

ORG. UNIT:

BUDGET: Capital Budget Overview

FINANCE & AUDIT COMMITTEE HEARING DATE: October 18, 2006

CASSETTE NO. 19, SIDE A, #01-EOT

STAFF PRESENT:

County Board: Steve Cady
Department of Administrative Services: Steve Agostini
County Executive: Ed Eberle

APPEARANCES: County Board Chairman Holloway
Linda Seemeyer, Director of Administrative Services

There were no amendments presented.

Mr. Cady summarized the status of actions taken by the Finance and Audit Committee to date. Amendments approved by the Committee to date would increase the tax levy by \$8,122,585, which is a 3.49% increase over the 2006 adopted amount.

The maximum allowable increase of tax levy in the current law is \$9,822,237. That represents 4.22% increase in the tax levy.

Numerous actions by the Committee have restored positions and denied the abolishment of positions within the recommended 2007 budget. However, full funding has not been appropriated. For example, securities and housekeeping initiatives. A \$2,302,000 lump sum adjustment was put back in the budget.

The 58 Parks Maintenance workers and one Horticulturalist positions were restored, but no funding. The amendment submitted did not include fringe benefits and county board staff wants to correct. If the fringe benefits are included, the unfunded amount put back into the budget is \$4,506,000 for those positions. This represents \$2.2 million dollars higher than the amount previously reflected. There is not enough room under the legal tax levy limit to fully restore all positions being recommended for abolishment in the 2007 budget.

There must be other savings for these positions to be funded. A concern by the County Board Staff is that these actions may result in a problem January 2007. If represented unions adopt the health care plan, this would save up to \$6 million. Without this, it puts both departments and the County Board in a difficult position January 2007.

The monies taken out of budgets to contract for services and programs are not there. When positions are restored without full funding it will create a dilemma for department heads that by state law must operate within their appropriated expenditures. In certain situations, department heads may be authorized to take actions to avoid a disruption in services. Department heads may have to use Request for Proposals to acquire services from outside vendors if savings are not achieved in other areas.

County Board staff is continuing to look at other ways to lower these costs for tax levy savings.

Chairman Holloway addressed the Committee. It is a difficult budget and the resources to fill the holes are not there. The \$9 million cap has almost been achieved through some of the restorations. An article, regarding the budget, appeared in the Sunday Journal/Sentinel informing the public the difficulties this budget presents.

He also addressed an outreach to the union, privatization, child support resources, and having an internal department for the self-insured health care model that would report to Ms. Seemeyer. The County cannot afford to lose any money in this area.

This is a tough budget. He gave kudos to the Committee, County Board staff, departments and other parties regarding the work on the budget.

Supervisor Nyklewicz stated if there were no imposed freeze, the County would have an additional \$45 million for this budget. He continued by stating that sales tax proceeds are being used for fringe benefits. This extended the time to negotiate contracts. He addressed the pension contribution and reducing it by \$3 million or possibly less, working with County Board Staff on areas to realize some savings, revenues in varieties of accounts, Health Care-Part B Medicare Reimbursement (possible \$800,000 in savings there), and capital financing. Not much room to maneuver with the complexities of the budget. We have to equip the managers with some resources and options to continue their services. There may be some politically unpopular options.

Supervisor Johnson addressed the need for two or three-year plans from Departments for their revenues and expenditures.

Mr. Cady and Ms. Bryant provided a summary of the 2007 recommended capital improvement budgets. There are 77 separate projects at a total cost of \$57.7 million. County financing for those projects totals \$48.9 million. The projects consist of 66 non-Airport projects at a total cost of \$38.5 million, plus 11 Airport projects at a total cost of \$18.3 million.

The 66 corporate purpose (non-Airport) projects result in net county financing of \$31.5 million to be financed by \$28.9 million in General Obligation Corporate Purpose Bonds, \$632,039 in sales tax revenues, \$1.2 million in Passenger Facility Charges (PFC) revenue and \$769,800 in investment earnings.

Cash financing has been an issue. The 2007 Recommended Capital Improvement Budget is \$6.3 million, or 13% of net county financing. Cash financing for non-airport projects is \$2.6 million or 8.2% of net county financing. The County goal for cash financing of capital improvement projects is 20%.

In addition, the corporate purpose bond amount for 2008 would be set at a not-to-exceed amount of \$30 million. This amount would increase by 3% in subsequent years.

The Capital Budget includes two initiatives with no funding attached to it. First, is Hoyt Park Pool in Wauwatosa. If a friends group raises enough funds and deposits it with Milwaukee County, the project will proceed. The repairs of that pool and reopening would occur. Second, the transfer of ownership of Bender Park to the City of Oak Creek. Once details with the Federal Department of the Interior and the State Department of Natural Resources has been finalized.

Questions and comments ensued. Supervisor Nyklewicz inquired about the previously deferred adopted priority capital budgets. They were deferred due to the funding of the Courthouse Annex. Mr. Cady indicated that these projects had not been restored in the County Executive's Recommended Budget.

Ms. Bryant was directed to provide a breakdown of deferred priority capital projects adopted by the Board. This information will be in writing and submitted for Monday, October 25, 2006 Capital Budget Hearing.

Ms. Bryant commented on the 2007 Capital Projects. Questions and comments ensued on debt service, term of the debt, and the policy,

Comments ensued on the major maintenance needs and physical needs of the County Parks and other facilities. A concern was raised as to what mechanisms the County could implore that would not adversely affect the current bond rating.

Ms. Bryant responded that extended years of bonding and a continued rapid payment schedule would keep our amortization level. The County could explain to the rating agencies that infrastructure commitments are being addressed. This would show that the County is being a good steward of debts.

Prime Financial Management (PFM) and Ms. Bryant will provide a plan and look at ways the County could increase the allocation for infrastructure improvements into the Capital Program and maintain some of the pluses. Also look at debt service, level of capital improvements and see how it impacts debt service.

Ms. Bryant also addressed arbitrage and associated penalties.

She has asked PFM and Ms. Bryant will provide a plan and looks at ways the County could increase the allocation for infrastructure improvements into the Capital Program and maintain some of the pluses. Look at debt service, level of capital improvements and see how it impacts debt service.

Discussion ensued. Ms. Bryant will provide a report on departments as it relates to arbitrage.

Questions and comments ensued on performance contracts impacting debt service, cash financing, sources of revenue, and cash available in the 2007 budget.

Supervisor Nyklewicz said asked Ms. Bryant to work with PFM in providing some alternatives to the Committee for possible modifications to the County's policies to allow additional latitude with regarding to capital improvement programs.

Ms. Bryant stated that work is being done on this now. She is not sure of a definite time frame. She would like to work with County Board Staff. Supervisor Nyklewicz said the report might occur at the end of the capital improvement budget hearings to allow input from the County Board staff.

Ms. Seemeyer addressed capital financing and that this matter needs to be reviewed carefully.

Supervisor Nyklewicz encourage the Committee to review the capital budget for Monday's budget hearing.

Delores "Dee" Hervey

Delores "Dee" Hervey Chief Committee Clerk
Committee on Finance and Audit

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