to the south.~~ The airport is our front door to the business traveler and we take that role very seriously.

When GE Healthcare Technologies was looking at sites for expansion in Milwaukee County, one of the key questions was about our commitment to the progress of the airport. This budget solidifies that commitment to the growth and renewal of our very own General Mitchell International Airport.

Speaking of GE, I was pleased to be at the ground breaking for the spectacular new site on the Milwaukee County Research Park grounds last week. Since then, I had the pleasure of attending a number of ground breaking and ribbon cutting ceremonies throughout the county.

And now, after two years of working with the City of Wauwatosa, we are ready to move forward with the development of the land along the freeway and north of Watertown Plank Road that includes the old Eshweiler buildings. Our budget includes these land

~~sales because they are part of transforming the abandoned buildings and vacant areas into new economic development—so we can have more ribbon cuttings in the future.~~

These are positive signs ~~that our economy is getting better in Milwaukee County~~. The unemployment rate is down from a year ago. We are headed in the right direction, but we can do even more. Overall, there are three important things that can be done by government to create an environment for job growth.

The first is to lower the tax burden. As mentioned, if we want to ~~bring more people and more jobs to our great county—while keeping the people and jobs that are here today~~ attract and retain people and jobs in our county – we must control taxes.

Second, ~~the government needs to remove unnecessary burdens to government should create an environment that encourages~~ job growth. I will push an aggressive plan to ~~sell and~~ develop the Park East Corridor properties under the control of the county. Working with Supervisor Mayo's special committee, we will work on a schedule to move this process forward during the fall.

I want to coordinate our efforts with those of the county board and I want to do it in the best way possible. This means that the efforts to ~~sell off and~~ develop this land must not ~~be thwarted~~ by ~~adding layers of government through~~ needless restrictions and requirements.

We create benefits for the community by selling the land at the maximum value available and then direct those proceeds into a community development fund that targets the areas of greatest need. The so-called "Community Benefits" plan will only put a stranglehold on this potential economic engine. ~~County government should let the market determine the price and the type of development.~~

Third, ~~the government should be stable~~ needs to operate in a fiscally sound manner. While we face some enormous economic-fiscal challenges, ~~I do have a plan to bring us back~~ this budget puts us on the path towards sustainability. Following this plan will allow us to maintain a level of stability within the community.

Choices In Debate Are Clear And Consequences are Longstanding

If we want to continue to attract more people and more jobs to this county over the next several years, we need to get serious about addressing the issues I raised during this budget address. We need to have an honest debate about the future of Milwaukee County, not just for the new year, but for the next ~~three or~~ four years and beyond.

On one hand, we can ignore the challenges we face and seek a short-term solution to our budget woes through raising taxes. In the end, the facts show that we can never truly tax our way out of this problem. In that scenario, the only people left to pay the taxes in several years may be the very people who need county services.

The better alternative is to take a long-term view and face the challenges of this county head on – right now. We need to streamline county government, reduce the size and level of benefits we provide, use the financial tools at our disposal, ~~and still~~ provide core

services to the people. ~~As if that wasn't hard enough, we need to do it at a time when we must lower our tax burden in order to keep our residents and our jobs in the county and reduce our tax burden in order to keep our residents and jobs in Milwaukee County.~~

Meeting these challenges will lead Milwaukee County down the path towards once again becoming the economic engine for the State of Wisconsin. I hope that we can work together to ~~meet~~ achieve these goals and I look forward to working with you all of you ~~go make things even better~~ to make a bright future for all of the people of Milwaukee County. Thank you and may God bless you all.