

## **Minutes of the Finance Committee**

**Wednesday, July 20, 2016**

Chair Heinrich called the meeting to order at 8:15 a.m.

**Present:** Supervisors Jim Heinrich, Tim Dondlinger, Tom Michalski, Richard Morris, Duane Paulson, Ted Wysocki, and Bill Zaborowski.

**Also Present:** Chief of Staff Mark Mader, Accounting Services Manager Larry Dahl, Heather Acker of Baker Tilly Virchow Krause, Principal Financial Projects Analyst Danielle Igielski, Administration Director Norm Cummings, Treasurer Pam Reeves, Principal Financial Projects Analyst Bob Ries, Sheriff Eric Severson, Inspector Jim Gumm, Deputy Inspector Torin Misko, Financial Analyst Josh Joost, Senior Correctional Facility Manager Meg Schnabl, and Corrections Supervisor Angie Wollenhaut. Recorded by Mary Pedersen, County Board Office.

### **Approve Minutes of July 6**

**MOTION:** Wysocki moved, second by Michalski to approve the minutes of July 6. Motion carried 7-0.

### **Next Meeting Date**

- August 3

### **Announcements**

Heinrich said because the County Board budget process has not yet begun, no actions will be taken today pertaining to the Sheriff's budget discussion.

### **Overview of the Comprehensive Annual Finance Report (CAFR)**

Dahl and Acker reviewed the Waukesha County CAFR which is prepared by Baker Tilly, an outside auditor. This included changes from prior years for the year ending 2015, the auditor's opinion, introductory and financial sections, General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Proprietary Funds, Fiduciary Funds, Long Term Debt and Capital Assets, and the statistical section.

Dahl advised this report serves the same purpose as a corporate financial report and reflects actual County budgetary results. It is utilized by investors and credit rating agencies for bond issue purposes and it may also be viewed by regulators, granting agencies, etc. It is prepared in conformity with generally accepted accounting principles that are set by the Governmental Accounting Standards Board. Dahl advised for 2014 and for the 28<sup>th</sup> year in a row, the County has won the Government Financial Officer's Association (GFOA) award for excellence in financial reporting. He expects this to continue for 2015 and subsequent years.

Also discussed was supporting information on pension systems and trusts from comparable counties and surrounding states. Acker covered the Baker Tilly report titled "Communication to Those Charged with Governance and Management as of and for the Year Ended December 31, 2015." She was pleased to announce there was nothing out of the ordinary and nothing to report that was concerning. There were some minor issues with reporting processes although Dahl said this is being resolved.

MOTION: Michalski moved, second by Dondlinger to accept the 2015 CAFR and “Communication to Those Charged with Governance and Management as of and for the Year Ended December 31, 2015.” Motion carried 7-0.

### **Discuss Policy on Projecting Investment Income**

Cummings and Ries were present to discuss this item which was placed on the agenda at Wysocki’s request. Ries distributed copies of “General Fund Interest Income” for 2007 through 2016. Cummings said interest rates have been extremely low the last nine years. The County can only invest in fixed and almost every dollar that goes through the Treasurer’s Office is invested. Unlike the State, the County does not have the ability to invest its checkbook. While the County knows what its investments will be year to year, to decrease an annual budget interest revenue one must either increase the levy or cut County expenditures to offset the interest revenue budget reduction. In order to help this year’s budget, the County was able to sell some securities at a profit. A portion of the levy increase next year, and subsequent years, will be used to reduce the Treasurer’s investment income budget further. However, the more we put towards the Treasurer’s Office the less we can allocate to other budgets. A number of departments have negative levy targets for next year. Cummings said we need to hope the economy improves and the monetary policy does not keep interest rates so incredibly low. Ries said we are looking at \$2-\$2.1 million this year. The increase from the fed will help but this does not assume any future increases. While there is word of a possible increase in September, that is not factored in. Cummings advised we are about 3-4% below where we have normally been at over the last 20 years.

Wysocki said he is uncomfortable estimating revenue that we know will not be there. The variance from the 2015 budget was \$2.2 million. He would like to see a policy for a more realistic projection of investment income which will make it easier for departments to plan their budgets. Continuing on this track of having so much deficit is detrimental and he suggested using actual figures from previous years to make future projections. Cummings explained budget pressures including increased TIF districts, a comparative decrease in new housing, etc. Cummings agreed to develop a methodology on when and how they can get to the level suggested by Wysocki. This will include projections by JP Morgan Chase, Wells Fargo, etc.

### **Ordinance 171-O-026: Amend The Sheriff’s Department 2016 Budget For The Expenditure Of Office Of National Drug Control Policy Cooperative Agreement Funds**

Severson discussed this ordinance which allows the Sheriff’s Department to accept Office of National Drug Control Policy cooperative agreement award funds totaling \$55,179. The 2016 adopted budget included \$9,660 of High Intensity Drug Trafficking Area (HIDTA) grant funds. This ordinance further authorizes the department to appropriate \$45,519 of non-appropriated cooperative funds in the 2016 budget to be spent on staff overtime and equipment. The funds will be used to purchase the following: overtime and corresponding benefits (\$5,067); surveillance equipment (\$25,661); Cellbrite software maintenance agreement (\$4,791); and drug buy money (\$10,000). These purchases support investigation and enforcement activities in the Milwaukee HIDTA which includes Waukesha County. This ordinance results in no new tax levy for 2016 and subsequent years.

MOTION: Paulson moved, second by Morris to approve Ordinance 171-O-026. Motion carried 7-0.

### **Budget Discussion – Sheriff’s Department**

Severson educated the committee on 2015 and 2016 budget challenges in the Sheriff’s Department. Severson said he wants to work through the formal budget process and has done everything he can to identify cost savings to run their operation as efficiently as possible. Changes will be proposed to the

civil service process which will also provide efficiencies and costs savings in the future. Severson advised, however, that the 2017 budget target is the worst in history in terms of dollars and percentages and he had to close a budget gap totaling just under \$520,000. Coming up with this money is a challenge whereby he advised of reductions that were made but did not cover a majority of that gap. Ultimately, to cover these types of gaps he will again have to decrease staff which could include deputies, correctional officers, clerical staff, detectives, no Sheriff personnel at the screening station, etc. Severson referred to the next set of cuts as “painful.” He noted that reducing staff increases overtime costs and this does not make good budgeting sense. He discussed current work backlogs due to previous cuts and ongoing revenue challenges. He said this type of budgeting is sanctioned by the Department of Administration knowing they will have to keep positions open, increase vacancy and turnover, and cut services to the public. When the department receives less than cost-to-continue year after year, it becomes unsustainable. This is not a plan to fund public safety but a plan to defund law enforcement.

These issues were discussed in length and Heinrich encouraged committee members who shared the Sheriff’s concerns to contact County Executive Paul Farrow. Changes can also be made by the County Board during the budget process although Farrow could veto them. Severson stressed the importance of working together – with the County Board, County Executive, and municipalities. Mader discussed limits on increasing the budget in accordance with state law.

MOTION: Paulson moved, second by Dondlinger to adjourn at 10:53 a.m. Motion carried 7-0.

Respectfully submitted,

William J. Zaborowski  
Secretary