



OFFICE OF THE COUNTY EXECUTIVE  
*Milwaukee County*  
SCOTT WALKER • COUNTY EXECUTIVE

Milwaukee County Executive Scott Walker would like you to know about an advisory referendum he is supporting that will be on the ballot April 5<sup>th</sup>. The County Executive is asking you to vote “Yes” on the referendum.

Here is what the referendum will look like on the ballot:

"Shall Milwaukee County, Wisconsin, issue pension obligation bonds of the County in a principal amount not to exceed \$261,000,000 for the public purpose of paying unfunded prior service liability contributions under the County's retirement system?"

Detailed explanation is provided below. Thank you.

### PENSION RELIEF BONDS

- As you are well aware, Milwaukee County faces many fiscal challenges including increasing employee health care costs, cuts in the state budget, as well as unfunded state mandates. Of course, pension and sick leave payouts continue to strangle the county's finances.
- Pension benefits approved in 2000, as well as the downturn in the economy, have substantially increased the county's pension debt. The pension debt is now at \$261 million and some projections show the debt continuing to grow to \$350 million. The pension debt will continue to grow and put county taxpayers and services at risk—unless we face the reality of this debt and deal with it now.
- Last year, Milwaukee County budgeted \$35 million in property taxes to subsidize the pension fund. That's the equivalent of the property tax dollars that fund the parks and transit systems. Of that amount \$15 million went to pay the debt incurred for the pension debacle of 2000. Despite the denials of some on the County Board, this is a real debt that exists with or without the bonding.
- Clearly, the public does not wish to experience continued property tax increases or deep service cuts to pay for county pensions, but there is a third option. Pension Obligation Bonds are one of the few tools we still have available to dig out of the pension mess. In truth, Pension Obligation Bonds are really **Pension Relief Bonds** because they allow us to pay off the debt that was created during the pension debacle of 2000 at a lower interest rate, thereby reducing the impact on taxpayers and county services.
- This is similar to fixing the debt your children racked up with the credit card you gave them as they went off to college. Even though you planned on paying off the balance each month,

it became clear that your child charged more than you could afford. So, you switch from a card with 8.5% interest to one with a 5% interest rate and you limit your children's purchases.

- The idea of using Pension Relief Bonds is not unique to Milwaukee County. Since 1986, roughly 140 jurisdictions have successfully used Pension Relief Bonds— including the State of Wisconsin's \$1.8 billion plan and the Milwaukee Public Schools' \$168 million plan a year ago. Most recently, the City of Detroit and the county of Riverside, California issued Pension Relief Bonds to deal with their pension debt.
- Many of these governments have issued bonds to capture upfront savings. We seek a conservative structure that would spread savings throughout the life of the issue while establishing a reserve fund to protect the County against market changes.
- If Milwaukee County issued Pension Relief Bonds, it could achieve significant savings of roughly \$5 million or more each year, reducing the need for tax increases and service cuts to pay for pensions. Over the life of the Pension Relief Bonds, Milwaukee County taxpayers could realize well over \$100 million in savings.
- Some in county government, however, choose to close their eyes and pretend that the problems inherited from the past will go away. Our goal is to find real solutions to solve these financial challenges while protecting core services and property taxpayers.
- On April 5th, voters in Milwaukee County will have a chance to voice their opinion. We encourage you to vote YES and give us a chance to use a simple financial tool to save \$5 million a year.