



## Finance Department

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**To:** City of Madison Board of Estimates

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

**Subject:** 2016 Second 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 2<sup>nd</sup> Quarter of 2016. The year-end appropriation process in November and December is used to address deficits in agency appropriations and balances in internal service and other funds, as well as to manage overall General Fund spending levels consistent with the limits under the state Expenditure Restraint Program. Positive balances in the General Fund at year-end helps the City to maintain an unassigned General Fund balance consistent with its policy goals.

### **2016 General Fund Revenue**

Based on second quarter trends, General Fund revenue will end 2016 approximately \$200,000 less than budget. This shortfall is related to slower growth in room tax proceeds and building permit revenue than projected in the budget. Taken together, other revenues are approximately \$750,000 ahead of budget, due primarily to uniform citation revenues (see below). Ambulance conveyance fees are approximately \$300,000 ahead of budget estimates. Revenues from parking violations are estimated to be approximately \$300,000 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 \$950,000 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 second quarter were up 7% compared with the first half of 2015; however, the 2016 budget assumed an increase of 11%. Second quarter collections typically represent 43% to 47% of total collections for the year. Third quarter collections will be available in late November.

#### *Building Permits: Projected Deficit \$450,000*

The number of building permits issued is consistent with prior years; first quarter growth was somewhat overstated due to timing of payments. It is expected that permit revenue will grow, but not at the level projected in the 2016 budget.

**First Quarter Expenditure Overview**

Through the 2<sup>nd</sup> Quarter, expenditures are projecting a \$1.66 million surplus for all General Fund agencies; this is consistent with 1<sup>st</sup> Quarter 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 2<sup>nd</sup> Quarter by Major**

Major	Revised Budget	YTD Actual	Year End Projection	Difference
Agency-Specific Revenue	(13,244,904)	(3,703,760)	(12,210,589)	(1,034,315)
Salaries	128,140,272	58,088,762	128,862,944	(722,672)
Fringe	48,290,675	26,463,363	45,212,661	1,109,986
Supplies	6,723,433	3,598,186	6,042,415	681,017
Purchased Services	28,285,564	10,528,509	27,148,364	1,137,200
Debt & Other Financing	1,210,039	9,720	810,039	400,000
InterD Charges	18,742,620	6,841,659	18,703,189	39,431
InterD Billings	(3,890,873)	(1,190,428)	(3,803,679)	(87,194)
Transfer Out	45,052,589	-	44,910,589	142,000
<b>Grand Total</b>	<b>\$ 259,309,414</b>	<b>\$ 100,636,011</b>	<b>\$ 255,675,933</b>	<b>\$ 1,665,453</b>

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

Through the 2<sup>nd</sup> quarter 39% 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 2<sup>nd</sup> 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 undefined, across agencies to offset projected deficits associated with payouts.

**2016 2<sup>nd</sup> Quarter by Agency**

Agency	Revised Budget	YTD Actual	Year End Projection	Difference
ASSESSOR	2,489,175	1,125,887	2,292,284	196,891
ATTORNEY	2,766,556	1,255,511	2,733,181	33,374
BUILDING INSPECTION	4,441,412	2,111,011	4,276,099	165,312
CIVIL RIGHTS	1,450,402	657,073	1,364,254	86,148
CLERK	1,895,757	978,517	2,227,811	(332,054)
COMMON COUNCIL	554,998	246,817	540,805	14,193
COMMUNITY DEVELOPMENT	10,781,281	3,981,115	10,995,190	(213,909)
ECONOMIC DEVELOPMENT	1,465,477	497,798	1,217,240	248,237
EMPLOYEE ASSISTANCE PROGRAM	377,861	159,158	389,371	(11,510)
ENGINEERING	3,662,468	2,016,400	3,555,535	106,933
FINANCE	3,591,469	1,712,140	3,462,202	129,267
FIRE	49,438,809	23,559,482	49,437,995	814
HUMAN RESOURCES	1,566,530	931,651	1,712,416	(145,886)
INFORMATION TECHNOLOGY	6,201,765	3,506,644	6,016,627	185,137
MAYOR	1,379,262	610,784	1,264,526	114,736
PARKS	13,532,827	7,703,312	13,608,913	(76,087)
PCED OFFICE OF DIRECTOR	684,436	302,195	632,707	51,729
PLANNING	2,896,065	1,515,217	2,829,500	66,565
POLICE	68,782,147	33,206,976	68,549,484	232,663
STREETS	25,008,761	10,242,805	23,799,814	1,208,947
TRAFFIC ENGINEERING	5,654,418	3,024,751	6,652,130	(997,712)
TREASURER	515,204	249,128	518,004	(2,801)
UNDEFINED	50,172,338	1,041,640	47,599,844	604,466
<b>Total</b>	<b>259,309,414</b>	<b>100,636,011</b>	<b>255,675,933</b>	<b>1,665,453</b>

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

**Agency-Specific Revenue**

The 2<sup>nd</sup> Quarter projection anticipates a \$1.04 million 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	13.24
YTD Actual	3.70
Year end Projection	12.10
<b>Difference</b>	<b>(1.04)</b>

The 1<sup>st</sup> Quarter projection assumed a deficit in Fire and Elevator permits; the 2<sup>nd</sup> Quarter projection assumes these revenues will end 2017 at or near budget (\$1.0m). The updated projection incorporates information regarding outstanding invoices and revenue anticipated in the 4<sup>th</sup> Quarter.

**Salaries**

The 2<sup>nd</sup> Quarter projection anticipates a \$722,000 deficit in salaries. The primary drivers behind the deficit are costs associated with the 2016 election cycle, and the charging of salaries between the General Fund and other sources. The deficits outlined below are partially offset by fully funded vacant positions. As of Sept 7<sup>th</sup> there were 104 funded vacant positions in the General Fund, down from 116 in June.

**Salary Projection**

*(\$ in Millions)*

Total Budget	128.14
YTD Actual	58.09
Year end Projection	128.87
<b>Difference</b>	<b>(0.72)</b>

*Election Overtime: Projected Deficit \$92,000*

Costs associated with the 2016 election cycle are on track to exceed the budgeted amounts. The annual overtime budget is \$25,000; year-to-date the agency has spent \$54,000. Overtime deficits are partially related to the high number of Election Day Voter Registrations in the April election. The overtime is coupled with a projected deficit for Election Officials relating to additional staffing needs required to maintained 15 minute wait times while accommodating requirement of Voter ID.

*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 was the case in the 1<sup>st</sup> Quarter, projections indicate the General Fund continues to absorb a larger portion of these costs compared to prior year amounts.

**Police & Fire Overtime**

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*(\$ in Millions)*

	<b>Police</b>	<b>Fire</b>
Total Budget	2.80	0.86
YTD Actual	1.19	0.27
Year end Projection	2.83	0.86
<b>Difference</b>	<b>(0.03)</b>	<b>0.00</b>

*Fire: At Budget*

Through the 2<sup>nd</sup> Quarter the Fire Department has spent 31% of the annual overtime budget. Through the first half of the year callback overtime has been less than prior years. The projection anticipates ending the year at budget due to training efforts slated to take place during the 2<sup>nd</sup> Quarter. Earlier in September, a Paramedic training class began that takes 9 positions out of the daily rotation. The Firefighter training class will begin in October taking an additional 6-8 people out of the daily rotation.

*Police: Projected Deficit \$30,000*

Through the 2<sup>nd</sup> Quarter the Police Department has spent 42% of the total overtime budget. The projected deficit is related to Special Duty which will be offset by additional revenue. 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.

The projection does not include potential costs that may result from political visits associated with the 2016 election. Overtime costs associated with candidate and surrogate visits may range between \$20,000 and \$200,000.

**Fringe Benefits**

The 2<sup>nd</sup> quarter projection anticipates a \$1.1 million surplus in fringe benefits. The primary driver behind the surplus is savings in health insurance associated with the previously discussed vacant positions.

**Fringe Projection**

*(\$ in Millions)*

Total Budget	48.29
YTD Actual	26.46
Year end Projection	45.21
<b>Difference</b>	<b>1.11</b>

**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 \$780,000*

The projection assumes 4 additional snow events in the fourth quarter. In the 1<sup>st</sup> 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 \$225,000*

**Energy Cost Projection**

*(\$ in Millions)*

Total Budget	3.87
YTD Actual	1.61
Year end Projection	3.65
<b>Difference</b>	<b>0.225</b>

The majority of savings (\$146,000) are being realized within the Fire Department. The 2016 budget anticipated the new water usage rates that went into place in 2016. The projection is consistent with 2015 actual expenditures, which resulted in a \$78,000 surplus in the Fire Department budget.

*Medical Supplies: Project Deficit \$135,000*

The projected deficit is related to the growing costs of associated with drugs and

medical supplies. These cost increases were not included as part of the 2016 budget build.

**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. Through the 2<sup>nd</sup> Quarter, Fleet is projecting a slight deficit being driven by overstated revenues (trade-in allowance and sale of assets) vehicle repairs, and diesel costs charges exceeding the budgeted amounts. These factors are coupled with 2016 depreciation costs that exceed the budgeted amount. The year-end appropriation may include an adjustment to increase fleet appropriations within agencies to ensure the current deficit within the Fleet fund does not continue to grow.