

Milwaukee Mayor John O. Norquist's 2003 Budget Address  
September 24, 2002

President Pratt. Honorable members of the Common Council. Good morning.

In public office, we have an obligations to properly manage our finances.

We make the right choices... we contribute to the growth and success of our community. If we make the wrong choices, we weaken the community, making life harder for the people we serve.

In the past year, we've seen VERY CLEARLY what happens when public officials dig a hole for future generations.

At Milwaukee County, a group of insiders worked the pension system for their own benefit. They designed payouts that made themselves potential millionaires – wagering that an ever rising stock market would keep the system solvent and keep them out of the headlines.

County taxpayers learned the hard way what happens when public officials make such horrible bets -- and back them up with taxpayer dollars.

After several years when the County made minimal contributions to its pension system, taxpayers will soon have to bail out the system at the rate of \$20 to \$40 million per year.

The impact will not only fall on taxpayers but on services to the mentally ill and the elderly.

Bus routes may be cut back. Yet many insiders will still get their huge payouts.

It's hard to believe, but our state government in Madison has made an even bigger mess of its finances. When they ran for office in 1986, Scott McCallum and Tommy Thompson said state spending under their opponent – Tony “the Taxer” Earl, they called him -- was 5% too high. State government was too big, with too many employees, they said.

But when it came time to back up this rhetoric, they larded on more bureaucracy in Madison -- adding 11,700 positions over 15 years. They ran up state operating spending at more than twice the rate of inflation.

Addicted to spending, they not only put away nothing for a rainy day, Thompson and McCallum drained the state's reserves **right down to zero.**

Even after McCallum squandered the state's entire \$5.3 billion tobacco settlement funds, the future Governor and legislature will be facing a \$1.3 billion deficit next year. And the governor has submitted NO plan to fix this budget mess.

Things are different here in the City of Milwaukee.

We approach budgeting with discipline. We work hard to make budgets more efficient. We direct funds to the services that people need most.

Applying these principles, we've reduced the size of city government by nearly 620 full-time positions over 12 years. In this budget, we reduce our workforce by 138 positions more.

In sharp contrast to the state, we've held the growth in our operating spending below the rate of inflation. Among the 59 largest Wisconsin municipalities, 56 have higher rates of spending growth than we have, according to the Wisconsin Taxpayers Alliance.

With lot of hard work, this budget again holds operating spending below the inflation rate.

As for our pension system, the contrast with the County is "night and day." Here, the big fight a few years ago was between public employee representatives seeking bigger benefits for their members ... and elected officials taking the side of taxpayers.

Never, in the many, many conversations we had about the pension system, did I hear any elected official ask, "Hey, while we're at it, why don't we sweeten our own pensions?"

That never came up -- Not from the city attorney, Not from the treasurer, Not from the Comptroller and Not from the Common Council.

In the end, we agreed on a solution that saved the taxpayers some money, assured retirees reasonable benefits and secured a stable future for the pension fund.

## **II.**

Thanks to our commitment to sound budgeting, we're reaping rewards -- not mopping up messes like those at the State and County.

1. The health of the City of Milwaukee shows itself best in the citywide improvement of real estate values.

All told, equalized property value grew by nearly \$3 billion in the City of Milwaukee in the last three years. No city in the state has done more to build its tax base.

Our RATE of value growth is way above average, ranking in the top four of Wisconsin's 20 largest cities -- and top five among the 19 communities in Milwaukee County over the last three years.

We've seen values rise faster than Mequon, Brookfield, Whitefish Bay, River Hills and other wealthy suburbs. That's a striking turnaround from the lagging growth we saw during the 70s and 80s.

Driving this growth is an undisputed boom in downtown housing. While peer cities like Kansas City, Cincinnati, St. Louis and Indianapolis struggle to attract downtown residents, we've had 2500 new units built or put under construction since 1998. That's \$425 million in new investment in the ground, with more on the way.

Across the city – from Lindsay Heights on the North Side to Cherokee Point near Alverno – the estimated value of housing permits pulled in 2001 beat every year on record. In fact, at \$100 million, the value of new residential permits more than DOUBLED those in any of the last 15 years.

And the best part about this growth is that it was largely accomplished without public dollars.

Sound policies – not subsidies -- made the difference.

Here's how we did it:

- We invested money wisely in assets like the Riverwalk, which yielded \$200 million in private development for \$14 million in public investment.
- We reformed our city processes... slashing waiting times at the Board of Zoning Appeals, creating a user-friendly permit center and simplifying a complicated zoning code to encourage good development.
- We've taken blighted land and turned it into prized parcels – starting with 40 acres at the Beerline.
- We've attracted \$7 million for brownfield clean-ups in the Menomonee Valley and brought the new Sixth Street Bridge down to grade at Canal Street, creating a powerful new intersection in the heart of the Menomonee Valley. Allen Edmunds will open a new plant and company store just a block from there and it will employ 175 people.

It used to be that Milwaukee was known as the most difficult place in Southeast Wisconsin to get a project through the system. Because of our reforms, developers tell us we now have the most user-friendly process.

2. Beyond the real estate market, we're building a strong, diversified economy. With more collective knowledge and expertise in Milwaukee than anywhere in the state, we're reinforcing our position as the economic heart of the State of Wisconsin.

- The Milwaukee area added 10,000 high-tech jobs in the past decade – twice as many as Dane County. There are now nearly **3 times** as many high-tech jobs here as in Madison.

- Kahler-Slater – a local architecture and design firm that developed a specialty doing renovations for dot-coms and software companies – looked closer to home and found more than 200 tech-related businesses in downtown Milwaukee. Many of them are small, entrepreneurial firms that flock to class-B office buildings near downtown’s high-speed data lines.
- According to the Brookings Institution, household incomes grew much faster in the Milwaukee area, compared to the average of the nation’s top 100 metro areas. **Milwaukee ranked 7<sup>th</sup> among the cities Brookings hailed as “wealth builders.”**
- Even when the national economy pulled back, incomes in the City of Milwaukee continued to grow – by 6 percent in 2000.
- And we’re making progress on one of Milwaukee’s most intractable problems – poverty, with our childhood poverty rate dropping from 37 percent to 31 percent in the 1990s, according to census figures released just months ago.

### III.

**Back in the mid-90s, Dick Leap – one of the first developers to convert a historic building into condos – said he put his money into Milwaukee real estate because he saw how we were moving from being one of the highest property tax communities in Milwaukee County to the lower half of the pack. People wouldn’t buy condos in Milwaukee if they saw their taxes soaring, he said.**

**These are important words. And it’s good that we listened.**

Experience shows that business markets reward Milwaukee when we deliver services efficiently and hold the line on taxes.

Residents require the same approach. We may not like this but it’s a reality and it always will be: People want better services and they want lower taxes.

And they look around. If they find that the package we offer – services, schools, taxes, quality of life – is competitive, they move here and stay here. If they find our package uncompetitive, they’re tempted to leave.

What does this mean? It means we have to continue delivering value.

This budget delivers fiscal discipline. More efficiency. More tough decisions. And more value.

Our new tax rate – **\$10.18 ... down 69 cents from last year’s rate of \$10.87** -- provides City of Milwaukee residents an attractive package of services:

- Weekly garbage collection.

- Free pick-up of bulk items.
- Safe and timely snow removal.
- A response time of under 5 minutes for fire and medical emergencies.
- Access to extensive collections and computer resources at our libraries.
- Beautifully maintained boulevards across the city.
- The protection of the state's most respected health department, with state-of-the-art surveillance and testing for bio-agents and top-rated emergency response.
- Plus many others.

But sound budgeting isn't all powerful.

As hard as we work to hold down spending and costs, both are influenced by factors that are hard to control.

Health care costs are going up for everybody... often at rates 5 or more times the rate of inflation.

Yet that doesn't mean we can't slow the rate of our increase.

That's why I formed the Task Force on Health Care Cost Containment. We brought together large employers, union leaders, government leaders and the biggest players in health care for the **definitive** discussion on fixing the broken system.

We agree we need a more efficient, consumer-driven metro health care market. And we're moving quickly off the blocks to expand consumer choice and reform the market.

In the meantime, urgent cost control measures shaved \$8 million off the health care costs that would have been in this budget. Despite this reduction, health care costs in this budget still rise \$6.6 million.

Like health care, state aid has a huge impact on our budget. Despite being virtually frozen for 8 years, it still funds **MORE** city services than city property taxes.

Earlier this year, Governor McCallum took aim at this beneficial and equalizing program with an irresponsible plan that would have totally eliminated state support for local fire protection, snow clearing and other municipal services.

Wisconsin municipalities gave him the fight of his life. While he flew across the state in his taxpayer-financed airplane, we took **OUR** message statewide. We joined voices with municipal leaders from Beloit to Racine to Ashland who resented McCallum's brazen attempt to brand us big spenders – the label that, in fact, fit him to a "T."

Those who typically favor compromise over equity said we'd have to accept some kind of cut. We'd have to share the pain for the state's mismanagement of its own budgets. But in the end, with the help of Sen. Chuck Chvala and Democrats in the Senate, we prevailed in saving the program.

There's an unfortunate footnote to this story, however. Though we defeated McCallum's scheme, the state shared revenue payment that supports this budget still won't keep pace with inflation, much less the soaring cost of health care.

So here's our budgeting challenge in a nutshell.

We've again brought our operating expenses under the rate of inflation -- something no other unit of government has done with the regularity we have.

But with health care costs running \$5 million over inflation and shared revenue payments coming in \$3 million under inflation -- even with the reduced expenditures in this budget -- there's pressure on the tax levy to make up the gap.

As a result, the tax levy rises by 5% in this budget.

It's important to remember that we didn't take this levy increase lying down. A lot of hard choices got us to this point.

- We took 138 full-time positions that were authorized last year and found a way to deliver quality services without them.
- We continued the management restructuring that created the Public Works' Operations Division last year. That's eliminating eight positions and earning us new savings of \$550,000.
- We'll also eliminate the deputy commissioner positions in three departments (Administration, Neighborhood Services and Employee Relations), saving \$270,000.
- With this budget, we say the days are gone when the city could afford to provide vehicles full-time to top managers whose jobs require some field work. Next year, ten managers -- most of them in the Department of Public Works -- will give up city vehicles reserved for their use and use pool vehicles instead. This change will save us \$100,000.
- There are modest reductions throughout every department including library, Fire Department and Police, three agencies that had the fewest cuts in the past.

Again, our dedicated city employees will be asked to do more. And again, they'll respond. We owe them our gratitude for their commitment to providing good services at a fair cost to taxpayers.

#### IV.

As relentlessly as this budget focuses on holding down costs, it isn't only about cost cutting.

It's about moving Milwaukee forward.

- It's about continuing to build the Health Department's lead abatement program, which is recognized as the most aggressive and effective in the country.

We've already seen the rate of young children in our community testing positive for lead exposure DROP from 39 percent to 16 percent in six years.

To work towards our goal of making our children lead free, we'll direct \$100,000 in new funds to the program.

- This budget accelerates our efforts to improve access residents have to the computers and high-tech tools they need to succeed.

This budget will transform the Center Street Library into the Community Outreach and Technology Center, With more than 45 public-use computers.

We'll also open our biggest and most up-to-date neighborhood library on Sherman Boulevard. Besides a great collection of books and beautiful views of Washington Park, this library will have a fully wired tech center with more than 30 public-use computers.

The library's Bookmobile gets wireless internet connections.

- With this budget, we continue our leadership on intergovernmental cooperation.

We've long recognized the value of cooperation in providing high levels of service at the lowest cost. That's why we provide water service to 14 communities, fire service to West Milwaukee, street sweeping services to Wauwatosa -- and why joined with 19 municipalities in the County to build and run Milwaukee's stray animal control facility.

This year, we'll negotiate with Milwaukee County to merge our nurseries, so that we can make our streets, boulevards and parks as green and beautiful as ever for significantly less money.

- Also this year, we'll forge ahead with our most ambitious, tax-base building initiative yet: the redevelopment of the Park East corridor.

The last elevated sections of this freeway stub will be down by the fall of next year, making 26 prime acres available for \$250 million of the market-based, urban development we do so well here in Milwaukee.

•Finally, with this budget, we respond to and anticipate the growing challenges of our world.

Years ago, few would have believed that today “anthrax” would be a household word? Or that people in Milwaukee would look at their mail and wonder – is it safe?

When 9-11 hit, we were already ahead of their curve in our level of preparation for major emergencies and biological agents. Tested by past challenges ranging from smaller anthrax scares at clinics to the cryptosporidium outbreak -- our health department, fire department, police force and water system operators were used to showing leadership on these issues and they responded impressively and are constantly working to improve their performance.

(Mention of Police Annuity Benefit Fund and Recognition of George Sprague.)

## V.

Last fall, Governor McCallum stood next to Wisconsin firefighters on the Capitol steps to honor their fallen brothers and sisters in New York and thank them for their readiness to show the same courage protecting the people of this state should the need arise.

A few weeks later, McCallum showed just how hollow that appreciation was. He advanced a budget that cut all state funding for firefighters and other local services.

We had an important story to tell about the value of local services to the people of this state -- and the state’s need to address its own bloated bureaucracy before forcing more efficient local governments to go on a starvation diet.

We had a story to tell of the importance of healthy cities to the economy and future of Wisconsin.

And we told this story well. I appreciate President Pratt, Aldermen D’Amato, Gordon, Nardelli, Murphy, Pawlinski and others for speaking out against Governor McCallum’s budget. We made our voices heard and made a difference for the people we represent.

Unfortunately, we only won the first round. A year later, the state has an even bigger budget deficit. We need to realize the municipal services our taxpayers value are vulnerable when the state is in such sorry shape.

Whether it’s fair or not, the state’s crisis is our crisis.

And it’s our job to guide this wonderful city through these dangerous shoals.

As we steer this budget to its passage, it’s important to work together and stay conscious



of our priorities.

It's your right and responsibility to review this budget and look for ways to improve it.

It was Judge Learned Hand who said the foundation of liberty depends on public dialogue where people acknowledge they might not always be right.

I know this budget can be improved.

But I'm equally sure that in an environment like this, the surest way to lose credibility in our battle to preserve shared revenue-- and lose the progress we've made building our economy -- is to loosen the city's purse strings.

I ask you AND I caution you to hold the line on spending -- and cut it more if you can. Running up spending and squandering tax dollars will give some state officials the rationale they need to attack us.

The revaluation that took place earlier this year should not be looked at as a source of free money for pet projects pushed by persuasive interest groups.

The public will not be fooled by a slight decrease in the property tax rate. They know how values and the rate interact. They're not naive. They expect us to run the city responsibly.

That's what this council has done in past years. And I strongly believe, it's what you must do and will do again this year.

Our fiscal discipline has helped keep the total tax burden in our city growing slower than personal incomes over the last five years. That means residents are devoting less of their paychecks to property taxes.

They have more to invest and spend in the community. And that's making good things happen.

Milwaukee has tremendous assets that gives it the power to regenerate and renew itself.

That's why I'm so optimistic about Milwaukee.

Milwaukee has great architecture... and a beautiful natural setting... with rivers and a lake.

It has walkable shopping districts with sidewalks where people meet, talk and enjoy each other. Few suburbs have that sense of place. Or that sense of community.

Our urban form brings people closer together.. creating purchasing power. You've seen this successful formula on Brady Street.

And it's spreading to KK, Mitchell Street, National Avenue, North Avenue, Villard Street and the new Midtown Center at Capitol Court. It's enriching the Third Ward, Walker's Point, Riverwest and King Drive.

Milwaukee's urban form concentrates universities, knowledge, culture and expertise. As this state struggles with the so-called "brain drain" of its smartest graduates to other states -- experts such as Carnegie Mellon Professor Richard Florida confirm that there's one thing that acts as the strongest magnet for keeping these prized workers -- **a strong, big city with vibrant urban neighborhoods**. Today's young tech and creative workers love these kinds of places. They thrive in the complexity that gives the city its creative energy.

Milwaukee has all the ingredients to be one of America's great cities

But these opportunities will be missed if we fail to deliver quality services and lighten government's load on our citizens.

We know our job. Together, let's do it.

Thank you.