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# MIDYEAR FINANCIAL UPDATE

FINANCE COMMITTEE UPDATE

AUGUST 7<sup>TH</sup> 2017





# 2016 YEAR END UPDATE



# 2016 FINANCIAL STATEMENTS

- General Fund balance of \$39.3 million; 13.8% of 2017 General Fund expenditure budget (policy goal is 15%); expenditures exceeded revenues by \$422,000.
- City's WRS pension liability changed from a \$38.6 million asset in 2015 to a \$25.7 million liability at the end of 2016 due to investment performance.
- City's Other Post-Employment Benefits (OPEB) liability increased 12% to \$33 million in 2016; 68% of this liability is related to an implicit rate subsidy associated with retirees purchasing health insurance at the active employee rate.
- Total GO debt is \$410.6 million, representing 33.4% of the maximum limit of 5% under the Wisconsin Constitution.
- The financial statements can be found at the Finance Department website.



# 2017 2<sup>ND</sup> QUARTER PROJECTION



# HIGHLIGHTS

## *Year End Projection=\$2.3m Surplus*

- Projection good news for General Fund balance
- \$1.0m of the expenditure surplus is due to debt service; surplus can't offset deficits elsewhere
- \$2.1m of remaining appropriation room within Expenditure Restraint caps for 2017
- Very small margin within budget to handle unanticipated expenditures in second of 2017

## Expenditures

- **Projection=\$1.0m**
  - \$4.0m surplus in non-personnel budget offset by deficits in personnel spending (\$1.5m) and revenue budgeted within agencies (\$1.3m)

## Revenue

- **Projection=\$1.3m Surplus**
  - Building Permits up \$750k
  - State Payments for Municipal Services up \$600k

# EXPENDITURE OVERVIEW

## Non-Personnel Spending

Projection=\$3.9m Surplus

- Snow Budget=\$300k Surplus
  - Assumes 3 additional events in 2017
- Debt Payments=\$1.0m Surplus
  - Savings resulting from 2016 arbitrage payments
- CDD Contracts=\$1.6m Surplus
  - Savings resulting from lags in contracting process
- Misc Savings=\$1.0m Surplus
  - Surplus Drivers: inventory and work supplies, and utility/energy savings
- Treasurer's Bank & CC Charges=\$165k Deficit
  - Budget overstates reimbursements from enterprise funds for credit card & bank services
  - Will require transfer from Contingent Reserve in midyear appropriation adjustment

## Personnel Spending

Projection=\$1.5m Deficit

- Permanent Wages=\$2.3m Surplus
- Leave Payouts=\$1.0m Deficit
- Charging Time=\$700k Deficit
- Overtime=\$1.3m Deficit

## Agency Revenue

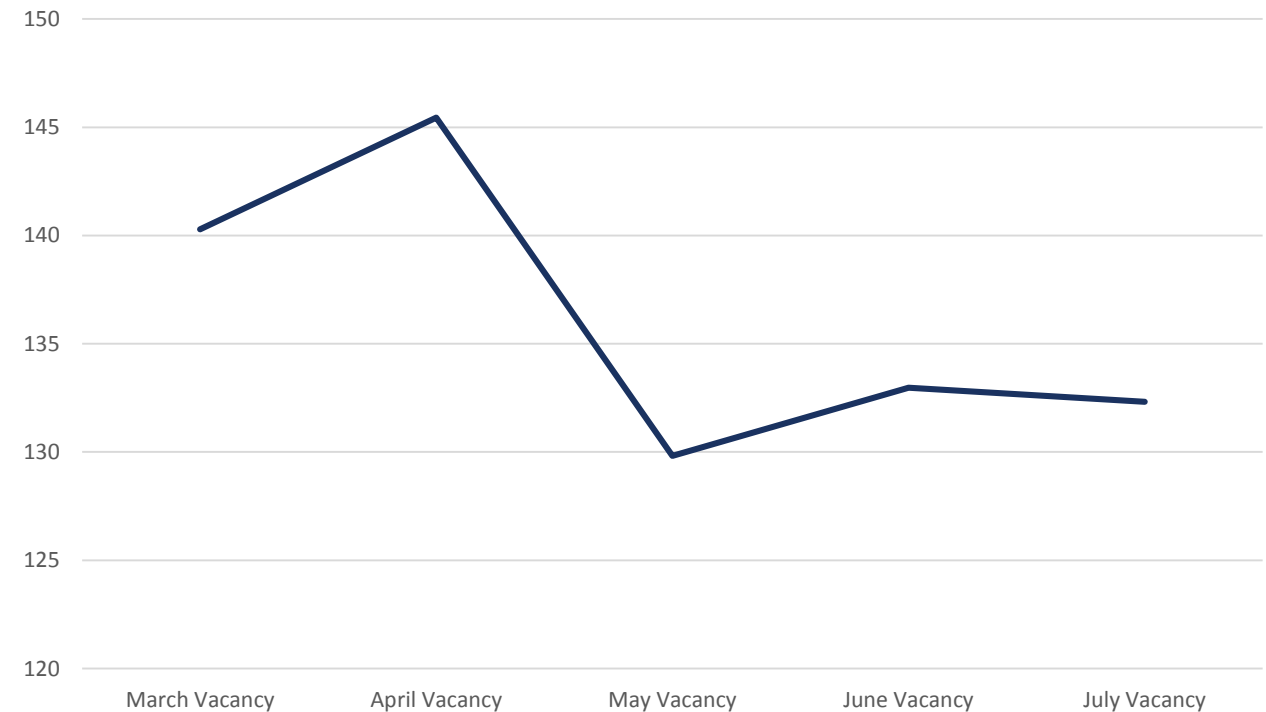
Projection=\$1.3m Deficit

- Deficit driven by transfers from other funding sources into the General Fund

# VACANCY TRENDS

- Citywide vacancies were at their lowest point in May; 4.5% of authorized positions were vacant
- Vacancy rates remained stable from June to July at 4.6%
- Agencies with highest vacancy rates:
  1. Civil Rights: 20%
  2. Fleet: 14%
  3. EDD: 12%
  4. Water: 11%
  5. CDD: 10%
  6. Streets: 9%

Citywide Vacancies by Month



# PUBLIC SAFETY OVERTIME

## Police: *Projection=\$250k Deficit*

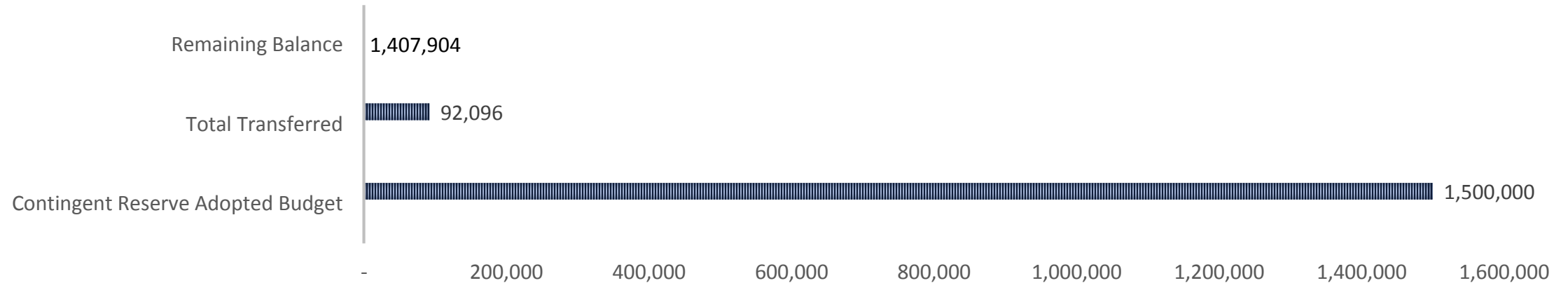
- 2017 spending consistent with prior year levels; not seeing significant increase resulting from increased violence
- MPPOA contract incentivizing sworn staff to carry larger leave balances resulting in less overtime but creating a future liability for City to fund leave payouts

## Fire: *Projection=\$1.2m Deficit*

- Paramedic Training: Projected Cost=\$446k
  - Department is seeing burnout in Paramedics calling on need to train additional staff to act as Paramedics
  - Conducted training during 4<sup>th</sup> Quarter of 2016 into 2017 to train more Firefighters to be Paramedics; resulted in additional callback overtime
  - Planning to conduct another training course in September
- Increased Absences: Projected Cost=\$140k
  - Department is seeing increase in number of staff taking unplanned leave
  - Results in higher callback overtime
- Other Overtime: Projected Cost=\$614k
  - Normal minimum staffing, recruitment training, Paramedic shortage



## 2017 CONTINGENT RESERVE TOTAL TRANSFERRED VS. BUDGET



<u>Contingent Reserve Adopted Budget</u>					<u>1,500,000</u>
Total Transferred					92,096
Remaining Balance					<b>1,407,904</b>
<u>Legistar File ID</u>	<u>BOE Date</u>	<u>Agency</u>	<u>Item</u>	<u>Requested Amount</u>	<u>Adopted Amount</u>
45989	2/13/2017	Planning	MPO Survey-Local Match	20,619	20,619
45609		Dir Appropriations	Benefits Consultant	50,000	
46209	3/13/2017	Police	Naloxone Dispensers	20,000	20,000
46571	3/27/2017	Police	Koval Legal Fees	21,953	21,953
47385	6/12/2017	Dir Appropriations	Eskrich Legal Fees	8,524	8,524
47815	7/24/2017	Mayor's Office	Tom Mosgaller Contract	21,000	21,000
<b>TOTAL</b>				<b>142,096</b>	<b>92,096</b>

# 2017 CONTINGENT RESERVE

# MIDYEAR APPROPRIATION ADJUSTMENT

- Sick Leave Escrow
  - \$1.9m budgeted centrally
  - \$1.7m transferred to agencies based on actuals through 2<sup>nd</sup> Quarter
- Carry Forward Encumbrances
  - \$400,000 budgeted centrally
  - \$334,236 transferred to agencies based on actual amount carried forward
  - Balance will be transferred into Contingent Reserve
- Misc Adjustments
  - Operating*
    - \$200k transfer from Contingent Reserve to Treasurer's Office
    - \$400k in revenue & expenditures for CDA Housing Ops Section 8 Portable Voucher program
  - Capital*
    - \$45k for Meadowridge Expansion: Funded by reserves in Capital Projects Fund
    - \$260k for State Street & Small Capital TIF Programs: Funded by TID 32 increment

- The Midyear Appropriation Adjustment will make technical adjustments to agency budgets based on trends through 2<sup>nd</sup> Quarter
- Midyear adjustments prevent purchasing issues as we enter the second half of the fiscal year



# 2018 BUDGET OUTLOOK



## 2018 OVERVIEW

Based on these projections the property tax levy impact would be:

1. Levy Increase – 5.2%
2. TOAH – 3.0% (\$72.00)
3. Projected Value Increase – 8.2%
4. Avg. Value Home – up 5.8%
5. Tax Rate – down 2.7%

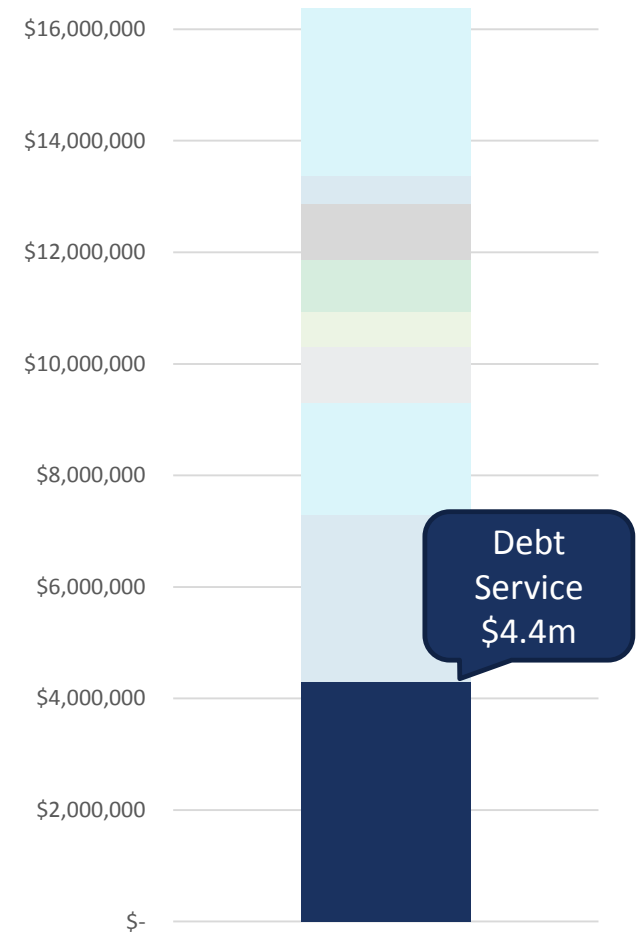
Assumes TIF value up 60% and net new construction @ 3%

2018 Projection	
<i>Revenue Adjustments</i>	
Payments in Lieu of Taxes	260,000
Room Tax	170,000
Charges for Services	120,000
Licenses & Permits	285,000
State Aid	1,600,000
Other Adjustments	260,000
<b>Total Revenue Adjustments</b>	<b>2,695,000</b>
<i>Expenditure Adjustments</i>	
Fire Station 14 & Midtown	1,750,000
Debt Service	4,400,000
Pay & Health Insurance	6,000,000
Room Tax Funds	640,000
Cost to Continue	925,000
Fleet Savings	600,000
Other Adjustments	4,000,000
<b>Total Expenditure Adjustments</b>	<b>17,715,000</b>
Allowable 2018 Levy	11,533,973
<b>Projected 2018 Gap</b>	<b>\$-3,486,027</b>

# ELEMENTS OF THE GAP

## Debt Service

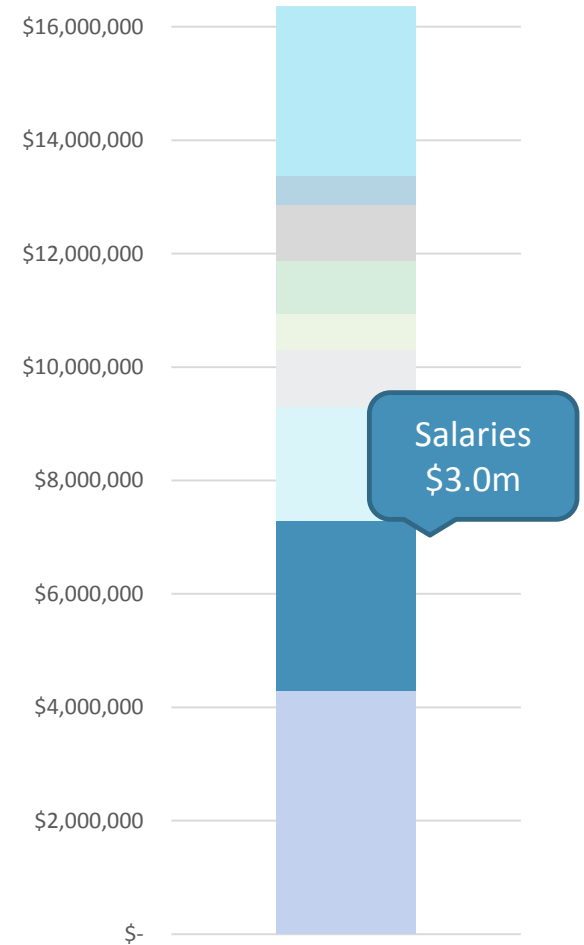
- **Adjustment=\$4.4m Increase**
  - Projected debt service will represent 15.5% of total GF budget
    - Up from 14.8% in 2017
  - If current trends continue, debt service is projected to reach 19% of GF by 2019 before stabilizing due to construction of large facilities
    - Assumes borrowing 2/3 of authorized borrowing



# ELEMENTS OF THE GAP

## Salaries

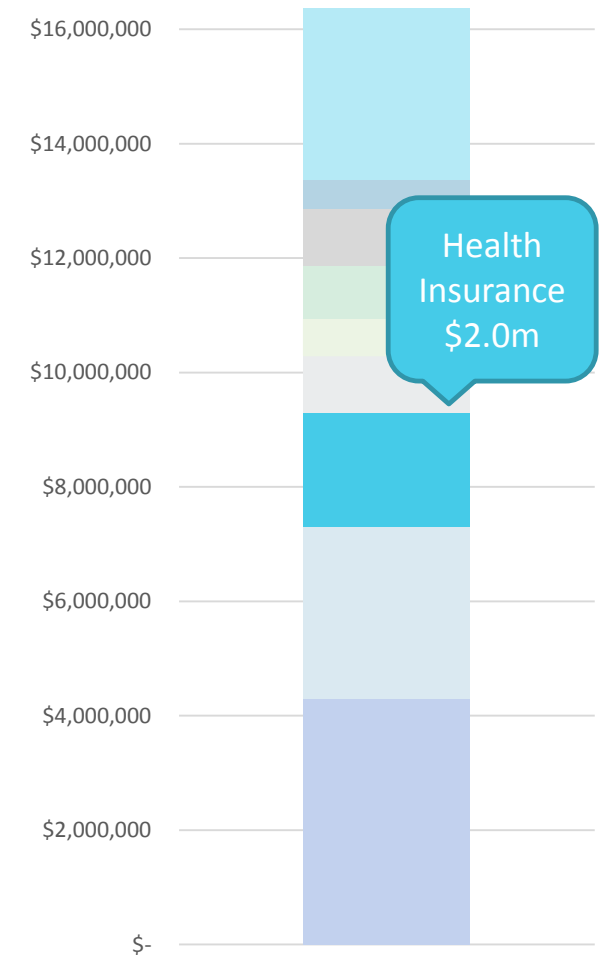
- **Adjustment=\$3.0m Increase**
  - The 2018 budget projection assumes the continuation of all currently planned pay increases
    - General Municipal Workers
    - Police & Fire
    - Teamsters
  - The projected lift also assumes all scheduled step & longevity increases
    - 611 employees will receive a step increase
    - 479 will increase a longevity increase
  - The projected base salary amount adjusts for turnover that has happened since building the 2017 budget



# ELEMENTS OF THE GAP

## Health Insurance & WRS

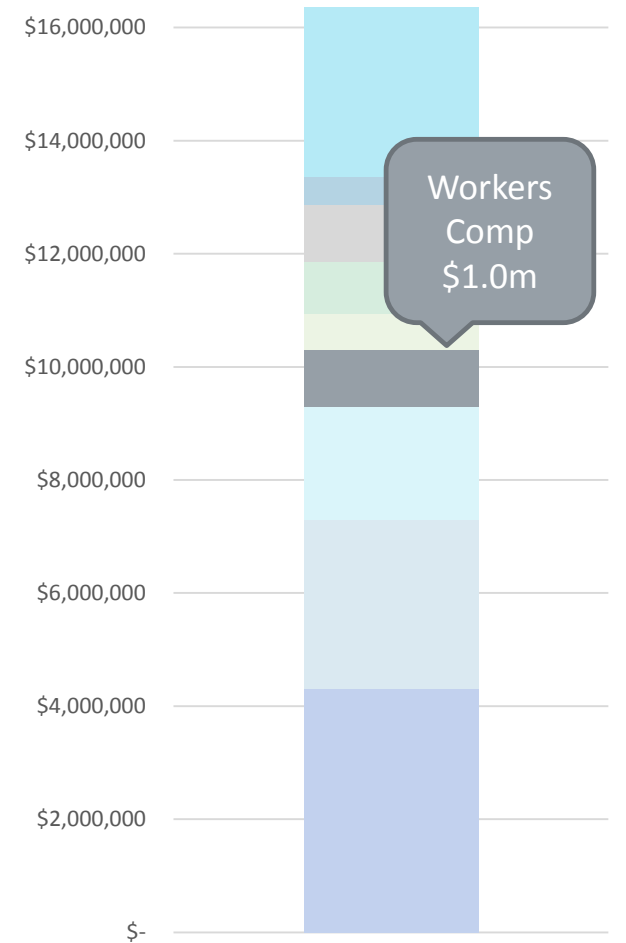
- ***Adjustment=\$2.0m Increase***
  - Health Insurance Assumption: 5% Increase
    - From 2011-2015 premiums increased by an average of 5.2% annually
    - Plan design change in 2016 reduced premiums by 2%
    - Final rates will be available in August
  - WRS rates will remain flat in 2018



# ELEMENTS OF THE GAP

Workers  
Comp

- ***Adjustment=\$1.0m Increase***
  - Increased driven by increased claim costs
  - 2017 has seen significant claims increasing the City's liability

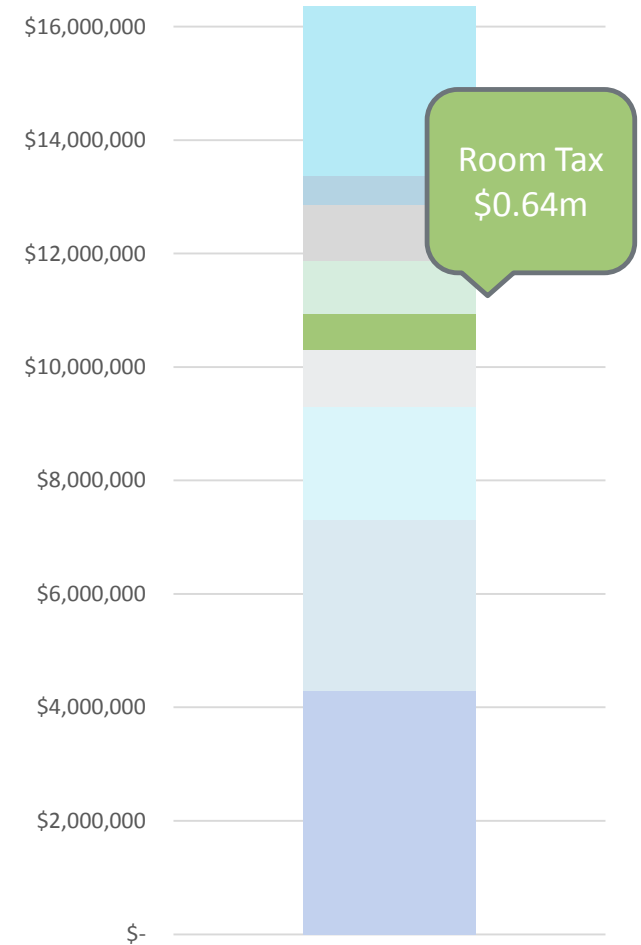




# ELEMENTS OF THE GAP

Room Tax

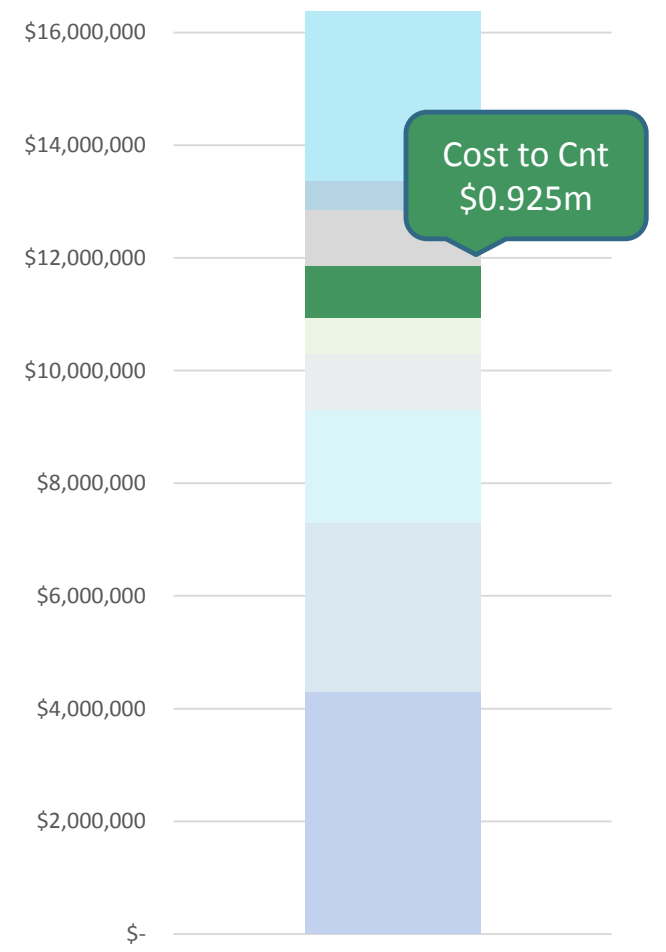
- **Adjustment=\$0.64m Increase**
  - The 2017 budget transferred portions of the City subsidy for Olbrich & Henry Vilas Zoo to the Room Tax
  - Room Tax revenues cannot support funding these commitments
  - Expenditures will be fully budgeted within GF in 2018



# ELEMENTS OF THE GAP

Cost to Continue

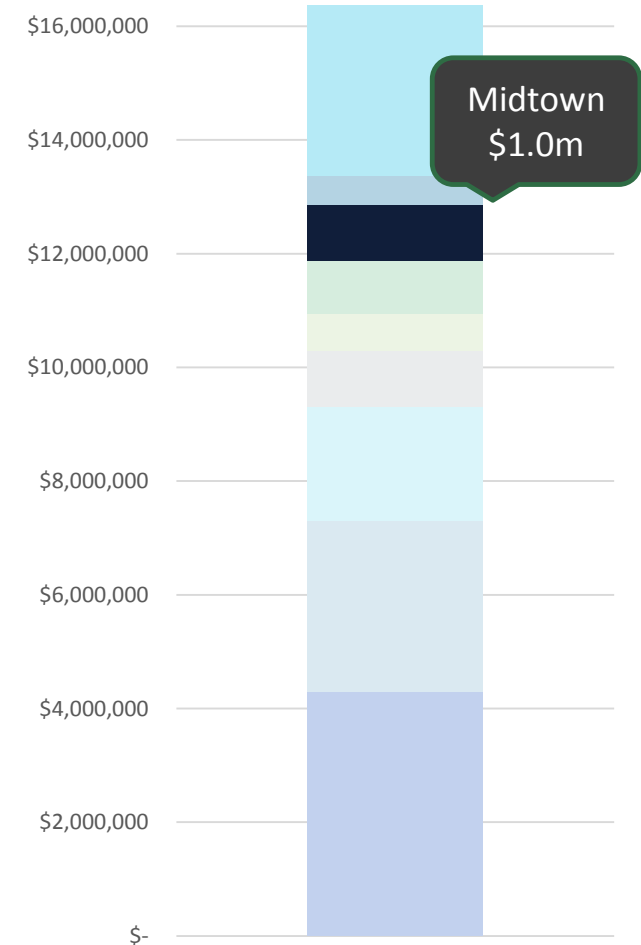
- **Adjustment=\$0.925m**
  - \$130k: Increased local match for active COPS grants
  - \$500k: 2018 election costs
  - \$80k: 2<sup>nd</sup> Phase of \$15 Minimum Wage
  - \$300k: Sick Leave Escrow payments based on prior year actuals
  - \$515k: Adjustment to Police & Fire overtime
  - \$600k: savings in the Fleet rate based on estimated depreciation



# ELEMENTS OF THE GAP

Midtown

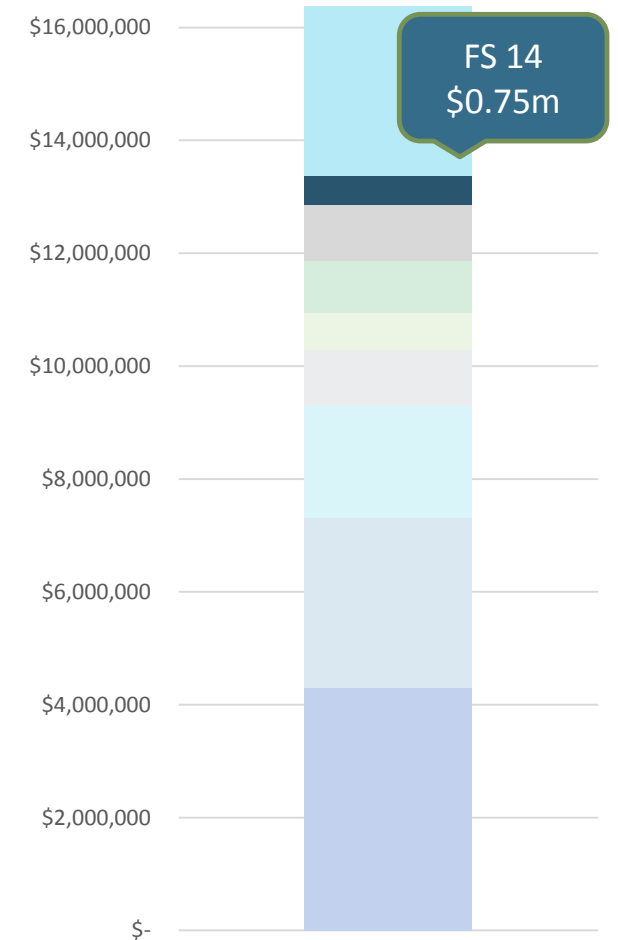
- **Adjustment=\$1.0m Increase**
  - 2018 includes annualizing 7 new positions authorized for 4 months in 2017
    - 2 additional positions will be created in anticipation of station opening
  - Under current construction timeline new facility will open in Sept/Oct 2018



# ELEMENTS OF THE GAP

## Fire Station 14

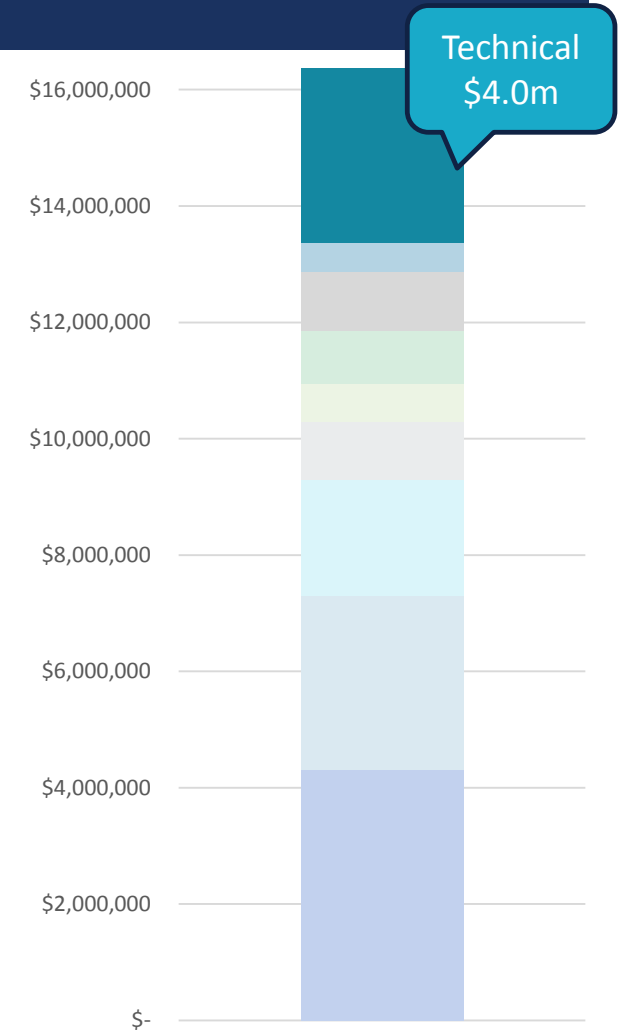
- **Adjustment=\$0.75m Increase**
  - The new Fire Station requires the creation of 18 positions
  - Under current construction timeline new facility will open in 2019
  - Projected increase assumes receiving a SAFER grant recently awarded to City
    - Receiving the SAFER requires an earlier Academy start date
    - Academy to staff Fire Station 14 will begin in January



# ELEMENTS OF THE GAP

## Technical Adjustments

- **Adjustment=\$4.0m Increase**
  - Various agency budgets have structural deficits they were unable to absorb within operating target amounts
  - These amounts continue to put pressure on the operating budget
  - Key Drivers:
    - Budgeted Salary Savings
    - Charging time to capital
    - Revenues budgeted within agencies



# 2018 BUDGET PROCESS: KEY DATES

