



Finance Department

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To: Mayor Soglin and Board of Estimates Members

From: David Schmiedicke, Finance Director
Laura Larsen, Budget Manager

Subject: 2016 Third Quarter Projection

The Finance Department is continuously monitoring revenue and expenditure trends throughout the year. This report reflects projections based on actual revenues and expenditures through the 3rd Quarter of 2016. The appropriation adjustments recommended in the Year End Appropriation Resolution to be considered at the Board of Estimates on November 28th and at Council on December 6th are based on this analysis. Through the 3rd Quarter, the City's net position is anticipated to remain the same at the close of 2016.

2016 General Fund Revenue

Based on trends through the third quarter, General Fund revenue will end 2016 approximately \$400,000 ahead of budget. This surplus is related to higher fine and forfeiture revenue, higher than anticipated ambulance fee revenues and slower growth in room tax proceeds and building permit revenue than projected in the budget. Ambulance conveyance fees are approximately \$100,000 ahead of budget estimates. Revenues from parking violations are estimated to be approximately \$100,000 short of estimates (out of a total estimate of \$5.4 million), which is a result of the continuing effects of multi-space meters on the number of parking tickets issued. Uniform citation revenues are up approximately \$900,000 compared to budget. This is a one-time effect from a large settlement of outstanding building code violations. This one-time revenue is offsetting the shortfalls in room taxes and building permit revenues.

Room Tax: Projected Deficit \$500,000

Although Room Tax revenues continue to grow, the level of growth is not on pace with the 2016 projected amount. Collections through the third quarter were up 5.7% compared with the first three quarters of 2015; however, the 2016 budget assumed an increase of 11%. Third quarter collections typically represent 75% to 78% of total collections for the year. Fourth quarter collections will be available in late February 2017.

Building Permits: Projected Deficit \$350,000

The number of building permits issued is consistent with prior years. Through the third quarter, revenues were up 7.2% compared with 2015 actual revenues. The budget included a \$500,000 reduction from 2015 budgeted amounts; current estimates are a reduction of \$850,000.

Description	2016 Adopted Budget	2016 Projected	Variance
Property Taxes and Room Tax	215,855,210	215,548,710	-306,500
PILOTs	9,730,834	9,535,732	-195,102
Intergovernmental Revenues	34,895,402	35,107,798	212,396
Fines / Forfeitures	6,971,287	8,020,000	1,048,713
Charges for Service	8,614,000	8,670,000	56,000
Miscellaneous	5,119,200	5,261,670	142,470
Licenses and Permits	6,836,500	6,533,000	-303,500
Interest	<u>1,485,000</u>	<u>1,200,000</u>	<u>-285,000</u>
	289,507,433	289,876,910	369,477

A one-time TIF equity payment related to the University Square project in TID 32 of \$220,000 was not budgeted in 2016 (it was actually budgeted in 2015), but was received in 2016 and is adding to the surplus in projected compared with budgeted revenues. Intergovernmental revenues are up due to higher than anticipated recycling aid and fire dues payments.

Third Quarter Expenditure Overview

Through the 3rd Quarter, expenditures are projected to be less than budget by \$839,895 for all General Fund agencies; slightly below the 2nd Quarter projected surplus. The reduced surplus is the result of increased non-personnel spending and refined agency revenue projections. The deficit drivers continue to be agency-specific revenue and non-annualized salary expenditures; these deficits are offset by savings in fringe and non-personnel items specifically resulting from savings attributed to a mild winter.

2016 3rd Quarter by Major

Major	Revised Budget	Actual	Projection	Difference
4-REVENUE	(13,333,918)	(5,655,658)	(12,723,663)	(610,255)
51 - SALARIES	126,871,244	87,074,284	128,872,063	(2,000,819)
52 - BENEFITS	47,640,675	34,997,617	45,523,461	2,117,214
53 - SUPPLIES	6,795,782	4,824,585	6,693,024	102,758
54 - PURCHASED SERVICES	28,253,229	16,830,657	27,152,727	1,100,502
56 - DEBT OTHR FINANCING	1,210,039	9,720	1,073,759	136,280
57 - INTER DEPART CHARGES	18,742,620	8,544,811	18,686,602	56,017
58 - INTER DEPART BILLING	(3,890,873)	(1,711,530)	(3,829,070)	(61,803)
59 - TRANSFER OUT	<u>45,052,589</u>	<u>4,083,790</u>	<u>45,052,589</u>	<u>-</u>
Grand Total	257,341,387	148,998,276	256,501,491	839,895

Note: The table above does not include the General Fund transfers for Metro, Library, Municipal Court, and Public Health.

Through the 3rd Quarter 58% of the total budget has been expended. The projection includes assumptions for a number of significant year end expenditures including leave payouts and fleet depreciation.

The table below provides an overview of 3rd Quarter expenditures by agency. Projected deficits are related to the charging of staff time and increased costs associated with elections. The projected amounts include assumptions for allocating funds for leave payouts, currently budgeted in the Undefined expenditure line, across agencies to offset projected deficits associated with payouts. These shortfalls will be addressed in the Year-End Appropriation Resolution to be considered at the Board of Estimates on November 28th and at Council on December 6th.

2016 3rd Quarter by Agency

Major	Revised Budget	Actual	Projection	Difference
00 - UNDEFINED	48,204,310	5,420,489	48,017,147	187,163
10 - ASSESSOR	2,489,175	1,629,018	2,299,614	189,561
11 - ATTORNEY	2,766,556	1,897,122	2,727,073	39,482
12 - CIVIL RIGHTS	1,450,402	1,013,115	1,442,079	8,323
13 - CLERK	1,895,757	1,430,674	2,239,506	(343,749)
14 - COMMON COUNCIL	554,998	362,566	501,684	53,314
15 - FINANCE	3,591,469	2,463,510	3,479,075	112,394
16 - HUMAN RESOURCES	1,566,530	1,367,647	1,710,279	(143,749)
17 - INFORMATION TECHNOLOGY	6,201,765	4,745,869	6,014,681	187,084
19 - MAYOR	1,379,262	934,368	1,321,858	57,404
21 - TREASURER	515,204	428,648	553,386	(38,182)
22 - EMPLOYEE ASSISTANCE PROGRAM	377,861	226,133	362,939	14,922
30 - FIRE	49,082,227	33,367,081	49,112,247	(30,020)
31 - POLICE	69,138,729	47,646,698	69,294,490	(155,761)
40 - ENGINEERING	3,662,468	2,811,011	3,925,815	(263,347)
44 - STREETS	25,008,761	14,313,419	24,205,303	803,458
45 - TRAFFIC ENGINEERING	5,654,418	4,290,154	5,883,227	(228,809)
51 - PARKS	13,532,827	11,667,179	13,793,497	(260,670)
60 - BUILDING INSPECTION	4,441,412	3,072,298	4,317,876	123,535
62 - COMMUNITY DEVELOPMENT	10,781,281	6,563,500	10,774,747	6,534
63 - ECONOMIC DEVELOPMENT	1,413,477	767,754	1,055,866	357,611
64 - PCED OFFICE OF DIRECTOR	684,436	427,906	588,728	95,708
65 - PLANNING	2,948,065	2,152,117	2,880,374	67,691
Grand Total	257,341,387	148,998,276	256,501,491	839,895

The subsequent sections outline the projection assumptions by major expenditure type.

Agency-Specific Revenue

The 3rd Quarter projection anticipates a \$610,255 deficit in agency-specific revenue. The projection is based on current year trends and prior year actuals. The projected deficit is related to technical adjustments resulting from budgeted revenue amounts inconsistent with prior year amounts. Portions of the structural deficit resulting from the budgeted amounts have been addressed in the 2017 base budget.

Agency-Specific Projection

(\$ in Millions)

Total Budget	13.33
YTD Actual	5.66
Year end Projection	12.72
Difference	(0.61)

At the 2nd Quarter these items were anticipating a \$1.03 million deficit. The improved forecast is related to billings for revenue the City is anticipating to receive in the 4th Quarter prior to year end.

Salaries & Fringe Benefits

The 3rd Quarter projection anticipates a \$116,396 surplus in salaries and fringe benefits. Surpluses resulting from vacant positions (in permanent wages and health insurance costs) are offset by allocating staff time to various funding sources and election costs. The projection assumes employee leave payouts made at the close of the year will be consistent with 2015 amounts.

Salary & Fringe Projection

(\$ in Millions)

Total Budget	174.51
YTD Actual	122.07
Year end Projection	174.40
Difference	\$0.116

Election Overtime: Projected Deficit \$286,000

Costs associated with the 2016 election cycle have exceeded what was assumed in the 2016 operating budget. Utilizing the library locations coupled with higher than anticipated early vote activity resulted in increased overtime. The projected amount includes overtime from multiple City agencies that assisted in data entry efforts surrounding the election.

Charging of Salaries: Projected Deficit \$1 million

Prior to 2015, salary amounts charged to other funding sources (capital projects, grants, etc.) were handled as end of the year transfers. Under the payroll allocation methodology utilized in MUNIS, payroll amounts are charged to other funding sources throughout the year based on actual tasks performed. As has been the case throughout the year, projections indicate the General Fund continues to absorb a larger portion of these costs compared to prior year amounts.

Police & Fire Overtime

Police & Fire Overtime		
<i>(\$ in Millions)</i>		
	Police	Fire
Total Budget	2.80	0.86
YTD Actual	1.83	0.47
Year end Projection	2.80	1.05
Difference	0.00	(0.179)

Fire: Projection- \$179,900 Deficit

Through the 3rd Quarter the Fire Department has spent 54% of the annual overtime budget. The projection anticipates ending the year over budget. In September, a Paramedic training class began that takes 9 positions out of the daily rotation. The Firefighter training class began in October taking an additional 6-8 people out of the daily rotation. The Department has experienced an increase in sick leave and injuries on duty that are driving overtime costs up higher than anticipated in the 2nd Quarter projection. In addition, since the 2nd Quarter projection 3 Firefighter/Paramedics have requested to be taken off the Medic unit and moved to firefighter positions, creating a shortage of medics and increase in Paramedic minimum staff overtime. An opportunity for training for the HURT team also arose this fall; contractually (per an MOU signed in February 2016) special teams are allowed up to 342 hours of overtime per team each year for training which was not included in the original 2016 budget.

Police: Projection-At Budget

Through the 3rd Quarter the Police Department has spent 65% of the total overtime budget. The projected excess costs are related to Special Duty and major events, most of which will be offset by additional revenue. Major events requiring Police overtime have been increasing over previous years which have lead to an uptick in overtime spending. Overtime spending is anticipated to grow throughout the second half of 2016 due to football season and holiday pay due to the timing of December holidays. At the same time, "regular" overtime, such as covering vacations and sick leave and support staff overtime, has been trending slightly lower than previous years.

Supplies & Purchased Services

The surpluses in non-personnel expenditures are driven by savings in the snow budget and lower than anticipated utility and energy costs. Projected surpluses are partially offset by a projected deficit in medical supplies.

Snow Budget: Projected Surplus \$800,000

The projection assumes 4 additional snow events in the 4th Quarter of 2016. In the 1st Quarter the City experienced 2 general plow snow events, the budget is based on 7 annual snow events. The anticipated cost for additional snow events includes potential overtime and contractual costs; no additional supplies will be necessary due to the current inventory of on-hand snow materials.

Energy Costs: Projected Surplus \$490,000

Energy Cost Projection	
<i>(\$ in Millions)</i>	
Total Budget	3.87
YTD Actual	2.40
Year end Projection	3.39
Difference	0.49

The projected surplus is related to savings in water, natural gas, and electricity. These savings are primarily within the Public Works departments. The savings is partially attributed to water costs coming in lower than anticipated in the 2016 budget.

Medical Supplies: Project Deficit \$125,000

The projected deficit is related to the rising costs associated with drugs and medical supplies. These cost increases were not included as part of the 2016 budget. The 2017 budget, as amended by BOE, increased the 2017 budgeted amount for this expense.

Inter Departmental Billings & Charges

The Inter-departmental expenditures are projected to end the year at budget. Many of these expenditures are automatic charges generated by agencies.

The budget assumes all agencies with Fleet appropriations will be billed up to the budgeted amount. The Year End Appropriation Resolution includes a \$6,000,000 appropriation from the General Fund to the Fleet Service Internal Service Fund. This transfer is intended to correct an existing fund deficit (\$4 million) and provide sufficient authority for 2016 anticipated depreciation costs (\$2 million). With this transfer it is anticipated Fleet will be at structural balance moving forward.

Metro

Metro's net revenue and spending in 2016 is anticipated to end the year at budget. A projected \$1.3 million surplus in personnel spending is largely offset by spending for unanticipated bus repairs, planning costs of the Nakoosa Trail project, and underperformance of passenger revenue.

Over the past three years, Metro has generated significant surpluses from excess City subsidy due to positive revenue performance and actual personnel costs significantly less than budget estimates. Metro's total amount of accumulated City subsidy in excess of spending currently stands at \$7 million.