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MICHAEL J. MURPHY
ALDERMAN, 10TH DISTRICT

August 27th, 2020

Aycha Sawa, City Comptroller
City Hall
200 E. Wells Street
Room 404
Milwaukee, WI 53202

Comptroller Sawa,

I am deeply concerned by a failure by the Office the Comptroller, dating back to 2009, to segregate funds received from Milwaukee Public Schools earmarked for balloon debt re-payments due on their behalf in 2025 and 2027. Instead, the Comptroller treated those amounts as general revenues in the debt service fund, used to increase the City's own annual fund balance draws.

I would like a written statement from your office detailing the circumstances and process failures that led to this situation. Did the Office of the Comptroller violate State or City financing regulations, or generally accepted accounting principles as set forth by the Governmental Accounting Standards Board and other authoritative accounting standard setting bodies?

To ensure that sufficient reserve funds will be available when the MPS balloon payments are due, the City will not be able to draw from the debt service fund in 2021 at its typical rate. Instead, the City must levy an additional \$8.6 million in 2021 to fund City debt. This added tax levy comes at perhaps the worst possible time, when the City budget is already strained by significant revenue shortfalls due to the public health crisis. Please detail how the City's tax levy and debt service funding will be impacted in 2021 and beyond. Will the City's rate of debt service retirement be slowed, and will the debt service fund balance approach any preferred or historic minimum threshold? How long will it take to replenish the debt service fund to a level that will allow the City to comfortably draw down on it in the future?

I am also troubled that these circumstances have apparently been allowed to continue unabated since 2009. Were excess revenues in the debt service fund ever questioned by the Budget Office, and if so, why didn't the Comptroller identify and correct the situation at that time? The Comptroller prepares an annual Projected Debt and Debt Service report for the Common Council, as well as the Comprehensive Annual Financial Report (CAFR). The CAFR document specifically discusses the City's long-term MPS borrowing obligations. Baker Tilly Virchow Krause, LLP, which audits the City's financial statements, apparently failed to identify this mis-step as well. Given the seemingly-robust reporting and oversight framework in the Comptroller's Office, who or what process was responsible for identifying the City's sources of debt service fund revenues,

reserving the MPS funds for the future balloon payments, and calculating the debt service fund balance available for the City's annual draws?

I look forward to receiving your response.

Sincerely,



Michael J. Murphy
Alderman 10th District

cc Mayor Tom Barrett
Dennis Yaccarino
Bill Christianson
Common Council Members