

BUDGET: OVERVIEW

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 1, SIDE A, #22

STAFF PRESENT:

County Board: Steve Cady
Department of Administration: Steve Agostini
County Executive: Ed Eberle

APPEARANCES: Steve Cady, Fiscal and Budget Analyst, Chairman Lee Holloway,
Supervisors Borkowski, De Bruin and Schmitt

Mr. Cady summarized the County Board Staff Overview, a copy of which is attached to the original of these minutes. Discussion ensued on the following:

- New tax rate freeze
- Pension Obligation Bonds
- Fringe Benefit Rates for active employees versus retirees
- Overhead expenses
- District Attorney's Office reduction
- Land Sales goal
- Privatization & security
- How the \$73M deficit was derived
- Leasing of the Airport
- Lawsuit with Mercer
- Healthcare Utilization Plan
- Quantifying the impact of services based on the 2007 County Executive Recommended Budget

Supervisor West requested a breakdown of departmental employees (management versus front line staff). DAS indicated that they would provide that information.

Discussion ensued with questions and answers by the Committee and other interested parties.

The Committee proceeded with the said schedule as outlined.

Delores "Dee" Hervey

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

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ORG. UNIT: 1993

BUDGET: State Shared Taxes

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 1, SIDE B, #690

STAFF PRESENT:

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

APPEARANCES: Pamela Bryant, Capital Finance Manager

Discussion ensued that the budget as recommended by the County Executive could be approved today with the understanding that further assessments could be provided later.

ACTION BY: (McCue) Approve the budget as recommended by the County Executive.
6-0

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson

Delores "Dee" Hervey

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

ORG. UNIT: 1996

BUDGET: County Sales Tax Revenue

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 1, SIDE B, #710-EOT
CASSETTE NO. 2, SIDE A, #50

STAFF PRESENT:

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

APPEARANCES: Pamela Bryant, Capital Finance Manager, DAS

ACTION BY: (McCue) *Approve the budget as recommended by the County Executive.*
6-0

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson-1

Delores "Dee" Hervey

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

ORG. UNIT: 1997

BUDGET: Power Plant Revenue

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE A, #101

STAFF PRESENT:

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

APPEARANCES: Pamela Bryant, Capital Finance Manager, DAS

Discussion ensued on the power plant budget.

ACTION BY: (McCue) Approve the budget as recommended by the County Executive.
6-0

AYES: McCue, Coggs-Jones, Mayo, , Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson

Delores "Dee" Hervey

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

ORG. UNIT: 1998

BUDGET: Surplus (or Deficit) from Prior Year

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE A, #130

STAFF PRESENT:

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

APPEARANCES: Steve Agostini, Fiscal and Budget Administrator, DAS

ACTION BY: (McCue) *Approve the budget as recommended by the County Executive.*
6-0

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson,

Delores "Dee" Hervey

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

ORG. UNIT: 1930

BUDGET: Offset to Internal Service Charges

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE A, #126

STAFF PRESENT:

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

APPEARANCES:

Discussion ensued. It was recommended that if the budget is approved today, both DAS and County Board staff should monitor and update as needed.

***ACTION BY: (McCue) Approve the budget as recommended by the County Executive.
6-0***

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson

Delores "Dee" Hervey

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

ORG. UNIT: 1935

BUDGET: Charges to Other County Organization Units

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE A, #148

STAFF PRESENT:

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

APPEARANCES: Pamela Bryant, Capital Finance Manager, DAS

ACTION BY: (McCue) Approve the budget as recommended by the County Executive with the understanding additional information maybe required in future hearings.
6-0

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson,

Delores "Dee" Hervey

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

ORG. UNIT: 1937

BUDGET: Potawatomi Revenue

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE A, #166

STAFF PRESENT:

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

APPEARANCES: Pamela Bryant, Capital Finance Manager, DAS

The Committee inquired about the expansion time line (date of completion). Mr. Agostini indicated that he has been working with State Officials on the expansion time frame and the number of slot machines that have been agreed to in the Memorandum of Understandings (MOU) that have been either approved by the National Indian Gaming Commission or Department of Interior. He is still trying to obtain that information.

ACTION BY: (McCue) Lay over and refer to County Board Staff for further review. 6-0

AYES: McCue, Coggs-Jones, Mayo, , Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson

Delores "Dee" Hervey

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

ORG. UNIT: 1945

BUDGET: Appropriation For Contingencies

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE A, #209

STAFF PRESENT:

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

Discussion ensued to approve the budget as recommended and continue to assess throughout the budget hearing process. It was mentioned that the contingency fund might be used for restoration of positions and/or money to budgets pending results in other areas. If an adjustment is needed, that can be addressed later.

ACTION BY: (McCue) Approve the budget as recommended by the County Executive with the understanding assessing and monitoring will continue. 5-1

AYES: McCue, Coggs-Jones, Broderick, West & Nyklewicz (Chair) – 5-1

NOES: Mayo-1

EXCUSED: Johnson

Delores "Dee" Hervey

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

ORG. UNIT: 1985

BUDGET: Capital Outlay/Depreciation Contra

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE A, #276

STAFF PRESENT:

County Board: Steve Cady
Department of Administrative Services: Steve Agostini
Pam Bryant
Scott Manske
County Executive: Ed Eberle

APPEARANCES:

Discussion ensued on the impact of the annex in this budget. Mr. Manske addressed the depreciation amount for the removal of the Courthouse Annex. Mr. Manske stated that the Courthouse Annex was written off in 2005. Therefore the annex is no longer included in the numbers being recommended in the budget.

The tax levy change is a reflection that there is a depreciation amount for the airport assets that are decreased because of the 2005 re-funding of debt service. The outstanding amount in GO Bonds is about (\$1M). The balance is revenue bonds.

***ACTION BY: (McCue) Approve the budget as recommended by the County Executive.
6-0***

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson

Delores "Dee" Hervey

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

ORG. UNIT: 1950

BUDGET: Pension Obligation Bonds

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE A, #354

STAFF PRESENT:

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

APPEARANCES: Jerome Heer, Director of Audit
William Domina, Corporation Counsel
Dave Anderson, Consultant, Prime Financial Management (PFM)

Mr. Agostini distributed an overview document of the Pension Obligation Bonds (copies attached to original of these minutes) from the Public Financial Management (PFM), County's financial advisors. Discussion ensued. The proposed budget includes the use of Pension Obligation Bonds.

It was clarified that Buck Consulting is the new actuary for the Pension Board, replacing Mercer. Mr. Agostini stated that Buck Consulting has provided an amortization schedule. The existing unfunded liability is approximately \$443 million at an assumed rate of 8%. The 2007 payment is \$33.5 million; the use of POB's would result in total payments of \$1.25 billion. The recommended structure is as follows: Taxable General Obligation Notes, Capital Appreciation Bonds and Variable Rate Notes. The variable rate and length of issuance requires changes to the existing Wisconsin Statutes. The proposed annual budgetary payments are less than the current amortization schedule for the County's existing pension liability. Payments on POB's are anticipated to end in 2029 due to a pre-payment from the Stabilization Fund.

The POB presentation further shows that the benefits are:

- The interest rate on the County's current outstanding pension liability is reduced from 8% to approximately 6%.
- Beginning with the 2007 budget, the plan provides for a level \$6,250,00 of annual budgetary savings each year when compared with the current repayment schedule.

A planned stabilization fund is estimated to retire all POB's by 2029.

Mr. Agostini stated that this is a beginning plan. Interest rates are subject to change. It was stated that the \$443 million represents 100% funding of the unfunded liability.

Discussion ensued on a lesser percentage.

Supervisor Nyklewicz inquired of Mr. Domina if the County Board has the ability to determine the anticipated rate of return. Mr. Domina said the Board does have the ability to run the system as deemed appropriate with the guidance of the Legislature that was given in 1967 but you cannot make any decisions that would take away any vested rights of individuals. If choices are made that affect the system, it must be done after a review by the Pension Study Commission called for in that Legislation and they have to receive an actuarial opinion of impact.

Discussion continued that POB's do not affect the way the funds are administered but affect the financing for the funds.

Supervisor Nyklewicz said additional time maybe necessary to finalize the specifics, alternatives and options relative to use of POB's, which would include the size, scope and magnitude in addition to the reserve fund being drafted. There needs to be safeguards that the reserve fund is earmarked specifically for the amortization of the liability that is being taken on in the form of these bonds.

ACTION BY: (Mayo) Lay over.

Discussion ensued. Supervisor Nyklewicz suggested that instead of a lay over that a referral to County Board Staff, Department of Audit, DAS, PFM Group (Financial Consultant) and Corporation Counsel continue to meet, dialogue, and discuss the issue. Bring back to the Committee answers to the questions and concerns raised in today's discussion which include: quantifying the risks in terms of what can happen if the deal goes bad, how safe are we (County), how risky is the deal, costs of interest and afford County staff to bring those findings back to the Committee. The Committee can determine if they are comfortable or uncomfortable with moving forward. Supervisor Mayo accepted this suggestion.

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson

Delores "Dee" Hervey

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

ORG. UNIT: 1950

BUDGET: Pension Contribution

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE B, #177

STAFF PRESENT:

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

APPEARANCES: Jerome Heer, Director of Audits
William Domina, Corporation Counsel

Discussion ensued wherein the Committee requested information from both the Pension Board and Buck Consulting the components that comprise the increased amount being requested for the Pension Contribution in 2007. Are they based on unfunded previous balances? The County had issued some debt previously with regard to the short-term use of the state investment pool and the Committee wanted to know if this option is available to the County this year. Mr. Agostini stated he would check on this and report back his findings.

In 2004, the County borrowed \$15M to make up the contribution variances from 2001-04. There maybe one or two years of debt service remaining on that.

Supervisor Nyklewicz requested a breakdown of the various components that make up this \$59M so it's clear. What has been market-driven? What has been driven by policy decisions made and taken by both the County Executive and County Board? What decisions are attributed to the enhanced benefits due to the pension ordeal? This information would be helpful to the Committee.

Supervisor McCue inquired of Mr. Agostini what the projected pension payments would be if POB's are used. Would it be zero? Mr. Agostini stated a chart would be provided and what would drop to zero is the portion of the Pension Contribution required to fund the unfunded liability. What would remain is the debt service associated with paying the unfunded liability and normal costs into the system, estimated between \$26M.

Supervisor Nyklewicz recommended that both County Board Staff and the Audit Department work with Buck Consulting to determine, if the rate of return is expected to be 8.5% or 8.3%, what would it do to the annual contribution and the amount necessary for 2007 versus the 8% projected. Also use 8.7% as a variable. These various alternatives will give some outcomes for consideration. When the 1950 budget is rescheduled, the Committee expects this information, as well as Buck Consulting in attendance.

Supervisor Nyklewicz requested that the information be put into perspective for the Committee and public. To what extent are market losses or the lack of performance by the fund contributing to the unfunded liability? Mr. Heer stated that Mr. Piltch, Cambridge Advisory Group, would be able to address this concern.

Mr. Domina said if the Committee is going to engage in discussion on this issue, he recommended that Mr. Piltch be in attendance, as well as, a closed session forum. Supervisor Nyklewicz stated that a footnote would be on the hearing schedule to reflect that the Committee may convene into closed session on this matter for advice of counsel and expert witnesses with regard to litigation pending.

ACTION BY: (Coggs-Jones) Lay over the item and request that the actuary be in attendance and provide information relative to the earnings of anticipated rate of return and the projected amounts of funds necessary for Milwaukee County under those various scenarios for the 1950 Budget Account. 6-0

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) –6

NOES: 0

EXCUSED: Johnson

Delores "Dee" Hervey

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

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ORG. UNIT: 9960

BUDGET: General County Debt Issue

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE B, #334

STAFF PRESENT:

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

APPEARANCES: Pamela Bryant, Capital Finance Manager, DAS

Ms. Bryant gave an overview.

ACTION BY: (McCue) Approve the budget as recommended by the County Executive.
6-0

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) – 6

NOES: 0

EXCUSED: Johnson

Supervisor Nyklewicz requested of the Financial advisors to work with County Board Staff and Department of Audit to determine how our policies maybe modified to provide additional capacity to take care of capital needs that currently are going unmet and still afford doing this over a little longer lifetime. A report with some options and scenarios for this particular area should be afforded the Committee.

Mr. Norman, Research Director, Institute for Wisconsin's Future. He spoke on behalf of the Alliance to Protect the Public Good. Mr. Norman's comments urged the Board to put \$40M into the retirement fund in 2007. This would be a 46% increase over this year's contribution. It is his belief that this contribution would devote a greater share of the 2007 Budget to resolving the pension issue.

Delores "Dee" Hervey

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

ORG. UNIT: 1987

BUDGET: Debt Issue Expense

FINANCE & AUDIT COMMITTEE HEARING DATE: October 6, 2006

CASSETTE NO. 2, SIDE B, #264

STAFF PRESENT:

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

APPEARANCES:

ACTION BY: (McCue) Approve the budget as recommended by the County Executive.
6-0

AYES: McCue, Coggs-Jones, Mayo, Broderick, West & Nyklewicz (Chair) –

NOES: 0

EXCUSED: Johnson

Delores "Dee" Hervey

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