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- Judiciary and Legislation Committee



MICHAEL J. MURPHY
ALDERMAN, 10TH DISTRICT

September 18, 2020

Dennis Yaccarino, Budget and Management Director
City Hall
200 E. Wells Street
Room 603
Milwaukee, WI 53202

Mr. Yaccarino,

Perhaps the most important responsibility the Common Council is charged with is to adopt a budget every year which balances the City's duty to provide services to the public against the revenues available to it.

The City's pension liability, and, particularly, adequately funding pension liabilities incurred on behalf of members of the City's protective services, is already straining the City's resources. The 2019 reduction in the Pension Fund's assumed rate of return, combined with the stable policy contribution reset scheduled for 2023, means that the City's annual contribution is expected to more than double to \$158 million in 2023 and continue to increase to \$171 million by 2027. While draws from the Pension Reserve Fund will help to smooth the added tax levy burden in 2023, the City will still be faced with tens of millions in increased pension liability every year.

The State property tax freeze and diminishing receipt of Shared Revenue have created a long-term structural imbalance in the City's budgets which is unlikely to be remedied by the State Legislature. Nor has the State Legislature moved forward with the Mayor's push for an increase in the local sales tax. Given the unlikelihood of significant new revenue streams being made available to the City by 2023, plans must be made for funding pension liabilities and potential shortfalls after the reset in 2023 and beyond.

To date, however, the Common Council remains in the dark about the Mayor's plans for addressing pension funding after the reset in 2023. This places the Council in the untenable position of adopting annual budgets without a full understanding of the City's long-term fiscal condition.

Please provide a written report of the Administration's plans for addressing Pension Fund contributions and shortfalls over the next 5-10 years. Please include a discussion of any plans for issuing pension obligation bonds, changing Chapter 36, decreasing pension benefits, or joining the Wisconsin Retirement System, as well as any realistic plans for increasing City revenues. If any planned strategy requires enabling State legislation to implement, please report on the degree of political commitment you have or reasonably expect to receive.

I look forward to receiving your response.

Sincerely,



Michael J. Murphy
Alderman 10th District

cc Mayor Tom Barrett
Common Council