



Tom Barrett
Mayor, City of Milwaukee

November 1, 2018

The Honorable, Common Council
Of the City of Milwaukee

Honorable Council Members:

As we move toward final consideration of the 2019 budget, I want to thank Alderwoman Cogs, the members of the Finance and Personnel Committee and each of you who have taken a constructive role in reviewing and shaping our budget priorities for next year. The budget process is critical to the city, and the Common Council's role in that process is a great deal of work. I appreciate the effort and diligence you have put into the review and hearing of the budget.

I am writing to you specifically about several amendments that reduce pension reserve funding to fund operating costs. Those amendments, together, would reduce the pension reserve fund by up to \$3.8 million.

I am very concerned about the consequences of reducing pension reserve funding. The City's actuary indicated this year that the 8.0% rate of return used to determine the annual pension contribution will need to be lowered in the next five-year funding estimation.

Lowering that 8.0% rate means that by 2023 the City needs to accommodate a significant increase in required pension funding. Our goal is to achieve a balance of nearly \$45 million by 2023 to avoid serious service reductions.

I understand the challenges we are all seeking to address. We all agree that City employees should be paid fairly for the work they do, and we all want to offer the highest levels of service to our residents. That is why my budget included a 2% increase in wages for Group A employees. We should also be proud that City employee health premiums are almost half the national average. Since 2012, employee health premiums have only increased 4%, compared to 23% nationally.

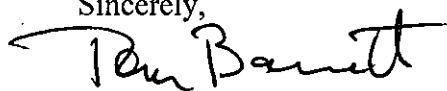
Pension reserve reductions adopted now mean the City will need to cut our tax levy funding for wages, benefits, and operating costs even more in 2020 and future years. Reducing pension reserves to fund additional wages will also increase required pension contributions. Those

increased wages and pension costs will be added to the City's structural deficit, which is already nearly \$100 million through 2023.

Because the state has not increased our shared revenue or given us the authority to raise revenues locally, we face very serious challenges moving forward. As a result, our tax levy cannot keep critical services funded and continue to meet our pension and debt obligations. I will continue to advocate for a fair revenue structure for Milwaukee that makes our financial planning easier. In the meantime, the Budget Office has designed an innovative and sustainable strategy to manage our pension obligations. The key to that strategy is the pension reserve fund.

We have worked together successfully since 2010 to preserve services and responsibly fund our pension obligations. Reducing pension reserve funding in 2019 will create instability in the City's finances through 2023. I strongly urge you to preserve pension funding as proposed in the 2019 budget.

Sincerely,

A handwritten signature in black ink that reads "Tom Barrett". The signature is written in a cursive style with a large, sweeping initial "T".

Tom Barrett
Mayor