



John O. Norquist
Mayor, City of Milwaukee

March 13, 2003

Subject: 2003 Budget Adjustment Bill

Dear Mr. Leonhardt:

With your help, Milwaukee has maintained a proven track record of fiscal responsibility. Working together, we have controlled costs and made city government smaller and more efficient. Unfortunately, state government hasn't mirrored our record of disciplined financial management. Faced with a mounting budget deficit inherited from his predecessors, Governor Doyle included in his proposed budget a Shared Revenue reduction of \$10 million for Milwaukee in 2004. We can expect Republicans in the State Legislature to try to further reduce Milwaukee's share of this funding.

Exacerbating this fiscal uncertainty are internal challenges. The increasing overtime costs in the Milwaukee Police Department, continued double-digit healthcare cost increases and an ongoing gap between rising expenditures and stagnant revenues combine to threaten Milwaukee's future financial health.

The convergence of these obstacles mean that developing the 2004 Budget will be even more difficult than other recent budgets. Anticipating these challenges, I am requesting that all departments commit to the current year budget reductions proposed in the attached chart. These reductions amount to approximately five percent of departmental operating expenditures, for total projected savings of \$2.9 million.

Additionally, I am requesting that a hard hiring freeze be implemented for all city departments as of today. The only exceptions are the following positions: grant, capital and reimbursable funded positions, 911 operators, Fire and Police dispatchers, sworn Fire Department positions below the rank of Battalion Chief, and sworn Police Department positions below the rank of Captain. Holding all other positions vacant will help reduce difficult decisions as we prepare for 2004 and beyond.

Understanding that these constraints may inhibit your ability to fully carry out your departmental goals, I ask that you work with the Budget Office to submit a cost reduction plan by Friday, April 11th. It is my intention that the 2003 Budget Reduction Bill will be presented to the Common Council in May for immediate implementation. Thank you for your continued perseverance in these tough fiscal times. Together, I am confident we can resolve this financial challenge.

Sincerely,

JOHN O. NORQUIST
Mayor

cc: Common Council

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2003 Budget Adjustment Bill

1. BUDGETS FOR GENERAL CITY	5% Target
ADMINISTRATION, DEPARTMENT OF	\$ 50,000
ASSESSOR'S OFFICE	\$ 20,000
ATTORNEY, CITY	\$ 25,000
CITY DEVELOPMENT	\$ 40,000
COMMON COUNCIL- CITY CLERK	\$ 40,000
COMPTROLLER	\$ 40,000
COURT, MUNICIPAL	\$ 35,000
DEBT COMMISSION	\$ 20,000
ELECTION COMMISSION	\$ 25,000
EMPLOYEE RELATIONS	\$ 30,000
FIRE	\$ 175,000
HEALTH	\$ 90,000
LIBRARY	\$ 105,000
MAYOR	\$ 2,000
NEIGHBORHOOD SERVICES	\$ 50,000
POLICE	\$ 500,000
PORT OF MILWAUKEE	\$ 40,000
DEPARTMENT OF PUBLIC WORKS	\$ 1,600,000
TREASURER	\$ 40,000
TOTAL FOR GENERAL CITY	\$ 2,927,000

City of Milwaukee 2004 Budget

Budget Assumptions

- Revenues

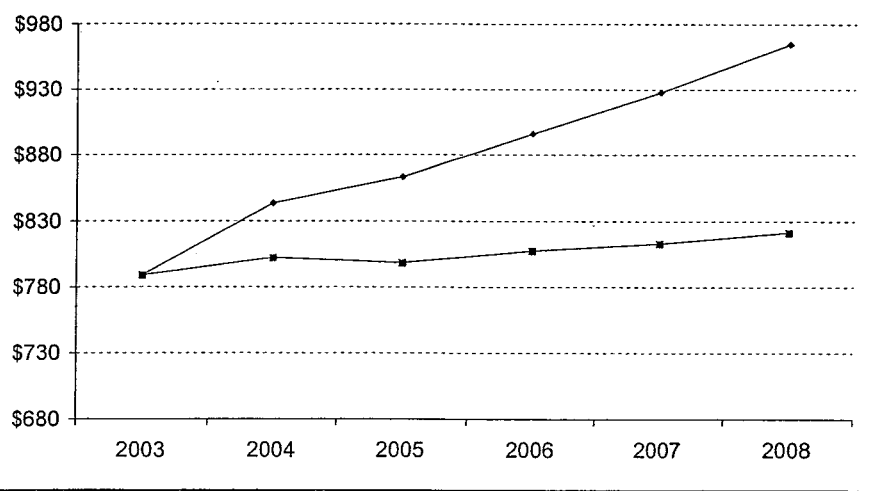
- 4% growth in levy
- Maintain tax rate at \$10.15
- State Shared Revenue payment reflects Governor's Budget proposal : -\$10.1 million
- ERP payment reflects slight decrease -\$400,000
- TSF draw is \$7.5 million
- PDAF draw is \$5.0 million

Budget Assumptions

- Expenditures

- Salaries - \$11.0 million for 2004 across-the-board increases (3.0 –3.25%)
 - \$6.0 million included for Police Department Overtime costs
- Health Care – 15% increase
- Worker's Compensation - \$1.0 million increase to address accrual issues
- ERS Reserve Fund payment - \$6.0 million

Estimated Revenues and Expenditures



Projected Budget Gap =
\$41.2 Million

Strategies

- 2003 Budget Adjustment Bill
 - Savings equal to 5% of departmental operating expenditures.
 - Immediately implement hard hiring freeze.