

Milwaukee Mayor John O. Norquist's 2002 Budget Address

September 25, 2001

President Pratt and members of the Common Council, good morning.

The attacks on New York and Washington and tragic loss of life have weighed heavily on all of us. It's hard to know how to respond, but one story out of New York gives us some perspective.

It's about the members of a Brooklyn firehouse. Following the attacks, they wanted to be down at Ground Zero, digging through the rubble, doing whatever they could to rescue fellow firefighters and other survivors.

But as much as they cared about their colleagues and wanted to help, they realized they had a duty. They knew their place was in Brooklyn, making sure that people in *their* neighborhood would be safe if a fire broke out or someone suffered a heart attack or stroke. These lives mattered too.

This is the attitude our city employees have shown as well. This has been a wrenching time. I'm sure just about everyone in this room cried at some point over the last two weeks.

But we also know that we have a responsibility to this community. We too have duties to perform here at home.

We have police officers and fire fighters who are needed to save lives in our community.

We have officials in our Health Department who have been working for years to prepare for potential biological or chemical attacks. Our Water Works Department has had its properties reviewed by safety experts who advise Los Alamos Nuclear Laboratory and foreign embassies. Water Works Director Carrie Lewis is one of ten utility executives working closely with the federal government on plans to protect drinking water operations nationwide.

There are employees among us –reservists – who could be called to perform military duty, defending our country against terrorism. We have 90 police officers, 35 firefighters and 63 other employees who are reservists. In total there are 188 city employees who may be called to duty, including our Council President Marvin Pratt and our Port Director Ken Szallai.

These reservists show great courage in their readiness to protect us. When they get the call, the last thing they need are worries about whether their families will need to switch to a different health plan while they're gone. So just as we did during Desert Storm, we've arranged to provide funds to keep the insurance in force as reservists get called up. I encourage other employers to do the same if possible. And this budget provides funding for continued coverage should their service extend into next year.

We press on because our work matters. We deliver services that are vital to our residents. Our work managing the city budget has a major impact on our local economy.

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We live in a great city and our work helps make it better.

It's clear that recent trends favor Milwaukee in ways we haven't seen in years.

After turning from cities for decades, Americans are rediscovering them. They're drawn to the knowledge, action, culture and diversity.

We're capitalizing on these trends as recognized in this month's *Governing Magazine*, which cited us as leading a generation of city administrations that run "city government efficiently and with a broad public in mind, rather than using it to broker the demands of competing [interest] groups."

Things are happening that previously seemed impossible.

Thousands of people are choosing urban life in Milwaukee. It's in the newspaper's Real Estate section -- young professionals, empty nesters and foreign transferees brought here by the global economy prefer living in the City of Milwaukee. Says Louise DeMarco, relocation director for Ogden Realty, "They want to be in the heart of things, with all the cultural choices."

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We're seeing a housing boom in Downtown and retail investment in the Central City -- on King Drive, at 35th and North and at Capitol Court. It's happening because city markets are attractive - with more buying power per square mile than the suburbs.

In 2000, property value in Milwaukee appreciated faster than in Brookfield, Mequon and other suburbs. That reflects demand. Milwaukee is a better buy right now. And the improvement is occurring in every aldermanic district - from the Central City to the far Northwest Side.

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And most encouraging, residents in areas once known for welfare dependence and joblessness are joining the workforce. According to UWM researchers John Pawasarat and Lois Quinn, nearly 10,000 more people in our 9 inner-city zip codes are working and filing income taxes than in 1993. That's a 12% growth in the workforce in just 7 years. Incomes in the Central city are rising at twice the rate of inflation.

II. These are good trends for our community. But we face challenges in operating city government.

With your help, we've held down spending. Our spending grew 2.9% per year between 1994 and 2001 -- a lower rate than the federal, state and county governments and almost any municipal government in Wisconsin. Spending growth in this budget is 2.2 percent.

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Unfortunately, over the same period, state spending on its operations has ballooned by 4.7% per year -- 62% faster than our budget.

To pay for this overspending, state lawmakers have put the squeeze on local governments. They've starved the shared revenue program that has helped Milwaukee and other Wisconsin communities since 1911. The revenue helps communities afford high-quality services for everyone -- including the poor.

First, the state froze shared revenue for seven years. Then this year it finally authorized an increase of 1 percent. If only our costs -- many mandated by the state -- would grow at 1%.

The state compounds the problem by removing more property from the local tax rolls – most recently ATMs, computers and fax machines. This shifts the burden to residential taxpayers.

So what's the bottom line for taxpayers? This year's budget will bring the city tax rate to \$10.88. That's 39 cents above last year, but still 17% lower than in 1988.

The budget will also include an increase in the solid waste fee that is charged on the city service bill. That fee would rise about \$30 dollars per household. The sewer fee would rise about \$23 per household.

Unfortunately, thanks to the state squeeze on our revenue sources, our 2.2 increase in spending will result in a 3.7 percent increase in the property tax rate, plus fee increases. It's a structural problem that we need to address.

III. Fixes

With the State of Wisconsin's recent bond rating downgrade and with the terrorist attacks casting a shadow on the economy, it's more important than ever that we pursue sound budgeting at the local level. We need to continue controlling spending and broadening our revenue base. Let's not lean on the property tax too much because it could end up driving away investment and eroding our property base.

Here's how we're working to build better revenue sources.

We're working to make state aid more reliable.

When former Governor Thompson formed the Kettl Commission to examine how local government is funded, I was really concerned. With little representation from local government, it looked more like a lynch mob than a thoughtful way to consider the funding needs of Wisconsin cities. But in the end, the commission came to the same conclusion we have: Local governments provide the services that people care about most – and provide them efficiently. My thanks go out to our Director of Administration David Riemer for helping to open the group's eyes.

This year, Wisconsin cities worked together to win the first increase in state shared revenue in seven years. The 1 percent increase meant an additional \$7.1 million in revenue for the city. With continued work, it could be the foundation for strengthening our partnership with the state. I thank our

Intergovernmental Affairs Director Pat Curley and Joe Greco, Village President of Menomonee Falls, and Paul Jaden , Mayor of Green Bay for their effective organizing efforts.

We're also working to find better alternatives to the property tax.

While congratulating us for our success in controlling spending, the Kettl Commission acknowledged that our costs naturally grow faster than the ability of the property tax to pay for them.

The state's habit of exempting the property of certain businesses puts an additional strain on other property taxpayers – especially homeowners who are never exempted. The increasing amount of property in Milwaukee used by hospitals, clinics, social service providers and other non-profit groups doesn't help either.

Many of these organizations do a lot of good in our community, but some have become tax-exempt just because they hired a fancy lobbyist in Madison who got them taken off the tax rolls. They use services just like anyone else and pay no property tax. Each year, homeowners are forced to pick up more of the cost.

Ask yourself whether this situation is fair. Hospitals passed on a big cost increase to the city this year -- pushing our employee health care costs up 20% -- but hospitals pay nothing to light the streets around them. They pay nothing for police and fire protection. Homeowners pick up that cost along with the cost of most other municipal services.

The Kettl Commission recommended new revenue sources. The Governor originally included them in his budget. Both Houses of the legislature passed them. Then the Governor vetoed his own proposal.

Though our options are therefore limited, it's still important to broaden our revenue. So this budget introduces one fee that doesn't require state authority -- a streetlighting fee. It's charged to everyone who benefits from streetlighting -- businesses, non-profits and residence owners. A health-care facility with a larger street frontage pays more than a homeowner with a small lot. The average property owner will pay \$21/year.

In introducing this fee, I'm not trying to kid anyone. This is an added cost – just as the 16 fees that the state raised this year are costs borne by residents of this state. But the choice here is between this fee and additional property taxes. And a fee has advantages. It shares the burden among all those who benefit

from a service, including tax-exempt property. It thus provides some tax relief for homeowners.

We're extending our tax dollars with creative partnerships.

The public library led the way in creating the library foundation, which this year will help the library maintain its book budget. Instead of reducing purchases, acquisitions continue at a healthy pace without straining our city budget.

A similar partnership allowed us to upgrade our city web site at practically no cost to taxpayers. Our new home page feeds users directly to the most requested services. A web firm, Compuware, designed it in exchange for a small sponsorship message on our home page.

And we finally have a real lease with Summerfest. It secures the future of the festivals, opens up the shoreline for year-round public access and compensates the city for the many services it provides towards making all the festivals successful.

We must also continue to focus on cutting costs, especially employee health care costs.

All employers are absorbing big cost increases from health care providers. Our costs have grown slower than most, but 20 percent is still a big number. Under our system, HMOs compete to offer plans that save employees and taxpayers money. Most employees choose an HMO.

But there is a hole in the system. The non-HMO basic plan costs the City much more than the low-cost HMO – about \$2000 per employee per year. The basic plan allows doctors and other providers almost unlimited access to the plan and the taxpayers' wallets that pay for the plan. Providers face few of the usual cost controls that prevent runaway bills. These extra costs are paid by Milwaukee taxpayers which creates a big incentive for employees to select the basic plan.

This budget raises the monthly premium so management employees enrolled in the basic plan pay for the extra costs over and above the low-cost HMO. The cost to employees will be \$180 per month for singles and \$320 for families.

Other government employers already have larger co-pays. State employees pay much more -- \$364 per month for singles and \$884 per month for families. If employees want the premium plan, shouldn't they help the plan support itself -- instead of forcing most of the cost onto taxpayers?

I've invited our largest employee union, AFSCME, to join me in a summit to find ways that we can collaborate in making health care coverage less expensive and higher quality in the future.

IV. We're pursuing these strategies because sound city management is an important part of the advances we're now seeing in Milwaukee.

Our record of trimming city government and controlling spending sends a strong message to residents and business owners.

It helps make Milwaukee an attractive place for people to build their futures.

While we don't yet know the impact of national economic turmoil, many of the local signs are good.

We have 600 more private-sector employers in the City than we had in 1990.

We're at the center of a metro area that's added more than twice as many high-tech jobs as Dane County during the 1990s. We now have four times more high-tech and bio-tech jobs than Madison.

We rank in the top 12% of areas nationwide for the number of high-growth companies formed here, according to the National Commission on Entrepreneurship.

Few big American cities, if any, have seen as dramatic a drop in their welfare rolls-- and as large and rapid a movement of the poor into jobs in the private sector economy-- as Milwaukee.

This budget helps us build on this success.

1. Now that people are getting jobs, the next step is building incomes. Soon I'll be announcing an effort to get every eligible worker in Milwaukee to claim earned income tax credits.

These state and federal credits put money in the pockets of families who are working hard and striving to rise out of poverty. But thousands of people in Milwaukee aren't claiming the federal and state credits. Residents of Milwaukee County -- most of them in the city -- are missing out on \$27 million in credits.

Getting this money in people's pockets will benefit more than simply workers. It will benefit the worker's children. It will benefit the local grocery store, the nearby hardware store, and the pharmacy around the corner. An effective EITC campaign is good for the whole community. And we won't let up until poverty is on the run in Milwaukee.

I look forward to working with the Milwaukee Asset Building Coalition, including Deborah Blanks of SDC, Legacy Bank, the Casey Foundation, Congressman Kleczka, the IRS and numerous community partners.

This budget moves the city forward in other important ways:

It takes a cost-conscious and crime-conscious approach to staffing. While we've again reduced the size of the city workforce outside the police department, this budget creates positions for 21 more officers on the street. Also, for the second straight year, we'll run three recruit classes, which is close to the capacity of the training facility.

This budget uses technology to attack crime. Last year, we were the second city in the country selected for a prestigious COMPASS grant from the U.S. Justice Department. Over the next year, the grant will help us build our Map Milwaukee site into a crime-fighting tool. Rutgers University Professor Lyna Wiggins has said Map Milwaukee is one of the best sites in the country in using maps to share useful neighborhood data with citizens. Now Compass adds valuable crime information to the mix, which will help citizens act as eyes and ears for the police.

And the budget creates a Technology Innovation Fund. Departments will use it to pursue projects that allow them to work more efficiently, which translates into saving for taxpayers.

With this budget, we're committing to a major equipment replacement program that ensures us of a modern fleet of snowplows and street equipment.

We'll fund our very successful targeted neighborhood clean-ups. As a pilot project in last year's budget, the clean-ups in each aldermanic district helped collect a million pounds of bulky items that might otherwise have ended up cluttering alleys and side yards.

In 2002, we'll be more aggressive than ever in using the purchasing power data that we created exclusively with UWM researchers to promote our local economy and counteract stereotypes used by commercial real estate consultants. We've created profiles for 33 of 53 commercial districts, showing

how the purchasing power in the surrounding areas rivals or beats that of suburban areas. By next year, we'll have profiles for all 53 districts up on the web.

These policies all have something in common: They work to build wealth in our community. They build markets and help neighborhoods support themselves. They achieve maximum impact without driving up city spending.

I'm proud of this budget and I look forward to working with you to make it even better.

At this time of national struggle, we take encouragement in knowing our country's strength and resilience... in knowing that our economy leads the world .. and that our system of government protects the rights of all people and the principles of democracy and freedom.

Milwaukee's visitor and convention bureau calls Milwaukee the Genuine American City. We all know that's an image-building effort, but you know what? It's true. Milwaukee is where America is going with our diverse population, our diverse, market-based economy and a city that celebrates its urban culture. Good municipal services delivered efficiently are vital to our community's success. Let's work together over the next six weeks to enhance that success.

Thank you.