



Department of Administration
Budget and Management Division

John O. Norquist
Mayor

Michael J. Soika
Director

Joseph J. Czarnetzki
Budget and Management Director

October 28, 2003

Ref: 04BF, 3-D

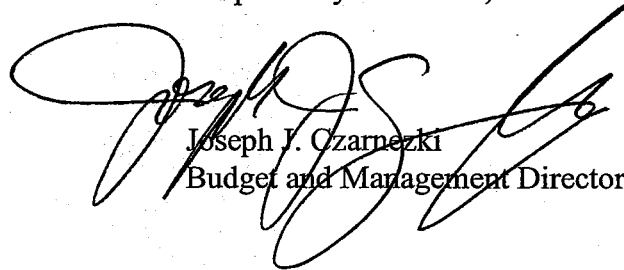
Common Council
City of Milwaukee

Subject: Review of Pay Freeze Proposal

Dear Honorable Members:

We are submitting the attached analysis of the proposed pay freeze of certain management employee salaries and the freeze of Common Council member and Mayoral salaries in 2004. Our review suggests that tax levy savings would be significantly lower than those reported in the Milwaukee Journal Sentinel on October 27, 2003.

Respectfully submitted,



Joseph J. Czarnetzki
Budget and Management Director

JCG:dmr

Cc: Marianne Walsh
Barry Zalban
Steve Filmanowicz

04Budget:pay freeze cvrltr.doc



**City of Milwaukee
Budget and Management
Intra-Office Memo**

To: Joseph J. Czarnecki
From: Jennifer C. Gonda
Date: October 28, 2003
File Ref: 04BF, 3-D
Subject: Pay Freeze Proposal

The Milwaukee Journal Sentinel reported today that several Aldermen plan to introduce a measure to freeze the 2004 salaries of the Mayor, Common Council and all management employees earning over \$60,000 per year. Per your request to review the cost savings estimate of \$900,000, I have prepared the following analysis.

In the case of the Mayor and members of the Common Council, this proposal requires a change in ordinance that will keep the 2004 rates of pay equal to those received in 2003. For 2005 and beyond, salaries would continue to increase at the rate of one step within their assigned salary grade. Members of the Common Council and the Mayor do not receive pay increases related to cost of living adjustments.

Total savings estimated from freezing Common Council and Mayoral salaries is \$27,106. These changes would be reflected in the 2004 Mayor and Common Council-City Clerk departmental budgets.

The management component of this proposal would eliminate the 2004 cost of living adjustment for all management employees earning above \$60,000. Employees would still receive the 2003 adjustment retroactively. This adjustment typically coincides with the settlement of the AFSCME/DC-48 labor contract and is normally for the same percentage. At this time, this labor contract is still under negotiation. Therefore,

the cost of living adjustment for this purpose is uncertain at this time.

According to a list prepared by the Department of Employee Relations, on October 2, 2003 there were 387 city employees earning over \$60,000 per year. This number includes 16 aldermen and the Mayor. Other management employees comprise the remaining 370 positions.

Several of the 370 management positions included on this list are slated for elimination in the 2004 proposed budget and therefore cannot be included in the calculation of savings. Additionally, a significant portion of these positions are funded through grants, capital, or enterprise funds and cannot be counted toward tax levy savings. Deductions for these positions were not included in the \$900,000 figure quoted in the newspaper.

After making these deductions, total tax levy savings from management employees earning over \$60,000 would fall somewhere in the range of \$435,000 to \$545,000, basing cost of living increases on prior experience. If adopted, these savings would be reflected in the Wages Supplement Fund.

Combined with the savings from the Mayoral and Common Council freeze, total savings from this pay freeze proposal are estimated to be in the range of \$462,000 to \$572,000.

Lastly, as presented the management component of this pay freeze proposal should be greeted with a measure of concern. The ramifications of freezing salaries, particularly when done arbitrarily across pay ranges should be discussed further. I would recommend addressing this issue at the next Labor Policy Committee meeting on November 4, 2003.

JCG

pay freeze memo.doc