

ORG. UNIT: New WO Capital

BUDGET: Various

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 1B014

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive:

APPEARANCE(S):

Jack Takerian, Director, Department of Transportation and Public Works

Amendment 1B014 By Supervisors Coggs & West to amend the 2011 Capital Improvements Budget for New Courthouse Complex Capital (WC) by increasing general obligation bonding \$90,000 for improvements to the 10th Street entrance, as follows:

A canvas canopy will be installed at the 10th Street entrance of the Courthouse in order to clearly define the 10th Street entrance and offer protection from the elements for courthouse visitors, including those visiting the recently moved Department of Family Care. An appropriation of \$90,000 is included for the canopy, which would make the entrance clear and defined for both vehicle drop-offs and approaching foot traffic.

The final design shall be brought to the County Board of Supervisors for review and approval prior to installation.

This amendment would increase general obligation funding by \$90,000.

ACTION BY: (West) Approve the Budget Amendment 1B014 as noted above. 4-1

AYES: Thomas, Johnson, West and Coggs (Chair) -4

NOES: Schmitt -1

EXCUSED: Mayo and Jursik -2

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: Amendment 1C002

BUDGET: Various

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 1C002

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive:

APPEARANCE(S):

Steve Cady, Fiscal and Budget Analyst
Tim Schoewe, Interim Corporation Counsel
Supervisor Theo Lipscomb, District #1
Supervisor John Weishan, Jr., District #16
Supervisor Marina Dimitrijevic, District #4
Greg Gracz, Director, Labor Relations
Jerry Herr, Director of Audits
David Eisner, AFSCME

Mr. Cady reiterated the amendment highlights, in addition to pointing out two changes from the original amendment that include language changes on Page 3 of this document under "1972 Modify the narrative in Org. 1972 as follows" the date changed from December 31, 2010, to March 31, 2011, and on Page 4 of this document, paragraph 3 is added.

A lengthy discussion ensued on contributions to the pension, date change, majority of retirees younger than 65, layoffs and furlough days, legality and realized savings.

ACTION BY: (Coggs) Adjourn into closed session under the provisions of Wisconsin Statutes, Sections 1985 (1)(c), (g) for the purpose of discussing the 1950 and 1972 budgets and Amendment 1C002. 6-0

AYES: Coggs Mayo, Schmitt, Johnson, West and Thomas (Chair) -6

NOES: 0

EXCUSED: Jursik -1

The Committee adjourned into closed session at 1:48 p.m.

ACTION BY: (Coggs) Reconvene into open session. 6-1

AYES: Coggs Schmitt, Johnson, West, Jursik and Thomas (Chair) -6

NOES: Mayo -1

The Committee reconvened into open session at 2:38 p.m. A roll call was taken with all members present.

Mr. Eisner read into the record the findings from a lawsuit between Milwaukee County and AFSCME. The document pertains to the negotiations for the 2009-2010 labor agreement. Mr. Gracz stated there are no negotiations for the 2011 contract.

Amendment 1C002 By Supervisors Thomas, Coggs, Schmitt, Johnson, West and Holloway
to amend the County Executive's 2011 Recommended Budget for Org. Units No. 1950 – Employee Fringe Benefits, 1972 – Wage and Benefit Modification Account, 1996, County Sales Tax revenue, 1945 – Appropriation for Contingencies and 1985 – Capital Outlay/Depreciation Contra by making the following adjustments:

Org. 1950

Delete the chart related to the New Plan Design costs and replace with the Chart attached to this amendment for alternative HMO and PPO plan design.

Modify the narrative as follows:

Estimated Savings

The 2011 Budget assumes that the new plan design is applied to non-represented active employees and all retirees. Cambridge Advisory Group estimates the annual savings from these plan design changes will be approximately ~~\$12.8~~ 8.2 million per year (tax levy savings of ~~\$10.0~~ 6.4 million). These savings include providing active employees with the health care benefit (those who pay monthly health care premiums) an automatic contribution to their flexible spending account (FSA) of \$500 for single and \$1,500 for family plans. Unused FSA monies at the end of the year will flow back to Milwaukee County.

Impact on OPEB Liability

The County's current OPEB liability is over \$1.5 billion. As a result of the significant savings the new plan design is able to achieve for health care claims associated with current and future retirees the County's OPEB liability will decrease by approximately ~~\$149~~ 131.4 million. Combined with plan design changes already implemented by the County during 2009 and 2010, and the proposed 2011 design changes, Cambridge estimates that the County's total OPEB liability will be reduced by a range of \$231 to \$275 ~~\$293.3~~ million or ~~19.0~~ 15.4 to 18.4%. A new OPEB study will need to be done to refine these estimates.

Add the following language to Org. 1950:

The Employee Benefits Workgroup shall examine and develop recommendations for the possible implementation of a voluntary employee benefits association (VEBA), or similar program, to allow the County to make tax deferred employee payments (i.e. sick payouts) that can be used for post-retirement health care expenditures or other eligible expenses. These types of programs can reduce both the employer's and employee's tax obligations. A report from the Workgroup shall be submitted to the County Board for consideration in the

March 2011 cycle.

The Employee Benefits Division, working in conjunction with the Director of Audits, shall issue an RFP for a dependent eligibility audit. This audit would help ensure that the enrollees in the Milwaukee Health care plan are eligible to participate based on the guidelines outlined in the Milwaukee County Ordinances. Dependent audits can have a significant return on investment while maintaining proper controls and fiduciary oversight of this valuable employee benefit. These audits usually include heavy communication to employees followed by an “amnesty” program to remove ineligible dependents (e.g. divorced spouses, etc.). A proposal shall be submitted to the Committees on Personnel and Finance and Audit for consideration in the March 2011 cycle.

Modify the language on page 1950-4 as follows:

In addition to the benefits described above, the County has historically provided for reimbursement of the Medicare Part B premium for retired employees, including their eligible beneficiaries over age 65, who retired with 15 or more years of pension-credited service or are on Disability Medicare. \$5,983,300 is budgeted for this expense based on rates established by the Federal Government and published by the Centers for Medicare and Medicaid Services. This represents an increase of \$77,167 from 2010. However, the County will cease providing this reimbursement for employees who retire after ~~December~~ March 31, 2011. Given that Medicare Part B premiums are income-adjusted and eligible County employees are also provided a pension and free County healthcare to supplement the Medicare program, resources previously allocated to this expense will be redirected to maintaining core services. Savings are projected to be \$100,000 in 2011. However the cost of providing this benefit to all of the estimated 2,542 active employees and spouses previously eligible when they retire would be over \$3 million annually.

Org. 1972 – Wage and Benefit Modification Account

Modify the narrative in Org. 1972 as follows:

Based on the pension modifications outlined above, the annual pension service cost (“normal cost”) is expected to trend down from the current 8.9% of salary to less than 8% as the changes are applied to more employees. In order to provide a valuable and sustainable retirement benefit, employees eligible for pension benefits (regardless of vesting status) will contribute two percent of their salary on a pre-tax basis to the County’s pension system beginning January 1, 2011. The goal is to have employees eventually contribute 4 percent of their salary toward their pension benefit, essentially paying 50 percent of the annual pension service cost.

Non-represented employees (except elected officials) shall be provided a one percent (1%) cost-of-living adjustment (COLA) beginning on June 12, 2011 (pay period 14) and another 1% increase on December 11, 2011 (pay period 1 of 2012). The non-represented employee (except elected officials) pension contribution shall increase to 3 percent and 4 percent,

respectively, of salary beginning in these pay periods. Compensation for other bargaining units is subject to approved labor agreements or collective bargaining negotiations. Should the County be unable to fully implement this provision by January 1, 2011, corrective actions including, but not limited to, layoffs, furloughs, and program/service reductions may be necessary to mitigate the shortfall.

~~Employees eligible for pension benefits (regardless of vesting status) will contribute 5 percent of their annual salary to the County's pension system. This contribution is consistent with the national average for the public sector of 5 percent according to a report by the National Association of State Retirement Administrators. Milwaukee County employees currently make no contribution towards pension benefits. Implementation of this provision for all employees except non-represented employees will require agreement from the County's various labor unions. Should the County be unable to fully implement this provision by January 1, 2011, the County Executive is authorized to lay off up to 165 employees throughout all departments including staff in constitutional offices in order to achieve a similar level of savings and prevent a budget deficit. Pursuant to County Ordinance, ordinance amendments effectuating these changes shall be brought forward and reviewed by the Pension Study Commission and Pension Board and approved by the County Board prior to January 1, 2011.~~

The County Executive's 2011 Recommended Budget proposed initiatives related to pension and health care changes (wage and benefit concessions) designed to save approximately \$24.5 million in tax levy. This includes approximately \$4.2 million in unachieved savings in 2010 that is carried forward to 2011. An independent legal opinion received in 2002, as well as one provided by the Acting Corporation Counsel at the request of the Committee on Finance and Audit during 2011 budget deliberations, raises concerns on the ability to effectuate all of these initiatives. In light of potential litigation that may occur with the implementation of pension and health care changes included in the budget, Corporation Counsel will retain outside counsel, subject to approval by the County Board, to provide advice and guidance on these issues. Funding will be provided by funds included in Org. 1961 – Litigation Reserve Account.

Org. 1996 – County Sales Tax Revenues

- Increase County Sales Tax Revenue by \$1,500,000 based on an analysis of recent trends.

Org. 1945 – Appropriation for Contingencies

Modify the narrative language as follows:

Funding for the Appropriation for Contingencies is increased by ~~approximately 25% or \$1,500,000~~ \$350,000 from \$5,800,000 to ~~\$7,300,000~~ 6,150,000. The increase will provide additional resources for the County to respond to uncertainties for fiscal pressures including the following:

The County's outside healthcare actuary has projected that County employee healthcare expenses could increase by as much as 12% from 2010 to 2011. The Fringe Benefits budget includes funding for a 9% increase based upon historical averages. ~~The remaining 3% increase of \$2.9 million is reserved in the Appropriation for Contingencies. Should these funds not be necessary for employee healthcare expenses, they will remain available to be used for other unanticipated needs.~~ To provide protection against higher than budgeted health care costs, revenues of \$1,750,000 related to the Early Retiree Reinsurance Program (ERRP) are included in the Appropriation for Contingencies. The Affordable Care Act provides \$5 billion in financial assistance to help employers maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare. The County is expected to have approximately \$7 million in eligible claims in 2011, depending in part on the availability of federal funds. Therefore, only \$1,750,000 in ERRP reimbursement is expected in 2011, or 25 percent of the total County claim. These funds can only be used to offset eligible health care expenses.

Org. 1985 – Capital Outlay/Depreciation Contra

- Increase revenue by \$384,793 to align account with Airport depreciation.

Org. 1994 – State Exempt Computer Aid

- Increase State Exempt Computer Aid by \$667,047 based on a recent communication from the State on exempt computer valuations.

This amendment has a \$3,645,790 tax levy impact.

ACTION BY: (Schmitt) Approve the Revised #2 Budget Amendment 1C002 as noted above. 6-1

AYES: Thomas, Mayo, Johnson, West, Jursik and Coggs (Chair) -6

NOES: Mayo -1

Carol Mueller

Chief Committee Clerk

Committee on Finance and Audit

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ORG. UNITS: 1950
1972

BUDGETS: Employee Fringe Benefits
Wage & Benefit Modification

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102610 1950 -1972

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive:

APPEARANCE(S):

ACTION BY: (Thomas) Approve the 1950 and 1972 Budgets as amended. 6-1

AYES: Thomas, Schmitt, Johnson, West, Jursik and Coggs (Chair) -6

NOES: Mayo -1

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: 1996

BUDGET: County Sales Tax Revenue

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 1996

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive:

APPEARANCE(S):

Steve Kreklow, Fiscal and Budget Administrator

ACTION BY: (Schmitt) Approve the Budget as recommended by the County Executive. 6-1

AYES: Thomas, Schmitt, Johnson, West, Jursik and Coggs (Chair) -6

NOES: Mayo -1

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: Amendment 1A037

BUDGET:

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 1A037

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive:

Amendment 1A037 By Supervisor Weishan to amend Org. Unit No. 1945 – Appropriation for Contingencies and Org. Unit No. 9000 – Department of Parks, Recreation and Culture by funding the Parks Department through March 31, 2011 and transferring the remaining tax levy to the Appropriation for Contingencies account, as follows:

- Add the following narrative to Org. Unit 9000-Department of Parks, Recreation and Culture:

“Funding for the Parks Department shall be provided through March 31, 2010. Subsequent to that date all support/expenditures for the Department shall cease.”

- Adjust the Department of Parks, Recreation and Culture’s budget as follows:

For the Parks Department, tax levy support shall be limited to \$6,157,381. This represents 25% of the \$24,629,525 in tax levy appropriations in the 2011 Recommended Budget. The remaining funds of \$18,472,144 million shall be placed into Org. 1945 – Appropriation for Contingencies.

This amendment would result in a zero net tax levy impact.

ACTION BY: *(Jursik) DENY Budget Amendment 1A037 as noted above. 7-0*
AYES: *Thomas, Mayo, Schmitt, Johnson, West, Jursik and Coggs (Chair) -7*
NOES: 0

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: 1A021

BUDGET:

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 1A021

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive:

Amendment 1A021By **Supervisors Coggs, West, Mayo, Thomas and Johnson** to amend the County Executive's 2011 Recommended Budget for Org. Unit No. 1040 –County Board - Community Development Business Partners by providing \$125,000 for services related to the Men of Color Task Force by adding the following narrative language to Org. 1040:

The 2011 Budget allocates \$125,000 to retain outside consultant assistance and related services to continue to serve the Men of Color Task Force. The Task Force of five members was jointly appointed by the County Executive and County Board Chairman in 2008 to make recommendations in order to provide more focus and equitable employment funding in work reform for men, particularly fathers and other men of color.

This amendment would increase tax levy by \$125,000.

ACTION BY: (Thomas) Approve Budget Amendment 1A021 as noted above. 5-2

AYES: Thomas, Mayo, Johnson, West and Coggs (Chair) -5

NOES: Schmitt and Jursik -2

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: Amendment 2

BUDGET:

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 Amendment 2

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive:

The personnel changes to the 2011 Budget as of September 30, 2010, are \$1,183. This amendment will change after the November County Board cycle to reflect personnel changes that happened in October.

ACTION BY: (Jursik) Approve Budget Amendment 2 that reflects personnel changes through September 30. 7-0

AYES: Thomas, Mayo, Schmitt, Johnson, West, Jursik and Coggs (Chair) -7

NOES: 0

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: 1994

BUDGET: 1994 State Exempt Computer Aid

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 1994

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive:

This amendment will reflect a reduction in tax levy due to the increase of State Exempt Computer Aid to \$88,084.

ACTION BY: (Mayo) Approve verbal Budget Amendment for Org 1994 that reflects an increase of \$88,084 in revenue for State Exempt Computer Aid. 7-0

AYES: Thomas, Mayo, Schmitt, Johnson, West, Jursik and Coggs (Chair) -7

NOES: 0

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: 1996 Resolution/Ordinance

BUDGET: County Sales and Use Tax

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 Reso - Ord Sales and Use Tax

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive: Kelly Rindfleisch, Deputy Chief of Staff

APPEARANCE(S):

Steve Cady, Fiscal and Budget Analyst

This is a resolution/ordinance to amend section 22.04 of the General County Ordinances relating to Sales and Use Tax. This reflects sales tax in excess of debt service which at this time is approximately \$11.1 million.

ACTION BY: (Johnson) Approve the resolution/ordinance related to GO Sales and Use Taxes. 7-0

AYES: Thomas, Mayo, Schmitt, Johnson, West, Jursik and Coggs (Chair) -7

NOES: 0

Carol Mueller

Chief Committee Clerk
Committee on Finance and Audit

ORG. UNIT: 1991

BUDGET: Property Taxes

FINANCE & AUDIT COMMITTEE HEARING DATE: October 28, 2010

Audio: BH 102810 1991

STAFF PRESENT:

County Board: Steve Cady, Fiscal and Budget Analyst
Department of Administration: Steve Kreklow, Fiscal and Budget Administrator
County Executive: Kelly Rindfleisch, Deputy Chief of Staff

APPEARANCE(S):

Steve Cady, Fiscal and Budget Analyst, County Board

The property tax after all amendments to date is \$268,894,605, which is an increase of \$5,639,865 or 2.1% over the 2010 Budget.

ACTION BY: (Johnson) Approve the 1991 Property Tax Budget for \$268,894,605. 6-1

AYES: Thomas, Mayo, Johnson, West, Jursik and Coggs (Chair) -6

NOES: Schmitt -1

ACTION BY: (Johnson) Approve the 2011 Budget as amended. 6-1

AYES: Thomas, Mayo, Johnson, West, Jursik and Coggs (Chair) -6

NOES: Schmitt -1

The Committee adjourned at 3:14 p.m.

Carol Mueller

Chief Committee Clerk

Committee on Finance and Audit