



Tom Barrett
Mayor, City of Milwaukee

November 18, 2019

The Honorable, Common Council
The City of Milwaukee
City Hall, Room 205

Honorable Council Members:

The 2020 Budget is one of the most difficult budgets the City has faced. I appreciate the time and effort you took in reviewing and adopting it. I also appreciate your support of the \$8 million allocation to the pension reserve account, which is essential as we prepare for escalating future pension costs beginning in 2023. In addition, I was pleased to see funding for the Birthing Moms Pilot program, which my Administration supports.

Over the years, the investments we have made for our residents and taxpayers address immediate concerns but also build and secure our city's future. Whether that means continuing to develop and revitalize housing in our neighborhoods, abating lead hazards or continuing service delivery, our limited resources should support stability and growth.

Our ability to continue investing in the future is severely threatened by the expected growth in pension costs, and limited revenues. Without additional revenue from a sales tax, the difficult choices we faced in this year will only grow. I continue to work with the State for a one-cent sales tax that would allow us to hire police officers, abate lead hazards, fund crime prevention efforts, and repave more streets. I appreciate those of you who have lent your voices and support to that effort, and look forward to working together in Madison to secure our city's future.

I am concerned with the additional borrowing added to the budget, and have vetoed amendments that add to our debt. Every added dollar we borrow now will tie up crucial future dollars and make future budgets more difficult. Attached to this letter is a slide from my public presentations on the city's finances. It shows that while the share of property tax dollars going to debt is less than in 2004, pension costs are now 25% of our property tax levy. As you know, pension payments alone could consume over 50% of property taxes in 2023. Our smart and strategic use of the City's credit preserves crucial dollars to invest in our neighborhoods.

The 2020 Proposed Budget included funding to purchase five garbage packers through an increase in the solid waste fee. While I share the Council's concern about garbage cart replacement, I am vetoing the reduction in packer replacement. An additional packer improves our reliability and responsiveness for trash collection and snow plowing, two of our most critical services. Adding packers to the 2020 Budget was in

response to concerns of Council members and the Department of Public Works over the reliability of an aging fleet.

As I have in the past, I allocated a significant amount of funding in the 2020 Proposed Budget to affordable housing. We should all be proud of the hundreds of millions the City has invested in neighborhood development and stabilization in the last decade. We have weathered the greatest housing crisis of our lifetimes and come out strong and growing.

We have a shared goal to grow homeownership for Milwaukee families and continue our success in developing new affordable housing for working families. I am vetoing two amendments that reduced funding for the 10,000 Homes Initiative. Meeting our pledge to support 10,000 affordable housing opportunities has already delivered for over 1,500 Milwaukee families – including nearly 400 first-time homeowners in just 18 months. Funding 10,000 Homes will provide crucial leverage of new investment and grow wealth for Milwaukee families and neighborhoods.

My vetoes are explained in detail below. If the Council sustains these vetoes and adopts my proposed substitute actions, there will be a \$1.7 million overall Budget reduction and no change to the tax levy in the Council's Adopted Budget.

Thank you for your consideration.

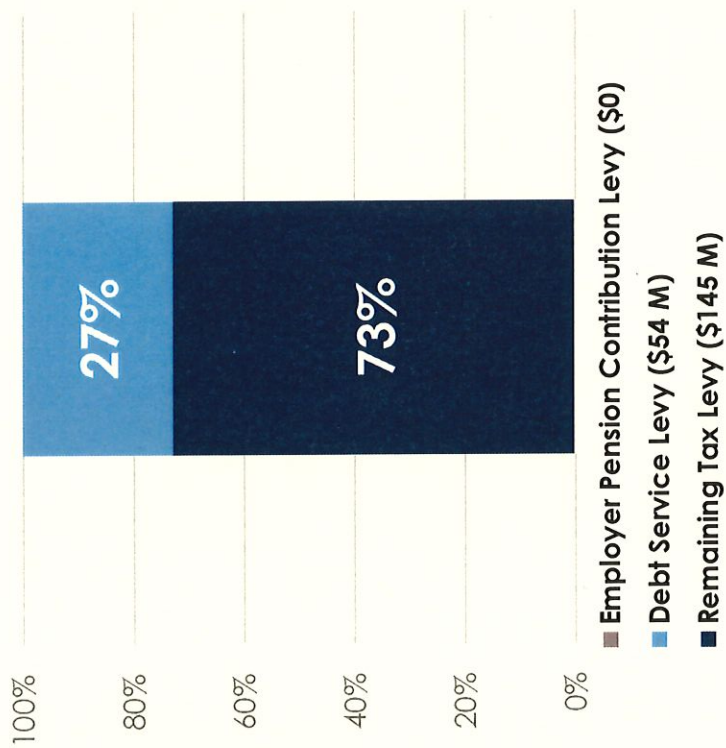
Sincerely,

A handwritten signature in black ink that reads "Tom Barrett". The signature is written in a cursive, flowing style.

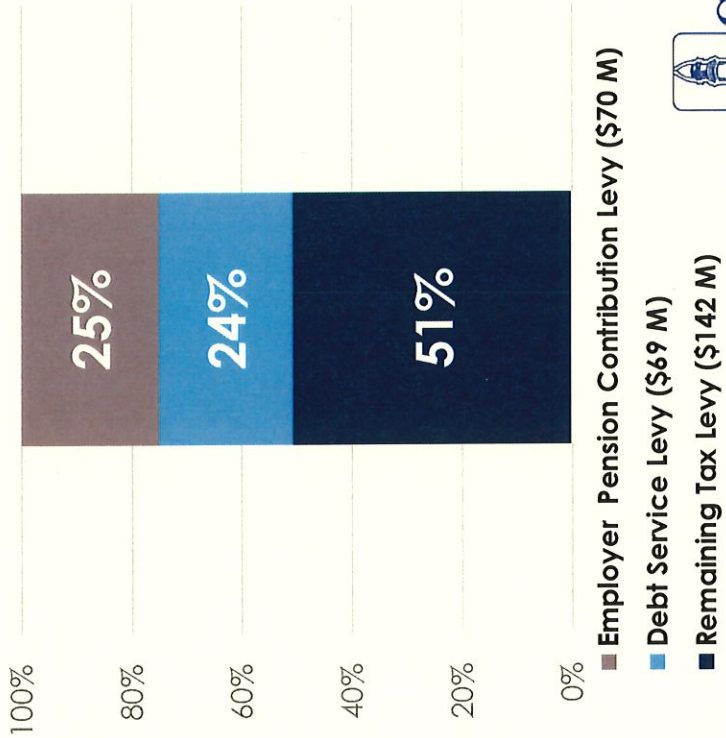
Tom Barrett
Mayor

Pension Growth Puts The Squeeze On Funding For Services & Infrastructure

2004



2019



Veto of Certain Lines and Items included in Common Council Amendments 80 and 86A

I have vetoed several budget lines and amounts impacted by amendments 80 and 86A.

Amendments 80 and 86A reduced funding for the 10,000 Homes Initiative to increase funding for the Housing Trust Fund and Concentrated Blight Elimination programs. The 10,000 Homes effort leverages city funding to create and impact a broad spectrum of affordable housing and homeownership for Milwaukee families. My substitute restores funding for this program at the level in my Proposed Budget.

In 2018 I announced an ambitious goal: to improve the housing circumstances of 10,000 low- and moderate-income families in 10 years. You joined with me to fund the 10,000 Homes Initiative. As we reach the end of year two, we are on track to meet that goal. Hundreds of families have been assisted in their quest to buy their first house. More than 500 families have been able to move to new and renovated affordable housing units. Low-interest loans and grants have helped hundreds of owner-occupants to make repairs and improvements at their properties, stabilizing Milwaukee neighborhoods.

Amendment 80 moved \$200,000 from the 10,000 Homes Initiative to the Housing Trust Fund, even though my budget provided \$400,000 for the Housing Trust Fund, the same amount of funding provided annually since 2016. I am a strong supporter of the Housing Trust Fund and have consistently funded the Trust Fund in my Proposed Budgets. Trust Fund allocations are a vital tool that fills financial gaps for affordable housing projects, and I am glad to continue funding those efforts.

Our work to meet the 10,000 Homes pledge relies on continuing the creative and collaborative strategies we have developed together in the last decade, including STRONG Homes loans and the Milwaukee Employment/Renovation Initiative (MERI). Maintaining funding for this program is critical to continued progress toward our shared goal.

Amendment 86A further reduced 10,000 Homes funding by \$400,000, and shifted those funds to increase Concentrated Blight Elimination by \$400,000.

We share the goal of reducing blight in our neighborhoods. My Administration has worked hard with you to develop deconstruction as an alternative to mechanical demolition. Just last week, another round of deconstruction started, and there is \$1.2 million in available deconstruction funding to support that work through 2020. We will also continue to use mechanical demolition to remove blighted properties that make our neighborhoods feel unsafe and unwelcoming, and my Proposed budget included another \$1.8 million for that purpose.

My substitute action restores funding for the 10,000 Homes Initiative to \$1,000,000, and returns funding for the Housing Trust Fund and the Concentrated Blight Elimination programs to the amounts included in the Proposed Budget.

My veto and proposed substitute action, if approved by the Council, will result in a Budget effect of \$0, and a reduced levy of \$0.

Based on the above reasons, I ask that you sustain my veto and proposed substitute action.

CAPITAL IMPROVEMENTS BUDGET, AMENDMENTS 80, 86A

A. DISAPPROVAL ACTION

The Mayor disapproves of the following budget line(s) in the 2020 Budget: (which were affected by Common Council Amendment 80 and 86A- which added funding for the Housing Trust Fund and Blight Elimination, and reduced funding for the 10,000 Homes Initiative):

<u>BMD-2</u> <u>Page and</u> <u>Line No.</u>	<u>Item Description</u>	<u>2020 Positions</u> <u>or Units</u>	<u>2020 Amount</u>
SECTION I.C.1. BUDGETS FOR CAPITAL IMPROVEMENTS			
SPECIAL CAPITAL PROJECTS OR PURPOSES			
	Housing Trust Fund		
450.2-26	New Borrowing	--	\$0
450.3-2	Cash Revenues	--	\$600,000
DEPARTMENT OF CITY DEVELOPMENT			
	10,000 Homes Initiative (B)		
450.11-20	Cash Revenues	--	\$400,000
DEPT. OF NEIGHBORHOOD SERVICES			
	Concentrated Blight Elimination (A) (B)		
450.21-5	New Borrowing	--	\$2,200,000

In lieu of the above disapproved item I recommend adoption of the following substitute action:

B. SUBSTITUTE ACTION

<u>BMD-2</u> <u>Page and</u> <u>Line No.</u>	<u>Item Description</u>	<u>2020 Positions</u> <u>or Units</u>	<u>2019 Amount</u>
SECTION I.C.1. BUDGETS FOR CAPITAL IMPROVEMENTS			
SPECIAL CAPITAL PROJECTS OR PURPOSES			
	Housing Trust Fund		
450.2-26	New Borrowing	--	\$400,000
DEPARTMENT OF CITY DEVELOPMENT			
	10,000 Homes Initiative (B)		
450.11-20	Cash Revenues	--	\$1,000,000

DEPT. OF NEIGHBORHOOD SERVICES

450.21-5	Concentrated Blight Elimination (A) (B) New Borrowing	--	\$1,800,000
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C. COMBINED EFFECT OF ACTIONS A & B ABOVE:

1. Budget Effect = \$0
2. Levy Effect = \$0
3. Rate Effect = \$0.000

Veto of Certain Lines and Items included in Common Council Amendments 42L, 52, 71, 82, and 84

Knowing the potential future impact of pension costs on the City budget and property tax levy, I believe it is imperative for us all to control debt service costs now. Controlling debt service costs can only be done by minimizing the amount of general obligation borrowing. I know that many members of the Council share my concern about increased borrowing.

Several amendments cumulatively added \$1,100,000 to the City's debt. Because our pension obligations could grow to over 50% of the city's property tax levy in 2023, we need to manage the share of the tax levy going to debt service now.

Increasing borrowing will increase debt service tax levies. Increases to the debt service tax levy decreases the tax levy available for services funded in the operating budget. Given the pressures facing the City budget, the prudent course of action is retaining the maximum amount of levy for the preservation of core operating services.

The 2020 Proposed Budget included \$82.4 million in levy-supported general obligation borrowing, \$2.3 million less than the 2019 Adopted budget. This reduction in borrowing was difficult to achieve, but it was done to help stabilize future debt service tax levies. For these reasons I am vetoing the increased borrowing in amendments 42L, 71, 82 and 84.

Although I am vetoing the increase in alley funding in Amendment 82, I am retaining the footnote that directs the Commissioner of Public Works to present a plan for reconstruction of alleys. It is premature to provide alley funding without first completing an alley plan. Once completed, this plan can guide future budget decisions. The Capital Improvements Committee should take up that planning effort, and my Administration's appointees to that Committee will be glad to support it.

Amendment 84 added borrowing to expand the Community Resource Hub program. Before expanding this program, a plan should be established on how to fund the program's operating costs. The Community Resource Hub program's operating costs are currently unfunded.

The Council increased borrowing in part to shift cash revenue from the lead service line replacement capital program to a new Birthing Moms Pilot Project adopted in amendment 42L. I support the Birthing Moms Pilot Project, but believe we should fund it without increasing the tax levy. For this reason, I am vetoing other portions of amendment 42L and amendment 52.

The Birthing Moms Pilot Project will remain funded at \$240,000. Debt service savings from vetoing the increased borrowing in amendments 42L, 71, 82, and 84 provide \$22,200 in funding.

Amendment 52 restored the ten-minute reduction in street lighting burn time by reducing funding for Police computer replacements by \$210,000. My proposed substitute will retain the reduction in Police computer replacement but instead of restoring the street light burn time reduction, will use the savings to fund the Birthing Moms Pilot Project.

Another component of Amendment 42L creates a new Healthy Food Access Coordinator in the Health Department, with salary funding of \$48,669. My substitute will reduce the salary amount by \$7,800 and use the savings to help fund the Birthing Moms Pilot Project. This salary reduction represents only about 4 pay periods of salary. Given that it is not likely for the position to be classified and filled for several pay periods, this reduction should have no actual impact on the position or service in 2020.

My veto and proposed substitute action, if approved by the Council, will result in a Budget reduction of - \$1,700,000 and a levy effect of \$0.

Based on the above reasons, I ask that you sustain my veto and proposed substitute action.

VETO OF CERTAIN LINES AND ITEMS INCLUDED IN COMMON COUNCIL
AMENDMENTS 42L, 52, 71, 82, AND 84

A. DISAPPROVAL ACTION

The Mayor disapproves of the following budget line(s) in the 2020 Budget: (which were affected by Common Council Amendments 42L, 52, 71, 82 and 84 which added funding for new general obligation borrowing and increased debt service costs):

<u>BMD-2</u> <u>Page and</u> <u>Line No.</u>	<u>Item Description</u>	<u>2020 Positions</u> <u>or Units</u>	<u>2020 Amount</u>
	SECTION I.A.1. BUDGETS FOR GENERAL CITY PURPOSES		
	HEALTH DEPARTMENT		
	SALARIES & WAGES		
220.12-9	Healthy Food Access Coordinator	1	\$48,669
220.17-22	ESTIMATED EMPLOYEE FRINGE BENEFITS	--	\$794,152
	DPW-INFRASTRUCTURE SERVICES DIVISION- TRANSPORTATION OPERATIONS		
	OPERATING EXPENDITURES		
310.22-16	Reimburse Other Departments	--	\$4,280,000
	DPW-OPERATIONS DIVISION SANITATION SECTION		
	SPECIAL FUNDS		
320.17-24	Rapid Response Team	--	\$60,000
380.1-3	FRINGE BENEFIT OFFSET	--	(\$163,374,201)
	SECTION I.A.2. SOURCE OF FUNDS FOR GENERAL CITY PURPOSES		
400.5-14	Other Miscellaneous	--	\$1,933,500

SECTION I.C.1. BUDGETS FOR CAPITAL IMPROVEMENTS

DEPARTMENT OF CITY DEVELOPMENT

450.11-10	Community Resource Hub Program New Borrowing	--	\$200,000
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DEPARTMENT OF PUBLIC WORKS

DPW-INFRASTRUCTURE SERVICE DIVISION

C. ALLEY RECONSTRUCTION PROGRAM (B)

450.28-6	Assessable	--	\$600,000
450.28-7	New Borrowing	--	\$600,000

Lead Service Line Replacement Program (A)			
450.30-13	New Borrowing	--	\$1,800,000
450.30-14	Cash Revenues	--	\$2,200,000

SECTION I.C.2. SOURCES OF FUNDS FOR CAPITAL IMPROVEMENTS BUDGET

450.36-14	New Authorizations – City Share	--	\$83,543,000
Proceeds from Borrowing to Finance			
450.36-20	Assessable Projects-Total	--	\$3,830,000
Capital Improvements Revenues***			
450.36-26	Cash Revenues-Total	--	\$23,685,000

SECTION I.D.1. BUDGET FOR CITY DEBT

460.1-8	Bonded Debt (Interest-expense)	--	\$51,920,200
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SECTION II. BORROWING AUTHORIZATIONS

A. Renewal and Development Projects

570.1	Subtotal Renewal and Development Projects	--	\$4,550,000
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B. Public Improvements

570.1	8. Street improvements and construction	--	\$39,768,000
570.1	12. Water Infrastructure	--	\$1,800,000

E. Borrowing for Special Assessments

570.1	2. General City	--	\$2,530,000
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In lieu of the above disapproved item I recommend adoption of the following substitute action:

B. SUBSTITUTE ACTION

<u>BMD-2</u> <u>Page and</u> <u>Line No.</u>	<u>Item Description</u>	<u>2020 Positions</u> <u>or Units</u>	<u>2020 Amount</u>
	SECTION I.A.1. BUDGETS FOR GENERAL CITY PURPOSES		
	HEALTH DEPARTMENT		
	SALARIES & WAGES		
220.12-9	Healthy Food Access Coordinator	1	\$40,869
220.17-22	ESTIMATED EMPLOYEE FRINGE BENEFITS	--	\$791,032
	DPW-INFRASTRUCUTRE SERVICES DIVISION- TRANSPORTATION OPERATIONS		
	OPERATING EXPENDITURES		
310.22-16	Reimburse Other Departments	--	\$4,070,000
380.1-3	FRINGE BENEFIT OFFSET	--	(\$163,371,081)
	SECTION I.A.2. SOURCE OF FUNDS FOR GENERAL CITY PURPOSES		
400.5-14	Other Miscellaneous	--	\$1,633,500
	SECTION I.C.1. BUDGETS FOR CAPITAL IMPROVEMENTS		
	DPW-INFRASTRUCTURE SERVICE DIVISION		
	Lead Service Line Replacement Program (A)		
450.30-13	New Borrowing	--	\$1,500,000
450.30-14	Cash Revenues	--	\$2,500,000
	SECTION I.C.2. SOURCES OF FUNDS FOR CAPITAL IMPROVEMENTS BUDGET		
450.36-14	New Authorizations – City Share	--	\$82,443,000
	Proceeds from Borrowing to Finance		
450.36-20	Assessable Projects-Total	--	\$3,230,000

450.36-26	Capital Improvements Revenues***		
	Cash Revenues-Total	--	\$23,985,000

SECTION I.D.1. BUDGET FOR CITY DEBT

460.1-8	Bonded Debt (Interest-expense)	--	\$51,898,000
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SECTION II. BORROWING AUTHORIZATIONS

A. Renewal and Development Projects

570.1	Subtotal Renewal and Development Projects	--	\$4,350,000
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B. Public Improvements

570.1	8. Street improvements and construction	--	\$39,168,000
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570.1	12. Water Infrastructure	--	\$1,500,000
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E. Borrowing for Special Assessments

570.1	2. General City	--	\$1,930,000
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C. COMBINED EFFECT OF ACTIONS A & B ABOVE:

- | | | | |
|----|---------------|---|--------------|
| 1. | Budget Effect | = | \$-1,700,000 |
| 2. | Levy Effect | = | \$0 |
| 3. | Rate Effect | = | \$0.000 |

Veto of Certain Lines and Items included in Common Council Amendment 67

I have vetoed several budget lines and amounts impacted by Amendment 67. Amendment 67 reduced the purchase of five new refuse packers to four and shifted the funding for the packer to the purchase of additional refuse carts.

Members of the Council and the Department of Public Works have expressed concerns about the reliability and age of equipment used for garbage collection and snow and ice removal. Based on those concerns, my Proposed 2020 Budget included the purchase of an additional five packers.

If an additional five packers are replaced every year, by 2032 the average age of the packers will be cut almost in half and the replacement cycle will be close to optimal. An improved replacement cycle for packers has numerous benefits, including more reliable and efficient equipment, and decreased maintenance and repair costs.

The crucial functions those packers provide year-round justifies increasing the solid waste fee to pay for them. Replacing garbage carts is important, but I believe our priority this year should be the packers.

For these reasons I am offering a substitute action that restores the packer replacement to five and maintains cart replacement at the level included in the Proposed Budget.

My veto and proposed substitute action, if approved by the Council, will result in a Budget effect of \$0, and a reduced levy of \$0.

Based on the above reasons, I ask that you sustain my veto and proposed substitute action.

DEPARTMENT OF PUBLIC WORKS – OPERATIONS DIVISION, AMENDMENT 67

A. DISAPPROVAL ACTION

The Mayor disapproves of the following budget line(s) in the 2020 budget: (which were affected by Common Council Amendment 67 - which added funding for refuse carts and eliminated funding for a refuse packer in the Department of Public Works):

<u>BMD-2</u> <u>Page and</u> <u>Line No.</u>	<u>Item Description</u>	<u>2020 Positions</u> <u>or Units</u>	<u>2020 Amount</u>
SECTION I.A.1. BUDGETS FOR GENERAL CITY PURPOSES			
DPW-OPERATIONS DIVISION			
320.12-8	Refuse Packer	4	\$1,280,000
320.17-9	Carts, Refuse	20,777	\$1,069,794

In lieu of the above disapproved item I recommend adoption of the following substitute action:

B. SUBSTITUTE ACTION

<u>BMD-2</u> <u>Page and</u> <u>Line No.</u>	<u>Item Description</u>	<u>2020 Positions</u> <u>or Units</u>	<u>2020 Amount</u>
SECTION I.A.1. BUDGETS FOR GENERAL CITY PURPOSES			
DPW-OPERATIONS DIVISION			
320.12-8	Refuse Packer	5	\$1,600,000
320.17-9	Carts, Refuse	14,562	\$749,794

C. COMBINED EFFECT OF ACTIONS A & B ABOVE:

- 1. Budget Effect = \$0
- 2. Levy Effect = \$0
- 3. Rate Effect = \$0.000