



## Legislation Text

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### Fiscal Note

This resolution provides funding authorization for a variety of expenditures not anticipated in the 2014 Operating Budget. The appropriation of \$3,969,395, from the General Fund balance brings the 2014 General Fund budget closer to the expenditure limit allowable under the State of Wisconsin's Expenditure Restraint Program and helps preserve expenditure authority in future years. There is no impact on the tax levy. It is anticipated that, following this transfer and based on fund balance applied in the 2015 Adopted Operating Budget, the unreserved, undesignated, and unassigned General Fund balance will remain at or above the target level of 15 percent of budgeted expenditures at the end of 2014.

### Title

SUBSTITUTE-Appropriating \$ 3,969,395 from the General Fund balance to agency budgets and the Insurance and Room Tax ~~Workers Compensation~~ Funds to cover various unbudgeted expenditures in 2014.

### Body

As the end of the year approaches, a review of agency operating budgets indicates a number of areas where conditions and events during 2014 are expected to result in the overrun of specific expenditure categories.

One of the most significant expenditure authority needs is in the area of Police Department employee compensation. Conversion of vacation leave to pay as authorized in the Police collective bargaining agreement and special duty pay as well as the mechanism for implementation of the 2014 pay increase is expected to result in salaries exceeding budget by \$850,000. Vehicle acquisition and interdepartmental charges add another \$37,720, to estimated Police Department expenditures above budgeted amounts. Savings in fringe benefits and other categories along with departmental revenues are expected to leave a net increase in the general fund balance of approximately \$130,000.

The Streets Division request of \$1,419,000, reflects \$265,000 for additional landfill charges and trash disposal costs and \$1.2 million to reflect a moderate to worst-case for snow and ice removal events for the remainder of the calendar year. This figure is proposed as a means of using up more of the City's expenditure limit under the Expenditure Restraint Program. Streets estimates that the actual funding needed will be closer to \$450,000 based on average weather conditions, with that entire amount offset by savings in other areas and additional recycling revenues above budget. A portion of this expenditure authority in Streets will also result in adjustments to the Fleet Services internal service fund expenditure amounts.

The Fire Department requires \$263,300 of expenditure authority to meet overruns in salaries, and benefits. The salary shortfall is the result of insufficient turnover to meet salary savings targets as well as additional staffing costs to provide training to health care workers for use of respirators for increased preparedness for infectious disease events. Training revenue and savings in tuition, medical services, phone charges, safety equipment and computer and office equipment are expected to nearly offset these costs.

The Parks Division requires \$251,375 of expenditure authority to meet hourly salary, supplies, Fleet Service and capital asset costs, generally associated with Aquatics and the Warner Park Community and Recreation Center. Net of other changes, expenditures are over budget by \$101,000.

The Assessor's Office requires \$15,000 of expenditure authority to meet mileage costs for field staff.

The Finance Department requires additional authority of \$92,500, to meet additional fringe benefits costs due to sick leave escrow payments associated with the retirement of 3 high level professional positions as well as collection costs due to higher ambulance fee revenue collections. Hourly salaries are expected to be \$1,000 over budget. These amounts are expected to be partially offset by salary savings, with a net reduction in the General Fund balance of \$47,400.

Under Miscellaneous Appropriations, the funding for the City's share of the Zoo operating budget needs an additional appropriation of \$20,500 to fund actual operating costs at the Zoo which exceed budgeted amounts, as well as due to actual revenues falling short of initial estimates.

The Municipal Court came in \$200,000 under budget for court revenues, which increases General Fund expenditures by an equal amount.

The Insurance Fund is also in need of an additional appropriation. The City of Madison has long been self-insured for liability costs and has maintained a distinct internal service fund to account for costs associated with liability claims. Payment of liability claims, administrative expenses and premiums for catastrophic insurance coverage are all charged to this fund. The full cost of these programs is then allocated through an internal "premium" charge to the annual operating budgets of City agencies. Because the premiums charged to departments in previous years were insufficient to fully fund required reserves, a deficit balance had accumulated in this fund.

From 2000 to 2012, the Insurance Fund has only had two years, 2002 and 2007, where revenues have exceeded expenses. The positive year in 2007 was due to a large reserve adjustment associated with claim handling practices that were corrected by the City's liability carrier. From 2000 to 2012, billings from the Insurance Fund were not increased to make up for this deficiency. In fact, billings to departments were reduced in 2009 from \$1,000,000 to \$750,000. Billings remained at \$750,000 from 2009 to 2012, for a total reduction in revenues to the fund of \$1 million over the four year period. In the 2013 adopted budget, billings to departments were increased by \$100,000 to begin to address this structural imbalance, and are increased again by \$100,000 in the 2015 adopted budget. The financial status of the fund has also been affected by dividend payments from the City's insurance carrier that have fallen by nearly 50% since 2002 due to lower investment returns. The Insurance Fund has also incurred some of its largest claim payments in recent years.

Most of the asset value in the Insurance Fund is associated with the City's initial investment in the Wisconsin Municipal Mutual Insurance Corporation (WMMIC) as a charter member when it was formed in the late 1980's. Since this asset value is not a cash balance, the Insurance Fund has in recent years been in a negative cash position. In response to the cash and structural funding imbalances, as well as larger liability claim payments, this resolution includes a \$150,000 appropriation to the Insurance Fund.

This resolution also appropriates \$650,000 to the Room Tax Fund for Monona Terrace reserves. Monona Terrace has a goal of maintaining reserves equal to 20 percent of expenditures. Reserves totaled \$1.5 million at the end of 2013 prior the start of a major facility renovation project. As a means of avoiding long-term debt and associated interest costs, the 2014 adopted capital budget allocated \$1.2 million from those reserves, along with \$1,050,000 from room taxes, to finance this project, with the intention to replenish reserves from room taxes over the next few years. A subsequent amendment to the 2014 adopted budget substituted \$200,000 of room tax supported general obligation borrowing to reduce the impact on the reserves. Given strong room tax growth in 2014, there are sufficient revenues available to more rapidly restore the Monona Terrace reserves. In addition, Monona Terrace incurred nearly \$100,000 in sick leave escrow costs due to retirements that would otherwise further deplete reserves if not for this appropriation. Based on preliminary estimates, this appropriation will increase reserves at the end of 2014 from an estimated level of \$200,000 to a total of \$850,000. The 2015 adopted budget allocates an additional \$150,000 from room taxes to Monona Terrace reserves, potentially resulting in a reserve level of \$1 million by the end of 2015.

This resolution is a compilation of General Fund appropriations requested to satisfy the identified expenditure overruns within the various General Fund-supported agencies and to address the projected deficiencies in the Insurance Fund and the Room Tax Fund / Monona Terrace reserves without exceeding the expenditure limits imposed under the State Expenditure Restraint Program.

Finally, the resolution authorizes the Finance Director to determine which fund balances should be designated as "assigned", as recommended in Government Accounting Standards Board (GASB) statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

WHEREAS, a review of actual expenditures to date has identified departmental expenditure categories in General Fund-supported agencies totaling \$3,169,395, which are expected to exceed budget authorization by the end of the year, and

WHEREAS, a review of the reserve balances in the Insurance Fund indicates this fund requires a supplement of \$150,000, and

WHEREAS, strong growth in room taxes can support an appropriation to the Room Tax Fund to more rapidly restore Monona Terrace reserves used to fund its facility renovation project, and

WHEREAS, the City could appropriate an additional \$4,035,900, from the General Fund Balance to these purposes and remain eligible for future payments under the State's Expenditure Restraint Program, and

WHEREAS, the Finance Director is authorized to determine which fund balances should be designated as "assigned", consistent with Government Accounting Standards Board (GASB) recommendations.

NOW THEREFORE LET IT BE RESOLVED, that the Common Council amends the 2014 Operating Budget to authorize the following adjustments to expenditure categories within departments, including authorizing adjustments in the Fleet Services internal service fund budget that correspond to adjustments in the Streets Division general fund budget, and

See Attachment Titled 2014 Year End Appropriations.pdf

BE IT FINALLY RESOLVED, that \$3,969,395, be appropriated from the General Fund balance to various departmental operating budgets to fund expenditures during 2014 and to the Insurance Fund to alleviate that fund's accumulated deficit and to the Room Tax Fund to replenish Monona Terrace reserves:

General Fund Departments: \$3,169,395  
Insurance Fund: \$150,000  
Room Tax Fund: \$650,000  
Total Appropriation from General Fund Balance: \$3,969,395