

2022 YEAR END APPROPRIATION

PRESENTATION TO THE FINANCE COMMITTEE

NOVEMBER 28, 2022



AGENDA

- General and Library Fund Year End Projection
- Review of the Year End Appropriation

2022 PROJECTION: GENERAL FUND ONLY

	2022 Adopted Budget			
	Adopted Budget	Revised Budget	Year End Projection	Difference (year end proj. – revised)
General Fund Revenue	-101,276,986	-101,276,986	-112,079,144	-10,802,158
Property Taxes	-239,977,138	-239,977,138	-239,788,928	188,210
<u>Total Revenues</u>	<u>-341,254,124</u>	<u>-341,254,124</u>	<u>-351,868,072</u>	<u>-10,613,948</u>
Agency Revenues	-9,633,304	-9,708,304	-9,105,152	603,152
Expenditures	350,887,428	351,388,799	344,173,376	-7,215,423
<u>Total Expenses</u>	<u>341,254,124</u>	<u>341,680,495</u>	<u>335,068,224</u>	<u>-6,612,271</u>
Projected Surplus of Revs/Exp excluding M2M			-16,799,848	
<u>Mark-to-Market</u>			<u>20,000,000</u>	3
Projected Deficit			3,200,152	

HIGHLIGHTS

Revenues

- Total General Fund revenues are projecting \$10.6 million above budget (excluding Library Fund property tax)
- Includes \$2.6 million HRSA payment from FEDS to be deposited in general fund to reimburse for EMS costs

Expenses

- Finance did not complete a comprehensive projection for all agencies
- Year end expenses reflect projections for Police and Fire (details on following slide)

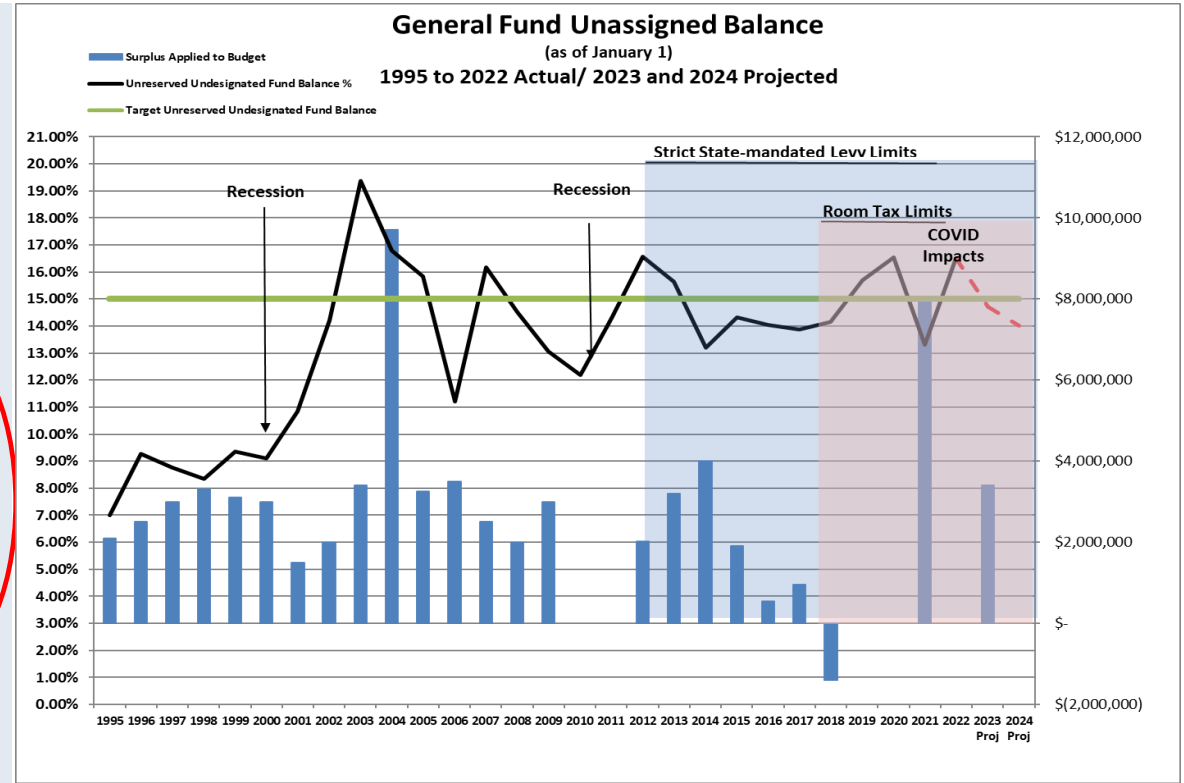
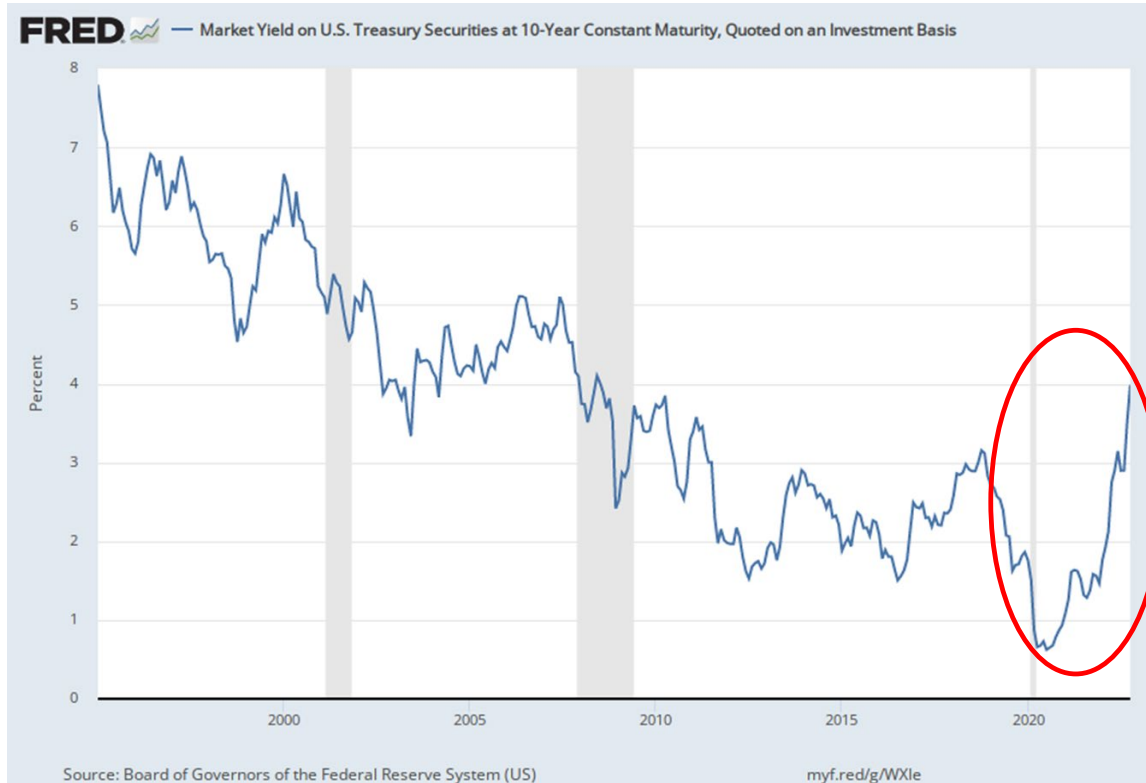
Mark to Market

- Governmental Accounting Standards require that the city calculate the market value of its investments on December 31, 2022, relative to the actual par value of the investments.
- This “mark-to-market” calculation impacts the city’s general fund balance (but not its cash position).
- With the rapid rise in interest rates over the past several months due to actions by the Federal Reserve to combat high inflation, the city’s longer-term investments have a lower value than they would otherwise have if that investment were made today. The value of these investments will return to par as the maturity date approaches.
- Based on these factors, the “mark-to market” calculation is estimated at a \$20 million reduction to fund balance as of December 31, 2022.

Police & Fire Expenses

Agency	Adopted Budget	Revised Budget	Year End Projection	Difference	Comments
Fire	63,742,785	63,807,798	66,457,010	2,649,212	Fire is projected to be over budget \$2.6m. • Permanent salaries are anticipated to be under budget \$2.6m. • Overtime is anticipated to be over budget \$3.8m primarily due to minimum staffing • The current level of absences has been averaging 9.25 per day versus 8 at the end of 2021. • Retiree sick leave payouts are contributing to the deficit and is anticipated to be \$900,000
Police	83,995,148	84,040,594	83,023,603	(1,016,991)	Police is projected to be under budget approximately \$1.0m. • The primary factor contributing to the surplus is salary savings of \$1.7m. • There have been 35 commissioned retirements and resignations year-to-date. • At the time the projection was completed overtime was projected to be over budget \$60,000

RECENT SIGNIFICANT GROWTH IN YIELDS IMPACTS MARK-TO-MARKET AND GENERAL FUND BALANCE





YEAR END RESOLUTION



PRIMARY COMPONENTS OF YEAR END RESOLUTION

- **Fund Balance:** Use \$1.4 million of fund balance for Fire Dept. deficit and maximize future payments under Expenditure Restraint Program
- **Intra- and inter- agency transfers:** Net neutral transfers within and across agency budgets to address projected deficits
- **Inter-departmental charges & billings:** Technical corrections to insurance and workers compensation charges, adjustments to Fleet Service charges
- **Other Funds:** Transfers within Public Health Fund; transfers across CDA and Debt Service Fund
- **Capital Budget:** Increase funding for temporary men's shelter; swap GO proceeds for arbitrage compliance

FUND BALANCE & FIRE DEPARTMENT DEFICIT

General Fund Balance

- City can appropriate an additional \$1.4 million in general fund balance in 2022 and remain eligible for future payments under State Expenditure Restraint Program (ERP)
- Maximizing spending within the ERP limit helps to increase the base upon which the 2024 budget limit is calculated.
- Helps accommodate within ERP limit the \$12 million increase in the General Fund subsidy to Metro Transit in 2024 budget to restore and begin to repay the \$7 million reduction made in the 2023 budget.

Fire Department Deficit

- Fire Department projecting \$2.6 million deficit
- Utilizing multiple sources to address deficit
 - \$1.4 million in general fund balance
 - \$1.1 million from direct appropriations for comp absence escrow
 - \$138,900 from adjustments to insurance/ workers comp charges
 - \$445,000 from adjustments to general fund appropriation to Fleet made in mid-year resolution

INTRA- AND INTER- AGENCY TRANSFERS

Intra-Agency Transfers

- **\$3.7** million in transfers within agency budgets to cover projected deficits in major expenditure categories
- CDD adjustments includes accepting \$32,000 in revenue from MMSD and increasing purchased services

Inter-Agency Transfers

- **\$1.4 million in transfers from direct appropriations to six (6) agencies** to cover compensated absence escrow and other projected deficits from salary and benefit costs
- Adopted budget includes \$3.25m for GF sick leave escrow payments; \$3.32m in actuals through Q3; resolution transfers funds where escrow payments are contributing to a deficit in the agency budget

INTER-DEPARTMENTAL (ID) BILLINGS & CHARGES

Insurance & Workers Compensation

- 2022 Adopted Budget used 2021 allocations for insurance and workers comp ID charges
- The total, city-wide allocation for Insurance and Workers Comp is correct, but the agency ID charges were not updated; Resolution updates ID charges to agency budgets
- Adjustment results in a \$138,900 savings to the general fund, which will be used to cover benefits overages in the Fire Department

Fleet ID Charges

- Mid-year resolution (File 72607) transferred \$1.4 million from General Fund Balance to Fleet for cost overages associated with inflation and supply chain issues, but did not make corresponding adjustments to ID billings and charges to offset the transfer
- Year end projection shows \$955,000 of \$1.4 million in additional Fleet Service costs is associated with general fund agencies, remaining is associated with enterprise agencies
- Resolution corrects ID Billings and Charges for GF agencies, authorizes non-GF agencies to offset increased charges within their budget, and reappropriates \$445,000 in GF fund balance to Fire

OTHER FUNDS

Public Health Fund:

- Transfer funds from supplies and purchased services to personnel to reflect PHMDC's staffing strategy for pandemic response; funding is associated with two COVID grants

CDA & Debt Service Funds:

- Transfer \$30,008 from the Debt Service Fund to the CDA Fund
 - 2020 budget authorized \$150,000 in CDA supported GO Borrowing for Public Housing Redevelopment; funding was issued as an advance from the Debt Service Fund to CDA
 - Subsequently, increased HUD funding eliminated need for borrowing
 - Transfer reimburses CDA for principal payments incurred

CAPITAL BUDGET

Temporary Men's Shelter

- Temporary shelter project established in the 2021 budget; Council authorized renovation of Zeier Road site and additional funding for project in 2022
- Resolution adds \$100,000 in GO borrowing to complete the project and address cost overruns

Arbitrage

- 31 capital projects identified as not spending down full amount of borrowing proceeds within time frame required for arbitrage compliance under federal tax law
- Resolution 'swaps' proceeds from GO borrowing across projects to comply with arbitrage
- No increase in overall borrowing or budget authority by project