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## **City budget bolstered by reduced pension fund contribution**

*Temporary reprieve eliminates difficult choices, at least for now*

The Public Policy Forum's annual analysis of the City of Milwaukee budget says the key to this year's budget is the "remarkable reversal" in the city's pension funding obligation, which has averted the need for major expenditure cuts or revenue increases. The report warns, however, that 2011 likely is a temporary reprieve from the city's difficult structural challenges.

"The 2011 proposed budget... may present only an interlude to a more troubling long-term story," according to the report. "Ultimately, a comprehensive set of actions that deal with the city's broken revenue structure and difficult-to-control expenditure drivers will be required."

The Forum has described the city's steep long-term fiscal challenges in previous reports. Those challenges are predicated largely on the fact that key revenue sources, such as shared revenue, have not risen in many years, while expenditure drivers, such as health care costs, have greatly exceeded the annual rise in inflation.

The 2011 budget cites the continuation of those challenges, but explains that the availability of \$47 million in property tax levy from a reduced pension fund payment essentially offsets the structural gap, while also allowing the city to put more than \$17 million into reserves to mitigate the impact of future pension contribution increases.

"The budget responsibly directs about half of the available revenue resulting from the reprieve...to the retirement system to lessen the impact of future retirement payments, and about

half to fund increases in health care costs. Other major initiatives, such as the growth in major and local street repair and replacement, are financed in large part through capital and (federal stimulus) funds. Meanwhile, the remainder of the budget is largely status quo.”

The analysis ends with a warning that the city’s long-term prognosis remains challenging due to future “pension contribution requirements of unprecedented proportions.” In addition, state revenue sources are likely to continue to stagnate, and fees and reserve contributions have limited capacity to expand.

“If cuts in the size of the city workforce are required to help balance future budgets, then city leaders will face the stark reality that two-thirds of the city’s salary and wage costs are generated by the police and fire departments,” the report adds.

The city budget brief can be downloaded from the Forum’s Web site at [www.publicpolicyforum.org](http://www.publicpolicyforum.org). An analysis of the 2011 Milwaukee County budget will be released in the near future.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.

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