

Public Hearing Statement

**City of Milwaukee  
Proposed 2006 Budget**

**By the Public Policy Forum**

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2006 Proposed Budget Overview

Although the mayor's 2006 proposed budget calls for a \$95 million increase in spending, the largest percentage increase since 2001, most of this increase would pay for capital improvements such as the City Hall Restoration Project and the relocation of public works facilities into the Menomonee Valley. The budget calls for a \$10.1 million increase in the property tax levy -- to a total of \$213.1 million. The property tax rate would decline from \$9.19 to \$8.76. There are no new user fees in this year's budget, but there are increases in existing fees. The solid waste fee would increase \$57, from \$75 to \$132. The snow and ice removal charge would remain the same. The sewer maintenance fee would experience a change in calculation that also would translate into an increase.

The mayor and the budget office deserve to be commended for their candor and foresight in preparing the 2006 proposed city budget. The budget includes an honest assessment of the city's structural deficit -- a term which means that the city's ongoing expenses are higher than its ongoing revenues. Rather than attempt to shift blame, the mayor and budget office realize that the city needs to change its patterns to bring the ongoing budget into balance.

## 2006-2008 Budget Plan

The mayor and budget office understand that to solve an ongoing problem, the standard single-year focus of the budget planning and deliberation process must be changed. Therefore, they present not only a 2006 budget, but a three-year plan that is intended to start solving structural issues. This three-year plan is important because it identifies specific issues that need to be dealt with to bring the city into structural balance (such as trends in health care costs and debt service obligations), a welcome departure from previous years when such specifics were not as readily discussed.

Although a multi-year approach is necessary to balance the structural deficit, and although this approach is an excellent sign that the city is addressing these structural issues, we do have some concerns about some of the strategies identified in the worthy effort to solve the imbalance.

### Debt

The city plans to bring stability to its debt service by substantially reducing the amount of tax-levy supported borrowing to match the amount of new debt to that of debt payoffs. While this is an excellent goal, we wonder how achievable it is in light of large capital projects, such as the city hall restoration project. While this debt is not adding to the tax levy this year, it will in future years. Although the city validly points out that this specific project is a one-time endeavor, the nature of capital projects is that there is always another big one. Also, as evidenced by such projects as the police department's 3<sup>rd</sup> district station, the city has had problems with capital budget overruns. Based on past results, it is possible that the city hall project will continue to exceed its original \$44 million budget, necessitating more debt, and that there will be more "one-time" capital projects that will require more "one-time" funding. Therefore, in order to make sure that the laudable debt service goal is achieved, the city must find a workable way to ensure that capital projects stay on budget.

The Public Policy Forum also is concerned about the proposed budget's plan to temporarily suspend the infrastructure cash conversion (ICC) policy goal of 100%. The ICC was established in 1986 and has ensured that recurring infrastructure projects are paid for with cash instead of borrowing. This policy is excellent both in terms of holding down debt and in creating structural balance. Additionally, this policy is often cited as a reason for the city's excellent bond ratings. The proposed one-time fix to free up non-tax levy revenue is a slippery slope and will add to future years' debt repayment. There will always be pressures on the budget. If it is acceptable to suspend the policy this year, what protects it in future years?

## Revenue

The Public Policy Forum also is concerned about whether some of the city's revenue diversification strategies are realistic. Specifically, the budget hopes to achieve \$7.2 million annual revenue growth through additional revenues including state aids increases, regional tax base sharing, and voluntary payments for services from tax exempt organizations. Although these revenue sources should be pursued, it would be unwise to count on them.

Other revenue diversification strategies have been presented but not included in the budget because they are not viewed as politically palatable. One example was introduced in the Finance and Personnel Committee's meeting to decide user fees for 2006. Specifically, Alderman Bauman proposed a motor vehicle registration fee. While wheel taxes have never been popular, this particular proposal seemed well-reasoned. The alderman suggested that as an alternative to requiring abutting property owners to pay special assessments which can run in the thousands of dollars to fix streets and alleys, it might be more equitable and make more sense to charge a fee for every vehicle registered in the city. The revenue from this fee would be put into an enterprise fund, which would only go to pay for road work. There may be fiscal downsides to such a fee; however, they were not discussed. Revenue diversification is necessary to repair the city's structural deficit; all reasonable proposals should be considered despite political calculation.

One particularly attractive feature of the proposed wheel tax is putting the revenue into an enterprise fund. In past years, the Public Policy Forum has recommended that each of the city's user fees should have an enterprise fund to reassure citizens that their money is going to pay what it is supposed to pay. The absence of a solid waste fund is particularly disturbing this year since the fee is increasing substantially because the money goes directly into the general fund; it makes it difficult to convey to taxpayers that the fee is not just a tax in disguise.

Like user fee revenue, grants should also be used to fund their intended purpose. In the Public Policy Forum's budget hearing statement for the 2004 proposed budget, we had this to say about Community Development Block Grant (CDBG) funds:

Community Development Block Grant (CDBG) funds continue to go to pay for city department programs that used to be tax-levy funded. Some notable examples are the Bookmobile and some overtime costs in the Police Department. Funding such programs with CDBG funds raises not only the question of whether CDBG dollars, which traditionally fund community based organizations, should appropriately be spent by city departments, but also raises the possibility that these programs could run into the same dilemma as the Police Department did. Specifically, if CDBG funding is decreased or if city services are no longer able to be funded by these grants, what is the city going to do? If the city determines that these programs are important enough to not be cut, maybe they should have been financed with more reliable revenue all along.

This warning has manifested itself in the 2006 proposed budget where it is stated that not only has the federal government significantly decreased the amount of CDBG funding, necessitating cuts to such programs as the Bookmobile, but the Department of Housing and Urban Development (HUD) has told the city that it cannot use CDBG funds to pay for vacant-lot maintenance. This means that these costs will need to be covered by the city's operating budget. The city needs to closely monitor revenues that are not under its control because such revenues are unreliable and should not be depended on in structurally balancing the budget.

### **Spending Priorities**

The city budget was prepared at a time of great concern about homeland security and violent crime in the city. Therefore, it is understandable that the budget includes a large increase in police spending -- \$23 million. That brings total proposed spending for the department to \$209 million, which is nearly as large as the proposed total property tax levy of \$213 million. In contrast, the city spent about \$22 million on the police department in 1970, a year when the property tax levy was \$75 million. For the police department, the budget includes a large increase in personnel: 71 positions. The increase for the police department is much larger than other proposed increases: \$10 million for public works, \$3.3 million for library and a \$1 million increase in the Department of Neighborhood Services. Police spending now consumes nearly 40% of spending for general city purposes. Less clear is the relationship between crime, public safety and police department spending. An argument can be made that the functions of other city departments are also linked to public safety and crime prevention. Examples of departments potentially capable of helping prevent crime are health, city development, libraries, neighborhood services and public works.

### **Conclusion**

The mayor and the budget office have presented the common council with a plan to deal responsibly with the city's structural imbalance. Although some of the strategies for this goal's achievement may be difficult to achieve, and some of the budget's actions seem to contradict that goal in the short run, this is an excellent beginning. The common council may be tempted to restore some of the cuts that the mayor has made. This is understandable because aldermen look out for their constituents, and they want to ensure that they get the best services. However, the council must bear in mind that the final goal of spending cuts and revenue diversification is a structurally balanced budget, which is in the best interests of all of Milwaukee's citizens.

Mayor Barrett

Good Evening Milwaukee Common Council members and fellow Milwaukee residents. I am Heather Dummer Combs and I work for Interfaith Conference of Greater Milwaukee as our Housing Campaign Director. Interfaith Conference is a member of the Milwaukee Housing Trust Fund Coalition, a diverse group of organizations committed to creating a Housing Trust Fund in Milwaukee. A Housing Trust Fund is a distinct fund established by local government with a permanently dedicated ongoing source of revenue to support local affordable housing efforts. The concept is not new, there are over 350 throughout the country and many of them have been in existence for over 20 years. In fact, most Midwestern cities 'like us' have one with exception of Detroit and Cincinnati. By not establishing a Housing Trust Fund, Milwaukee is behind the national curve, even among other big cities that face budget struggles. We are missing a tremendous opportunity to provide better affordable housing options for a wide array of residents.

We may ask ourselves why we don't have one. It certainly is not for lack of need. According to HUD, Milwaukee is short 28,000 units of affordable housing. And recently our fair city was listed as having the 7<sup>th</sup> highest poverty rate in the nation. To put that into context, New Orleans is ranked 13<sup>th</sup>. On any given night in Milwaukee there are 2,000 people who are homeless. Not to mention those that are doubling up with family and friends. The sad reality is that many of these folks are working, making between \$5 and \$7 an hour, hardly enough to afford rent on a one bedroom apartment. Our rental housing stock is deteriorating before our very eyes. The hope of achieving homeownership for a working-class family grows further out of reach as the housing prices outpace salaries. The need certainly exists and now is the time to create a Housing Trust Fund in Milwaukee.

I would like to take the opportunity to thank Alderman Michael Murphy for championing this effort to create a Housing Trust Fund in Milwaukee and acknowledge Mayor Tom Barrett for his desire to establish one in 2006. But I would like to challenge each of you to find a way to include it in the 2006 budget. The people behind the afore mentioned statistics are your constituents. They deserve a home of their own just as you and I do. Just as you found a way to fund the work on this fine house of city government, I challenge you to find a way to fund the work on your constituents' homes by funding a Housing Trust Fund in the 2006 city of Milwaukee budget.

Thank you very much.

Public Hearing on City of Milwaukee's 2006 Budget  
Statement by Lucia Murtaugh- tele: 414 272 6883

I am Lucia Murtaugh, a resident of the City of Milwaukee , a member of St. Benedict the Moor Parish, a member of the Downtown Parishes Collaboration and a member of the Housing Trust Fund Coalition.

As a volunteer each week at the St. Ben's Meal program where 400 plus persons come each night for a meal we are seeing not only homeless persons living in the city but more and more working people. People who provide service to many of us...security personnel, janitors, repair men, workers from fast food restaurants. These people cannot on the salaries they make pay for their meals and for their housing. They come to the meal programs so that they can keep a roof over their heads.

We must as a community provide housing that is affordable for all of our residents. Developers are certainly providing plenty of housing for those at the upper end of the economic scale. Other cities have required those developers to include at least 20% of affordable housing or place funds in a program like the Housing Trust Fund. Can we as a city do less?

We are in a building that is right now costing 70 million dollars to repair. Is it too much to ask that we establish at least a 5 million dollar Housing Trust Fund to take a small step toward providing affordable housing to the working poor in our community?

## Housing Trust Fund Testimony for the Common Council October 10, 6:30pm

Good evening Milwaukee City Aldermen and Milwaukee residents. My name is Eileen Ciezki and I live at 2660 N. Booth Street. I work for Gesu Catholic Parish as the Director of Social Ministry and I am also the President of the Central City Churches Board of Directors—these are the churches along Wisconsin Avenue from St. James on 8<sup>th</sup> to Our Savior's Lutheran on 30 and I am a member of the Housing Trust Fund Coalition.

The Gesu Parish Council, Social Ministry Committee, the Gesu MICAH Core Team and the Central City Churches Board of Directors have all endorsed the Milwaukee Proposal for a Housing Trust Fund. **In short, the Milwaukee Housing Trust Fund Proposal calls for a dedicated public source of revenue to increase affordable & decent housing stock for the working poor and families and individuals recovering from homelessness.**

I first, thank you, Alderman Murphy, for leading the way to find \$ for the Housing Trust Fund. And thanks too, to Mayor Barrett for expressing in his Budget address his desire to establish a Housing Trust Fund.

**I come before this Council this evening to urge you to TAKE THE LEAD FOR DECENT PERMANENT HOUSING, IMPROVED LEARNING, HEALTHIER NEIGHBORHOODS, IMPROVED HEALTH, STABLE FAMILY LIFE , JOB ADVANCEMENT for the service industry work force of this city and their families, by putting dedicated & annually renewing \$ into the 2006 City Budget to create the Milwaukee Housing Trust Fund.**

Just last week Gesu's St. Vincent de Paul Conference visited with and provided vouchers for furniture and kitchen items for a mother and her four children who just came out of a homeless shelter. Her apartment was unfurnished and they had two dishes; they had to eat in shifts, so they could wash the dishes for the next two. One of her children gets SSI of about \$536 and she earns \$87/week babysitting.

Statistics tell the world that Milwaukee is 4<sup>th</sup> highest in child poverty in the whole USA!  
Statistics tell the world that Milwaukee is 7<sup>th</sup> highest in overall poverty in the whole USA!  
Surveys tell us that nearly ½ of Milwaukee renters cannot afford to rent a two bedroom home.  
Surveys tell us that about 2,000 persons are homeless in Milwaukee on any given night.

You are our leaders! You **must** care about the children and the mothers and fathers behind these statistics! You **must take the lead** and "**Find the Money**" for the **Housing Trust Fund and the hundreds of children and adults it will give a permanent address to.**

You took the lead and borrowed (\$70) millions to renovate City Hall  
You took the lead and borrowed (3+) millions to get the Bronzeville district going.  
You took the lead and borrowed (\$42) millions to create the Milwaukee Theatre.  
You took the lead and borrowed (\$400) millions for Miller Park.

**Now I urge you to take the lead again—for hundreds of working poor mothers and fathers... many of whom are our child care workers, our nursing home & hospital LPNs, our janitors and hotel housekeepers, our fast food and restaurant wait & kitchen staff-- to find dedicated & renewing public dollars to create in this 2006 budget, the Milwaukee Housing Trust Fund.**

*Thank You!*