

memo

To: Finance Committee

From: David Schmiedicke & Laura Larsen

Date: May 22, 2019

Subject: 2019 Operating Budget: 1st Quarter Projections

1st Quarter Outlook

Based on 1st Quarter analysis, the projected surplus in the General and Library funds is approximately \$600,000. Under the Expenditure Restraint Program, the City has the ability to appropriate an additional \$1.0m from fund balance to cover expenditures in 2019.

1st Quarter Projection: Revenue vs Expenditures				
	REVISED BUDGET	1st Q ACTUAL	YEAREND PROJECTION	DIFFERENCE
Property Tax Levy	332,066,444	<i>not available</i>	33,200,644	-
General Fund Revenue	90,236,721	<i>not available</i>	90,630,288	393,567
General & Library Fund Expenditures	332,066,343	104,150,385	331,866,250	200,093
Grand Total				\$ 593,660

General Fund Revenue Summary

Generally, overall revenues are on track through 1st Quarter actuals, with weaknesses in some areas offset by stronger investment income and a one-time TIF equity payment.

	2018 Budget	2018 Actual	2019 Adopted	2019 First Quarter Proj	First Qtr Change from Adopted	% Difference from Forecast
Transfers In / PILOT	14,649,479	14,517,661	15,683,896	15,533,896	(150,000)	-1.0%
Other Local Taxes	1,460,000	1,505,481	1,400,000	1,400,000	-	0.0%
Fines and Forfeitures	7,035,000	6,360,901	6,900,000	6,465,000	(435,000)	-6.7%
Charges for Services	13,382,000	13,333,331	13,552,101	13,552,101	-	0.0%
Licenses and Permits	7,021,620	7,897,702	7,729,420	7,374,420	(355,000)	-4.8%
Ungrouped Revenues	4,675,600	5,930,581	5,790,600	7,933,000	2,142,400	27.0%
Local Revenues	48,223,699	49,545,657	51,056,017	52,258,417	1,202,400	2.3%
Intergovernmental Payments	36,944,438	37,281,595	39,180,704	38,371,871	(808,833)	-2.1%
Total Revenues	85,168,137	86,827,252	90,236,721	90,630,288	393,567	0.4%

Moving and parking violations continue downward trends from prior years due to fewer traffic safety grants, higher turnover in parking meter staff and more meters bagged than normal over the past few months.

Building permit revenues are slightly lower than anticipated due to lower building values per permit than in 2018.

Preliminary first quarter room tax collections show a slower growth rate than anticipated in the budget (4%). In 2018, first quarter weakness was offset by much stronger growth in the remaining three quarters.

State municipal services payment is lower than expected due to changes in eligible city costs and state appropriation proration.

Investment income is anticipated to be slightly higher as interest rates have risen and stabilized. A one-time and unanticipated TIF equity payment will be received in the next few weeks due to sale of a property in the Wingra TID.

General and Library Fund: Expenditure Projections

Through the 1st Quarter there is a projected a \$200,000 expenditure surplus. The projected surplus represents a budget variation that is less than a thousandth of a percentage of the General and Library funds. The table below outlines the projection by agency along with each agency's risk level. The risk level was established based on an agency's ability to reduce the projected deficit through the remainder of the year.

1st Quarter Projections by Agency: General & Library Fund					
AGENCY	REVISED BUDGET	1st Q ACTUAL	YEAREND PROJECTION	DIFFERENCE	Risk Level
ASSESSOR	2,667,024	490,599	2,420,639	246,385	
ATTORNEY	3,123,351	580,190	2,961,235	162,116	
BUILDING INSPECTION	4,731,645	893,219	4,448,221	283,424	
CDA HOUSING OPERATIONS	175,000	-	175,000	-	
CIVIL RIGHTS	1,855,926	385,219	1,993,633	(137,707)	
CLERK	1,736,064	225,958	1,749,215	(13,151)	
COMMON COUNCIL	831,869	143,175	766,923	64,946	
COMMUNITY DEVELOPMENT	13,958,039	898,871	13,774,495	183,544	
DEBT SERVICE	54,708,710	54,708,710	54,708,710	-	
DIRECT APPROPRIATIONS	8,834,592	174,193	3,751,540	5,083,052	
ECONOMIC DEVELOPMENT	1,869,894	314,107	1,730,764	139,130	
EMPLOYEE ASSISTANCE PROGRAM	413,502	63,772	388,322	25,180	
ENGINEERING	4,354,460	1,426,397	4,416,336	(61,876)	
FINANCE	3,395,658	653,458	3,211,802	183,856	
FIRE	52,853,057	10,459,799	54,624,546	(1,771,489)	
HUMAN RESOURCES	1,613,995	309,760	1,692,027	(78,032)	
INFORMATION TECHNOLOGY	6,998,694	2,242,061	6,926,346	72,348	
LIBRARY	17,703,565	3,866,810	17,774,545	(70,980)	
MAYOR	1,290,238	219,747	1,210,588	79,650	
METRO	14,211,148	-	14,911,148	(700,000)	
MUNICIPAL COURT	55,494	87,831	164,570	(109,076)	
PARKS	14,236,916	3,383,291	14,451,715	(214,799)	
PCED OFFICE OF DIRECTOR	822,094	151,849	840,386	(18,292)	
PLANNING	3,229,072	551,946	3,362,061	(132,989)	
POLICE	76,748,435	14,962,525	79,135,928	(2,387,493)	
PUBLIC HEALTH	5,384,683	-	5,384,683	-	
PUBLIC WORKS AND TRANSPORTATIO	461,293	46,895	480,904	(19,611)	
STREETS	26,387,940	5,823,153	26,927,507	(539,567)	
TRAFFIC ENGINEERING	6,649,422	981,316	6,719,105	(69,683)	
TREASURER	764,563	105,532	763,356	1,207	
Grand Total	\$ 332,066,343	\$ 104,150,385	\$ 331,866,250	\$ 200,093	

Civil Rights

Projected Deficit: \$137,000

The projected deficit is driven by personnel costs (\$100,000 deficit) and purchased service (\$30,000 deficit) expenditures.

- **Personnel:** At the close of the 1st Quarter DCR had one vacancy, which is not sufficient to meet the budget salary savings (1.75%). The Department has also hired hourly staff to assist with the Language Access Plan, this staffing support was not included in the 2019 budget. The projection also assumes hiring summer ASPIRRE interns.
- **Purchased Services:** In the 1st Quarter the Department entered into two unbudgeted contracts: an internal culture review and marketing strategy consultant. This projection

does assume DCR will spend their full RESJI budget (\$50,000) and interpretation services budget (\$120,000).

Clerk

Projected Deficit: \$13,000

The projected deficit is driven by election costs, specifically for the unplanned Dane County special elections. The Clerk's Office has also hired three hourly positions to support the election process; these positions are not budgeted.

Engineering

Projected Deficit: \$62,000

The projected deficit is driven by personnel costs. The Department is exceeding its hourly budget by \$75,000; these expenditures are related to hourly staffing as part of work associated with private development contracts. The Department is also projecting a \$35,000 deficit in overtime costs; the Department expects overtime charged to the General Fund to decline for the remainder of 2019.

Projected deficits in personnel spending are partially offset by surpluses in supplies and purchased services, specifically in Engineering-Administration (\$100k) and Facility Operations and Maintenance (\$80k).

Fire

Projected Deficit: \$1,800,000

Projected Deficit-without Sick Leave Escrow: \$1,300,000

The projected deficit is driven by a shortfall in budgeted revenue (\$77,000 deficit) and personnel costs (\$1,900,000 deficit).

- **Revenue:** The Fire Department's budget includes \$1.9 million in budgeted revenue; \$1.2m of the budgeted revenue is from licenses and permits. The rates for these permits were increased as part of the 2018 Budget; however, assumptions in the budget exceed the actual revenue being realized. The projected deficit in 2019 is driven by elevator permits.
- **Personnel:** Staffing levels in the Fire Department are exceeding budgeted salary savings (assumed at 2%). The Department continues to see an uptick in daily-unplanned absenteeism. Based on 1st Quarter trends, the Department will exceed its budgeted salary savings by \$760k.

Health Insurance is projected to be over budget by \$800k, this is driven by plan design change that was assumed in the 2019 budget. Other benefit deficit drivers include sick leave escrow payments (budgeted centrally) and WRS payments.

Human Resources

Projected Deficit: \$80,000

The projected deficit is driven by the Department exceeding its budgeted salary savings (2%). The Department is currently fully staffed and is not anticipating any turnover through the remainder of 2019.

Library

Projected Deficit: \$70,000

The projected deficit is driven by hourly staffing costs. The Library's budget for hourly staffing costs will be rebaselined as part of the 2020 budget build reflecting the fully implemented \$15 minimum wage for City employees.

Municipal Court

Projected Deficit: \$110,000

The projected deficit is driven by declining municipal court revenues. The Municipal Court budget assumes \$580,000 in revenue from court fees. Based on 1st Quarter activity, actual revenues will be \$450,000. This continues downward trends in actual court fee revenue.

Parks

Projected Deficit: \$215,000

The projected deficit is driven by personnel costs. Based on current staffing levels the Department is exceeding budgeted salary savings (3.5%). The Department is also projecting \$120k for sick leave escrow payments resulting from retirements (sick leave escrow is budgeted centrally).

PCED Office of the Director

Projected Deficit: \$18,000

The projected deficit is driven by assumptions in turnover costs associated with the PCED Director position. Savings in the Department's supply budget may offset this deficit.

Planning

Projected Deficit: \$133,000

The projected deficit is driven by the Department exceeding its budgeted salary savings (2%). The Department currently has 1.5 vacant FTEs, no additional turnover is anticipated for the remainder of 2019.

Police

Projected Deficit: \$2,400,000

Projected Deficit-Without Sick Leave Escrow: \$1,000,000

The projected deficit is driven by personnel costs, specifically benefit expenditures. Health Insurance is projected to be over budget by \$400k, this is driven by plan design change that was assumed in the 2019 budget. Other deficits include: sick leave escrow-budgeted centrally (\$1.4m), WRS (\$660k), and FICA expenses (\$500k). These deficits are partially offset by savings in permanent wages (\$900k) driven by turnover costs.

Transportation

Projected Deficit: \$20,000

The projected deficit is driven by personnel costs. Actual staff salaries are higher than what was assumed in the 2019 Adopted Budget. Salaries for these staff will be rebaselined as part of the 2020 budget build.

Streets

Projected Deficit: \$540,000

The projected deficit is driven by deficits in Snow & Ice Removal (\$600k) and Solid Waste Management (\$370k). The deficits, as described below, are offset by surplus in the remaining Streets Division services.

- **Snow & Ice Removal:** The 2019 Budget assumes 5.5 snow events of 3+ inches. Through the 1st Quarter we experienced 8 events (6 with private contractor support; 2 with City staff/equipment only). Snow removal costs in the 1st Quarter were \$3.1m. The projection assumes 3 additional events with 3+ inches of snow and 7 additional spreading events in the 4th Quarter of 2019.
- **Solid Waste Management & Recycling:** The projected deficit is driven by declining recycling revenues, costs associated with processing recycling, and landfill tipping fees. 1st Quarter projections are consistent with trends we began to see in 2018.

Traffic Engineering

Projected Deficit: \$70,000

The projected deficit is driven by a shortfall in expenditures the agency anticipated would be charged to the capital projects fund. The agency’s budget assumed \$70,000 for Signals & Streetlighting would be eligible for capital. Based on 1st Quarter projections that will not be realized.

Direct Appropriations

Projected Deficit: \$5.0 million Surplus

This category of spending includes appropriations that are not assigned to a specific agency. The largest share of appropriations in this category includes Sick Leave Escrow payments (\$3.0m) and the Contingent Reserve (\$1.9m). The projection assumes the full balance of the budget for sick leave escrow will be transferred to agency budgets based on actuals.

The projection assumes there will be no additional transfers from the Contingent Reserve. To date, there have been three approved transfers from the Contingent Reserve in 2019.

Contingent Reserve Adopted Budget							
Total Transferred							1,930,000
Remaining Balance							1,495,620
Legistar File ID	FC Date	Agency	Item	MUNIS Amend #	Action	Requested Amount	Adopted Amount
53955	1/14/2019	CDD	Security @ Tree Lane	53955	Adopted-Amended	165,000	145,000
54560	2/11/2019	CDD	Support prgs @ Tree Lane	2383	Adopted	275,250	275,250
55531	5/6/2019	Planning	Phoenix to Ashes Project			14,130	14,130

Non-General Fund

1st Quarter Projection: Summary by Agency

1st Quarter Projections by Agency Non General Fund						
AGENCY	Account Type	REVISED BUDGET	1st Q ACTUAL	YEAREND PROJECTION	DIFFERENCE	Risk Level
FLEET SERVICES	Revenue	(8,449,245)	(130,170)	(2,119,851)	(6,329,394)	
	Expense	8,449,245	1,872,090	1,953,467	6,495,778	
FLEET SERVICES Total		-	1,741,920	(166,384)	166,384	
GOLF COURSES	Revenue	(3,312,981)	(148,605)	(2,971,085)	(341,896)	
	Expense	3,312,981	359,099	3,358,084	(45,103)	
GOLF COURSES Total		-	210,494	386,999	(386,999)	
METRO TRANSIT	Revenue	(56,796,149)	(2,349,733)	(57,150,163)	354,014	
	Expense	56,796,149	12,743,370	57,852,313	(1,056,164)	
METRO TRANSIT Total		-	10,393,637	702,150	(702,150)	
MONONA TERRACE COMM CONV CTR	Revenue	(14,693,934)	(932,301)	(14,625,320)	(68,614)	
	Expense	14,693,934	2,391,956	14,626,408	67,526	
MONONA TERRACE COMM CONV CTR Total		-	1,459,656	201,088	(1,088)	
PARKING	Revenue	(15,502,695)	(3,498,448)	(15,988,287)	485,592	
	Expense	15,502,695	2,285,694	14,871,359	631,336	
PARKING Total		-	(1,212,754)	(1,116,928)	1,116,928	
PUBLIC HEALTH MADISON DANE	Revenue	(18,794,912)	(2,661,977)	(18,782,845)	(12,067)	
	Expense	18,794,912	2,859,138	18,813,857	(18,945)	
PUBLIC HEALTH MADISON DANE Total		-	197,161	31,012	(31,012)	
SEWER	Revenue	(43,240,190)	(4,771,278)	(42,807,788)	(432,402)	
	Expense	43,240,190	2,752,641	40,466,317	2,773,873	
SEWER Total		-	(2,018,637)	(2,341,472)	2,341,472	
STORMWATER	Revenue	(18,615,242)	(3,163,086)	(17,877,660)	(737,582)	
	Expense	18,615,242	2,593,717	17,057,648	1,557,594	
STORMWATER Total		-	(569,369)	(820,012)	820,012	
WATER	Revenue	(45,886,000)	(8,506,776)	(44,990,000)	(896,000)	
	Expense	45,886,000	3,575,244	44,506,230	1,562,198	
WATER Total		-	(4,931,532)	(483,770)	666,198	

Fleet

Projection: \$165,000 Surplus

The projected surplus is driven by diesel and fuel savings. The 2019 Budget was built around fuel assumptions that exceed the current locked rate.

Golf

Projection: \$400,000 Deficit

The projected deficit is driven by shortfalls in revenues from user fees. The projection assumes utilization will be consistent the four-year average. Using this assumption 2019 revenues will be \$300k higher than 2018 actual revenue. The projected deficit will add to the cumulative deficit (\$800k) that has accrued in the Golf Enterprise as of the end of 2018.

Metro

Projection: \$700,000 Deficit

The projected deficit is driven by the Department exceeding budgeted salary savings coupled with overtime expenditures. The City's 2017 budget increased Metro's budgeted salary savings by \$1.0 million based on turnover trends. In 2018 the budgeted salary savings was increased by an additional \$1.0 million to anticipate the elimination of in-house Paratransit services. The 2019

budget reflected the elimination of 15 Transit Operator positions and reduced the budgeted salary savings by \$1.0 million.

Based on current staffing levels, Metro will exceed its personnel budget by \$1.0m by the close of 2019.

Metro overtime spending continues at rates consistent with prior year actuals. Based on 1st Quarter trends, overtime spending will be over budget by \$500k. This is driven partially by increasing absentee trends among Transit Operators.

Budget and Program Evaluation staff are working with Metro to evaluate the Department's current staffing model for Transit Operators. The primary goal of the analysis is to determine if the current number of authorized positions is sufficient to meet the current service delivery model while accounting for daily absenteeism rates.

The projected personnel deficit is partially offset by savings for contracted Paratransit services and the continued purchase of Paratransit vouchers by the managed care organizations.

Monona Terrace

Projection: \$2,000 Surplus

Event bookings are slightly behind budget assumptions: Projected=534 versus Budgeted=551. The projection assumes utilizing \$200,000 from Monona Terrace fund balance, which was assumed in the 2019 Budget. The Department continues to see deficits in hourly staffing costs.

Parking

Projection: \$1.1m Surplus

The projected surplus is driven by strong revenues (\$485k) and surpluses in personnel costs (\$430k) and garage maintenance costs (\$160k). The Parking Enterprise uses a conservative approach in developing their annual operating budget. The projected surplus is consistent with prior years.

Public Health

Projection: \$30,000 Deficit

The projected deficit is driven by declining revenue for the federally funded WIC program (\$12k). Public Health is working to control WIC expenditures to eliminate the projected deficit. The remaining portion of the deficit is related to supply purchases budgeted in 2018 but realized in 2019.

In recent years Public Health has carried a significant number of vacant positions. As of the close of the 1st Quarter, Public Health has 7 vacant positions that are in various stages of recruitment. Savings realized through the vacant positions are being offset by hourly wages for LTE positions. These positions will be eliminated when permanent staff is hired.

Sewer

Projection: \$2.3m Surplus

Sewer revenues are projected to come in \$400k below the budgeted amount (\$42.8m). The Utility is absorbing the lost revenue through Sewer's budgeted Contingent Reserve. The projection assumes none of the \$2.3m Contingent Reserve will be needed in 2019.

Stormwater

Projection: \$820,000 Surplus

Stormwater revenues are projected to come in \$175k below the budgeted amount (\$17.4m). The Utility is absorbing the lost revenue through the Stormwater's budgeted Contingent Reserve. The projection assumes none of the budgeted \$930k will be needed in 2019.

Water

Projection: \$660,000 Surplus

Water revenues are projected to come in \$900k below the budgeted amount (\$44.8m). The projection assumes is based on pumpage volume trends and subject to change based on weather patterns in the 2nd & 3rd Quarters.

The revenue shortfall is partially offset by purchased services savings on electricity and consulting costs.