



OFFICE OF THE COUNTY EXECUTIVE  
*Milwaukee County*  
CHRIS ABELE • COUNTY EXECUTIVE

DATE: July 28, 2015

TO: The Honorable Milwaukee Board of Supervisors

FROM: Chris Abele, Milwaukee County Executive

RE: Veto of County Board File No. 15-526 on a resolution transferring \$7.5 million from the Debt Service Reserve and the Appropriation for Contingencies to fund traffic signal priority along Wisconsin Ave, parks infrastructure projects, and a salary increase for County employees.

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I am vetoing County Board File No. 15-529 pursuant to the authority granted to me by Article IV, Section 23(a) of the Wisconsin Constitution and Section 59.17(6) of the Wisconsin Statutes.

The County Board adopted a resolution on July 15, 2015 that authorizes the transfer of \$6.5 million from the Debt Service Reserve (DSR) fund and \$969,097 from the Appropriation for Contingencies. That money is authorized for use on traffic signal priority along Wisconsin Ave (\$1.5 million), parks infrastructure projects (\$5 million), and a salary increase for County employees in 2015 (\$969,097).

I am vetoing this resolution because the County Board is attempting to raid the Debt Service Reserve and the Contingency fund for projects those funds are not intended to pay for. Whether this veto is overturned or not, I owe it to Milwaukee County's taxpayers and service users to do everything I can to protect their interests in the face of such irresponsible use of their money.

In the past, Milwaukee County often made reckless financial decisions. Four years ago, the County carried budget deficits, misspent taxpayer dollars, relied on expensive borrowing to finance operations, and created pension programs that cost taxpayers hundreds of millions of dollars.

Since I have been in office, I have worked extremely hard to stabilize the County's finances and make County operations affordable and sustainable. We have made great progress, which the Board acknowledges in its resolution. We have reduced debt and bolstered services while keeping a tight rein on property taxes. Through four years of prudent budgeting and difficult decisions, we have also been able to raise the funding level of the Debt Service Reserve from \$8 million to over \$40 million at the end of 2015.

The Debt Service Reserve fund is intended to cover unanticipated expenses and other one-time costs that arise outside of the normal budgeting process. Best practices dictate that in budgeting, government's take from the Debt Service Reserve fund when unanticipated expenses arise, and give to the Debt Service Reserve fund when surpluses occur. According to the Government Finance Officers Association, local governments should maintain reserves that are funded at a level that is equivalent to at least two months of the government's general fund budget. For

Milwaukee County, that comes out to roughly \$160 million. This level of funding helps assure that there are sufficient funds available for emergencies and other unavoidable, unplanned, one-time expenses. Additionally, bond rating agencies look at reserve funding levels as a major factor in determining what interest rate a government may borrow at.

Meeting this recommendation not only results in a greater ability to respond to unanticipated expenses, it also improves County bond ratings, resulting in lower interest rates for debt and reduced ongoing debt service costs.

As has been reported, Milwaukee County's pension contribution will rise by \$19.5 million per year as a result of a consultant's error and several policy changes made by the Pension Board. This is exactly the sort of significant unanticipated cost that the Debt Service Reserve is designed to address. County Comptroller Scott Manske pointed this out to the Board during discussions related to this resolution.

Instead of using the Debt Service Reserve fund for its intended use of smoothing out unanticipated costs, the County Board instead has voted to raid the fund for special projects. It is precisely these sorts of irresponsible decisions that once led Milwaukee County to near financial ruin, and I will not sit and watch the County Board willingly and knowingly repeats mistakes made in the past.

While I have been supportive of investments in transit, parks, and our workforce, the responsible way to do this is by working with the County departments to target those investments in a way that maximizes benefits and minimizes costs, and then to fund well-thought out investments through the budgeting process. Milwaukee County cannot afford to see the hard-won fiscal progress the County had made be so easily reversed by flippant and irresponsible decisionmaking on the part of the Board. I urge the Board to sustain this veto, keep the County on the path of fiscal responsibility, and address these investments in a way that makes sense for taxpayers.