



Office of the Comptroller

Dean Brasser, City Comptroller

Room 406
210 Martin Luther King, Jr. Boulevard
Madison, Wisconsin 53703-3345
PH 608 266 4671
FAX 608 267 8705
TTY/Textnet 866 704 2340
comptroller@cityofmadison.com

December 1, 2008

To: All Alders

From: Dean Brasser, City Comptroller

Subject: Additional Information Regarding 2008 Year-End Budget Amendment Resolution

I am writing as a follow-up to the discussion at last Monday night's Board of Estimates meeting regarding the 2008 year-end budget adjustment resolution, Legistar #12715. This resolution was recommended for adoption by the Board and will be on the December 2nd Council agenda. During the discussion, Board of Estimates members asked that additional explanatory information be provided to all Council members regarding the budget adjustments being made in the resolution. In this memorandum, I will address the various adjustments related to Fringe Benefits, Fleet Services, the Comptroller's Office and Miscellaneous Appropriations. Additional communications from other departments will be provided to discuss other budget variance categories in each respective agency.

Impact of the Resolution

In summary, the proposed budget amendments contained in the resolution impact 179 accounts in 17 different departments and Miscellaneous Appropriations. This is not a comprehensive list of all expected variances from the adopted budget. Rather, it is a compilation of all anticipated over-runs of major objects of expenditure in general fund agencies, offset by a number of known savings or program and grant receipts budgeted within general fund departments designed to result in a net increase in budgeted general fund expenditures of \$342,000. This is the amount of "expenditure room" available under the limits established by the State Expenditure Restraint program. It is important to understand that a budget adjustment that increases total general fund expenditures by a lesser amount will not preserve the maximum "expenditure room" available to the City under those program limits in future years. Even more importantly, adoption of a budget adjustment that increases 2008 general fund expenditures by more than \$342,000 would render the City ineligible for the anticipated \$5,800,000 Expenditure Restraint Program payment expected in 2009. Under no circumstances should you act to increase budgeted 2008 expenditures by more than that \$342,000.

Staff Salaries and Wages

Most of the adjustments identified in the proposed resolution are related to employee salary and wage costs. When viewed together, the adjustments would authorize an increase in overtime pay of \$1,302,600 and an increase in hourly wages of \$15,200, offset by a decrease in permanent salaries of \$1,325,600, for a net decrease in budgeted employee compensation of \$7,800. Given the fact that the City budgeted a total of over \$130,000,000 in general fund employee compensation for 2008, the net of

all wage and salary adjustments in this resolution represents a variance of approximately six one-thousandths of one percent. Individual agencies will be providing separate communications to explain the causes of salary and wage variances in their respective departments.

Fringe Benefits

The City uses a system of fringe benefit rate formulae to allocate the budgeted cost of employee benefits to the various agencies of City government. The fringe benefit rates are based on the cost of all major employee benefit provisions as a ratio to employee wages. Separate rates are developed for each major category of pay (Permanent Salaries, Hourly Salaries and Overtime) and for each major employee group with significant differences in benefit cost rates (commissioned Police, commissioned Fire, Transit, and all other employees). These rates, which represent the average cost per salary dollar, are then applied to the budgeted wage and salary costs of each department in an attempt to predict the cost of each department's operation as accurately as possible.

During the operating year, however, the City's payroll system records the actual cost of fringe benefits in the accounts of each agency. This methodology produces the most accurate allocation of cost, but will usually result in differences between budgeted and actual fringe benefit costs within individual agencies, due to variation in the mix of health plan options chosen and the average salary of employees in each agency. These differences are inherent in the system of allocating fringe benefit budgets on an average rate basis and are beyond control of individual agency managers.

The proposed 2008 budget amendment balances the fringe benefit budgets in 12 agencies and results in a net increase of \$285,000.

Comptroller's Office

Several expenditure accounts in the Comptroller's Office are projected to be over budget by the end of the year. Permanent Salaries is projected to be over budget by \$24,100, or about 1.1% of the \$2,162,000 annual budget. Staff vacancies were fill on a timely basis to maintain routine accounting functions, and no retirements occurred during the year, a common source of realizing salary savings.

While no overtime was budgeted in the Comptroller's Office in 2008, Overtime Wages is projected to be \$13,600 at year-end. I authorized overtime in several different circumstances during the year to fill in during extended paid staff vacancies in the Ambulance Billing section, to prevent a delay in completion of the annual financial audit, and for various special projects.

Unanticipated changes in the scope of required financial audit work resulted in a budget over-run of \$18,300 in Audit Fees and \$10,000 in Actuarial Fees during 2008. The Common Council approved a related amendment to the contract with the external audit firm earlier in the year, with the budgetary change reserved until this year-end adjustment resolution. Additionally, the approved budget for 2008 was not sufficient to cover unanticipated costs incurred for postal rate increases (\$2,100), increased copier lease costs (2,300) and replacement of minor office equipment and chairs (\$4,000).

These expenditure over-runs were offset by lower than budgeted costs for Collection Expense related to the City's billing for ambulance services (\$49,700) a \$2,600 recovery of staff costs from FEMA as a result of this year's disaster recovery work, and available savings in departmental Fringe Benefits.

The 2009 Comptroller's Office budget was adjusted to include increased audit costs and to reflect a lower level of collection expenses as demonstrated by this year's level of activity.

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Miscellaneous Appropriations

Additional savings are projected in the Miscellaneous Appropriations section of the General Fund budget, as well. Historically, the City has budgeted \$50,000 per year to fund the cost of special assessments on City owned property and taxes due on property purchased by the City during the year. In 2008, the Special Assessment Revolving Fund paid the special assessments on City owned property, and taxes on purchased property amounted to only about \$5,000, for a total savings of \$45,000.

Another category of savings in Miscellaneous Appropriations was the \$63,000 budgeted to fund sick leave for hourly employees. Since no labor contracts were renegotiated during the year, no new program was initiated, and the full appropriation for this purpose was unspent.

Please let me know if you have questions about the topics covered in this memorandum or about any other issues related to the 2008 budget and I would be happy to answer them.

Sincerely,

A handwritten signature in black ink, appearing to be 'DB' followed by a long, horizontal flourish.

Dean Brasser, City Comptroller