



Legislation Text

File #: 28374, **Version:** 2

Fiscal Note

This resolution provides funding authorization for a variety of expenditures not anticipated in the 2012 Operating Budget. The appropriation of \$5,099,500, from the General Fund balance brings the 2012 General Fund budget closer to the expenditure limit allowable under the State of Wisconsin's Expenditure Restraint Program and helps preserve expenditure authority in future years. There is no impact on the tax levy. It is anticipated that, following this transfer, the unassigned General Fund balance will remain at approximately 16 percent of budgeted expenditures, above the established target of 15 percent.

The resolution also allocates funding from premium stabilization fund reserves budgeted in the 2012 budget under Supplemental Compensation to agencies to meet salary continuation and Police and Fire disability insurance billings. This change has no net impact on the General Fund balance.

Title

SUBSTITUTE-Appropriating \$5,099,500 from the General Fund balance to agency budgets and the Insurance and Workers Compensation Funds to cover various unbudgeted expenditures in 2012 and to allocate the budget for salary continuation and Police and Fire disability insurance from Supplemental Compensation to agencies.

Body

As the end of the year approaches, a review of agency operating budgets indicates a number of areas where conditions and events during 2012 are expected to result in the overrun of specific expenditure categories. In addition, the funding from premium stabilization fund reserves needs to be allocated to agencies for salary continuation and Police and Fire disability insurance payments.

The most significant expenditure authority need is in the area of Police Department employee compensation. Conversion of vacation leave to pay as authorized in the Police collective bargaining agreement and overtime, combine to add \$915,000, to estimated Police Department expenditures above budgeted amounts. Savings in other categories are expected to leave a net budget shortfall of approximately \$830,000.

The Clerk's Office requires \$585,500 of expenditure authority to meet overtime, election worker, and related supplies, postage and delivery service costs associated with 2012 gubernatorial recall and presidential elections workload. Under-spending in other expenditure categories is expected to leave a net shortfall of approximately \$450,000

The Fire Department requires additional authority of \$175,500. This includes funding for a recruit class that will ultimately be reimbursed from federal SAFER grant proceeds. This increase also includes \$29,000, to fund data infrastructure and moving costs associated with the Fire Administration relocation project. Capital assets funding is also increased to address replacement of kitchen equipment in one of the fire stations. Revenues to the Fire Department are expected to offset the entire increase in expenditure authority included in this resolution.

Other significant funding issues include Metro (fringe benefits budget allocations and fuel cost savings), Parks (fringe benefit, supplies, and a vehicle purchase), Information Technology (software maintenance contracts), and Assessor (field staff travel and software costs). With the exception of the Assessor's Office, all of the cost

overruns in these agencies will be offset by savings in other categories.

The Workers Compensation and Insurance Funds are also in need of an additional appropriation. The City of Madison has long been self-insured for liability and workers compensation costs and has maintained distinct internal service funds to account for costs associated with claims arising from liability claims and work related injuries. Payment of liability claims, medical costs, disability settlements, administrative expenses and premiums for catastrophic insurance coverage are all charged to these funds. The full cost of these programs is then allocated through an internal "premium" charge to the annual operating budgets of City agencies. Because the premiums charged to departments in previous years were insufficient to fully fund required reserves, a significant deficit balance had accumulated in both funds.

As of the end of 2006, the net asset deficit in the Workers Compensation Fund stood at \$5,171,635. Despite a \$1.5 million appropriation to the Workers Compensation Fund at the end of 2011, the deficit in the fund was \$1.3 million at the end of 2011 due to reserve adjustments made in response to actuarial analyses of future costs. The projected deficit at the end of 2013 is \$1.64 million, prior to any actuarial adjustments that may occur during 2012 or 2013. In response, this resolution includes a \$1.7 million appropriation to the Workers Compensation Fund.

From 2000 to 2011, the Insurance Fund has only had two years, 2002 and 2007 where revenues have exceeded expenses. The positive year in 2007 was due to a large reserve adjustment associated with claim handling practices that were corrected by the City's liability carrier. During this 12 year period, billings from the Insurance Fund were never increased to make up for this deficiency. In fact, billings to departments were reduced in 2009 from \$1,000,000 to \$750,000. Billings remained at \$750,000 from 2009 to 2012, for a total reduction in revenues to the fund of \$1 million over the four year period. In the 2013 adopted budget, billings to departments were increased by \$100,000 to begin to address this structural imbalance. The financial status of the fund has also been affected by dividend payments from the City's insurance carrier that have fallen by nearly 50% since 2002 due to lower investment returns. The Insurance Fund has also incurred some of its largest claim payments in recent years.

Most of the asset value in the Insurance Fund is associated with the City's initial investment in the Wisconsin Municipal Mutual Insurance Corporation (WMMIC) as a charter member when it was formed in the late 1980's. Since this asset value is not a cash balance, the Insurance Fund has in recent years been in a negative cash position that reached nearly \$750,000 at the end of 2011. In response to the cash and structural funding imbalances, as well as larger liability claim payments, this resolution includes a \$1.0 million appropriation to the Insurance Fund.

The 2012 budget also includes approximately \$2 million of funding from premium stabilization fund reserves to pay salary continuation and Police and Fire disability insurance. These funds need to be distributed to agencies to match expenditure authority with billings. This resolution includes those allocations which result in no net change to the General Fund balance.

This resolution is a compilation of General Fund balance appropriations requested to satisfy the identified expenditure overruns within the various General Fund-supported agencies, provide sufficient expenditure authority in agencies to meet salary continuation and Police and Fire disability insurance costs, and to address the projected deficiencies in the Workers Compensation and Insurance Funds without exceeding the expenditure limits imposed under the State Expenditure Restraint Program.

Finally, the resolution authorizes the Finance Director to determine which fund balances should be designated as "assigned", as recommended in Government Accounting Standards Board (GASB) statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

WHEREAS, a review of actual expenditures to date has identified departmental expenditure categories in

General Fund-supported agencies totaling \$2,399,500, which are expected to exceed budget authorization by the end of the year, and

WHEREAS, a review of the reserve balances in the Workers Compensation and Insurance Funds indicates these funds require supplements of \$2.7 million, and

WHEREAS, the City could appropriate the additional \$5,099,500, from the General Fund Balance to these purposes and remain eligible for future payments under the State's Expenditure Restraint Program, and

WHEREAS, \$1,972,902, from the premium stabilization fund reserves needs to be allocated to agency budgets to pay salary continuation and Police and Fire disability insurance, and

WHEREAS, the Finance Director is authorized to determine which fund balances should be designated as "assigned", consistent with Government Accounting Standards Board (GASB) recommendations.

NOW THEREFORE LET IT BE RESOLVED, that the Common Council amends the 2012 Operating Budget to authorize the following adjustments to expenditure categories within departments:

See Attachments Titled:

2012 Year End Appropriations.pdf

Salary Continuation and Police and Fire Disability Insurance Year End Allocation.pdf.

BE IT FINALLY RESOLVED, that \$5,099,500, be appropriated from the General Fund balance to various departmental operating budgets to fund expenditures during 2012 and to the Workers Compensation and Insurance Funds to alleviate those funds' accumulated deficit:

General Fund Departments: \$2,399,500

Workers Compensation Fund: \$1,700,000

Insurance Fund: \$1,000,000

Total Appropriation from General Fund Balance: \$5,099,500