



## **Vision for 2005 and Beyond: Budget Address 2005**

Chairman Holloway, members of the Milwaukee County Board of Supervisors, Clerk Ryan, members of my cabinet and co-workers in county government, neighbors from all over Milwaukee County, good morning. It is an honor to appear before you for the third time to present our plans for the next county budget.

This morning, I want to talk about my vision for the future of Milwaukee County government over the next four years and beyond. Even though this is a document for the 2005 budget, what we do with it will have implications for many years to come.

### **County Government at a Crossroads of Facing Challenges or Ignoring Problems**

We are at a crossroads in county government and we need to be clear about the facts and about the consequences of our action or inaction on these important matters. As you recall from my comments before the Committee of the Whole, we face some very serious financial matters.

Heading into the budget process this past summer, we had a gap of \$56.8 million even after each department got no levy increase. Significant increases in employee and retiree benefits continue to drive this structural imbalance.

Just a few days after Halloween of this year, four years will have passed since the infamous pension and sick leave plan was approved and yet we are still haunted by the fallout of that deal today. In 2000, the county budget included no payments to the pension fund from the tax levy. In contrast, we need \$37.8 million in 2005 to cover the pension contribution.

Health care is also a major challenge for us again this year. As you know, we inherited employee contracts that run through the end of 2004. These contracts include health care benefits that - with out significant changes - are projected to increase costs to the county by \$22.8 million for 2005.

Left untreated, the fringe benefit line reaches 70% this year and nearly 100% of the salary line by 2008. No government, business or organization can survive with benefits that generous. It is like a parasite that consumes more and more of our budget.

### *Raising Taxes Not the Answer*

Some suggest that the answer to lifting this financial albatross from the neck of county government is to raise taxes. Two truths need to be kept in mind as we enter this debate.

First, this government cannot legally raise the tax levy high enough to cover the \$56.8 million gap. By our estimates, the most the levy can be raised under the state levy limits is \$20.5 million. That would represent an 11% increase in property taxes and would not even cover half of the shortfall.

The reality is that taxing to the maximum in 2005 through 2008 would still leave a \$29.1 million structural imbalance by 2008. In other words, we have to make some tough decisions now to avoid more frightening choices in the future.

Taxing to the “max” would raise the property tax levy from \$219.4 million in 2004 to \$297.2 million in 2008. For the average homeowner in Milwaukee County that would mean a 43% increase in taxes – from \$728.51 in 2004 to \$1,039.94 in just four years.

Second, raising taxes is clearly the wrong answer if we want to attract more people and more jobs to Milwaukee County, while seeking to retain the people and the employers who call Milwaukee County home. A couple of key statistics stand out.

Out of 72 counties in the state, Milwaukee County is the only one that did not grow during the past decade. During the late 1990s and early 2000s, we lost jobs in Milwaukee County. Over the past 30 years, Milwaukee County has become a diminishing component of Wisconsin’s economy. Once we held nearly 40% of the personal income of the state and now we are only at 20%.

Why is this happening? Last year, *Milwaukee Magazine* ran a story called “Tax Hell.” The story noted that eight of the twenty highest taxed communities in the state are in our county. CNN and *Money Magazine* rank Wisconsin as the 6<sup>th</sup> highest taxed state and Milwaukee as the 6<sup>th</sup> highest taxed city in the country. You cannot tell me that this doesn’t have an impact on keeping and attracting jobs.

But, thanks to your help, we are moving in the right direction. **Last year, we lowered the property tax levy in Milwaukee County and I am happy to announce that this budget lowers the tax levy again for 2005.**

In fact, it's also lower than the levy in the adopted 2003 budget and the tax rate is the lowest it's been since 1980. Now that may not seem like a long time ago, but Jimmy Carter was the President and I was just going into 7<sup>th</sup> grade.

To the owner of a home with an assessed value of \$150,000, that means that the county portion will go down by \$53 on your tax bill this December. Holding the line on taxes isn't easy, but it is vital to keeping working families, seniors and jobs in our county. So how do we do it?

### **Plan for a Return to Fiscal Stability**

The path towards fiscal stability begins by streamlining county government. We started the process early in 2004 by not filling many of the positions left open from retirements. In the 2005 budget, we further streamlined our employee count by reducing the vacancy and turnover rate in departments. Of the 740 positions eliminated in this budget, the overwhelming majority are vacant.

In many cases, retirements allowed us to balance the budget with minimal impact on the lives of our employees. That's the good news about the high volume of retirements.

The bad news is that they drive up pension payments, sick leave payouts and health care costs – particularly because the current agreements require us to provide health care coverage for life at no cost to our retirees. It is also important to remember the heavy impact on our budget over the next several years because of the volume of retirees electing to take the enhanced backdrop payouts.

With this in mind, we include the use of Pension Obligation Bonds in this budget. Pension Obligation Bonds have been used effectively by many state and local governments including the State of Wisconsin and the Milwaukee Public Schools system.

Our budget includes specific language on setting an open and a fair process to select a financial advisor and a banker for the county on this plan. Prudent use of this financial tool is appropriate for Milwaukee County because of the growing costs of our pension contributions, driven largely by the pension enhancements.

Rising health care costs are also a long-term challenge for the county. Originally, we projected a \$22.5 million increase in our employee and retiree health insurance costs. Several of you asked that we go back to the providers and get

a better deal – and we did. Thanks to the providers for working with us to reduce our projected increase by \$6 million for next year.

We believe that we can achieve even greater savings in employee and retiree health insurance costs, but we need help. Our unions must help with new employee contracts that include changes to the current level of health care benefits. Future employee wage increases will be tied to fringe benefit savings.

The logic is simple: we got providers to lower part of the cost of health care. If we get further savings in health care costs through the new contracts, we can use those proceeds for wages. In other words, we must have an ability to pay.

Collectively, these actions will help us balance the budget for 2005, but they also put us in a better budget position for the future. Thanks to a superb budget team (led by Linda Seemeyer and Steve Agostini), efficient managers and dedicated employees, we found a way to balance the budget without devastating core county services.

### **Quality of Life in Milwaukee County Preserved**

Providing cost effective health care for those in need is one of those core services. Thanks to the leadership of Chairman Lee Holloway and the work of the members of the Wisconsin Hospital Association in our area – as well as Rob Henken and his excellent staff in the Department of Health and Human Services, the General Assistance Medical Program will continue in 2005.

Providers stepped forward to help cover our costs. This partnership allows us to continue to draw down \$32.7 million in state and federal aid to insure that the needy in our community get health care coverage in the most effective method possible.

After attending the Mental Health Summit, we worked with members of the task force, providers and Chairman Holloway to reach an agreement to redirect more funds from the county and from outside the county to improve care for those in need of mental health services in our community.

In another core service area, we found a way to preserve bus and paratransit routes. Originally, we were given the option of increasing fares and reducing the coverage for paratransit riders. After listening to people at our budget workshops, it became crystal clear that this was not a good idea.

As mentioned yesterday, our budget maintains services for paratransit without a fare increase and without cutting bus routes. Thanks to the good work of the Milwaukee County Transit System, we found a way for them to come in on budget and still protect these key services.

I particularly want to thank Tom Kujawa who is retiring as the head of the transit system. He made Milwaukee County Transit one of the best transit systems in the country. Thanks for your service, Tom.

This budget also reflects a new partnership with those who are independently elected to provide public safety in our county. Special thanks to Sheriff Clarke and District Attorney McCann for coming in under budget. I also want to thank Judge Sullivan and the courts staff for working with us on the budget this year.

In other areas of county government,

- we preserve support for the Milwaukee County Zoo and put in place language to assist the Zoo in securing long-term financial and operating stability;
- we maintain our support for the Parks System and give our superintendent the flexibility needed to adjust revenues and deploy staff to meet priorities, in addition to approving projects like the South Shore breakwater and bike trail;
- we continue to support our older adults through senior centers, fitness classes and meal programs, including a new meal site in southwestern Milwaukee County;
- we provide eight additional Economic Support Specialists in the Department of Health and Human Services dedicated to improving eligibility determination for Family Care;
- we continue to honor our conservative guidelines for funding of capital projects by maintaining our existing infrastructure, while remaining well below our cap; and
- we will reduce the size of the county's fleet by 12%, a savings of \$350,000 in 2005 with ongoing savings in future years.

### **Creating a Healthy Environment for Job Growth**

A strong quality of life system is good for our residents, and it is also good for our employers. To that end, we want to make sure that we have the tools that businesses need to succeed in our county. A quality transportation system is important. As mentioned, this budget maintains bus routes without raising fares.

A great airport is important too. We have that and we are on track to have another record-breaking year – in terms of passengers. The airport is our front door to the business traveler and we take that role very seriously.

When GE Healthcare Technologies was looking at sites for expansion in Milwaukee County, one of the key questions was about our commitment to the progress of the airport. This budget solidifies that commitment to the growth and renewal of our very own General Mitchell International Airport.

Speaking of GE, I was pleased to be at the ground breaking for the spectacular new site on the Milwaukee County Research Park grounds last week. Exciting things are happening on the county grounds. We are moving forward with the storm water basins approved by the sewerage district and with a state forest approved by the DNR.

And now, after two years of working with the City of Wauwatosa, we are ready to move forward with the development of the land along the freeway and north of Watertown Plank Road that includes the old Eshweiler buildings. Our budget includes these land sales because they are part of transforming the abandoned buildings and vacant areas into new economic development – so we can create more jobs and bring more people back to Milwaukee County.

Since the GE event, I had the pleasure of attending a number of ground breaking and ribbon cutting ceremonies throughout the county. These are positive signs. The unemployment rate is down from a year ago. Employers are expanding here. We are headed in the right direction, but we can do even more. Overall, there are three important things that can be done by government to create an environment for job growth.

The first is to lower the tax burden. As mentioned, if we want to attract and retain people and jobs in our county – we must control taxes.

Second, government should create an environment that encourages job growth. I will push an aggressive plan to develop the Park East Corridor properties under the control of the county. Working with Supervisor Mayo's special committee, we will work on a schedule to move this process forward during the fall – outside of the budget.

I want to coordinate our efforts with those of the county board and I want to do it in the best way possible. This means that the efforts to develop this land must not be thwarted by needless restrictions and requirements.

We create benefits for the community by developing the land at the maximum value available and then directing those proceeds into a community development fund that targets the areas of greatest need. The so-called "Community Benefits" plan will only put a stranglehold on this potential economic engine.

Third, government needs to operate in a fiscally sound manner. While we face some enormous fiscal challenges, this budget puts us on the path towards sustainability. I will meet soon with our bond rating agencies to tell of the good news in this budget document. Following this plan will allow us to maintain a level of stability within the community.

## **Choices in Debate Are Clear and Consequences are Longstanding**

If we want to continue to attract more people and more jobs to this county over the next several years, we need to get serious about addressing the issues I raised during this budget speech. We need to have an honest debate about the future of Milwaukee County, not just for the new year, but also for the next four years and beyond.

On one hand, this government choose to ignore the challenges we face and seek a short-term solution to our budget woes through raising taxes. In the end, the facts show that we can never truly tax our way out of this problem. In that scenario, the only people left to pay the taxes in several years may be the very people who need county services.

The better alternative is to take a long-term view and face the challenges of this county head on. We need to streamline county government, reduce the size and level of fringe benefits we provide, use the financial tools at our disposal, provide core services to the people and reduce our tax burden in order to keep our residents and jobs in Milwaukee County.

Meeting these challenges will lead Milwaukee County down the path towards once again becoming the economic engine for the State of Wisconsin. I hope that we can work together to achieve these goals and I look forward to working with you to pave a bright future for all of the people of Milwaukee County. Thank you and may God bless you all.