



## Legislation Text

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**File #:** 24625, **Version:** 3

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### **Fiscal Note**

This resolution provides funding authorization for a variety of expenditures not anticipated in the 2011 Operating Budget. The appropriation of \$6,188,100, from the General Fund balance brings the 2011 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, the unreserved, undesignated, and unassigned General Fund balance will remain at approximately 12.5 percent of budgeted expenditures, somewhat below the established target of 15 percent. This resolution also appropriates \$190,000 from the Contingent Reserve.

### **Title**

2nd SUBSTITUTE-Appropriating \$6,188,100 from the General Fund balance to agency budgets and the Workers Compensation Fund to cover various unbudgeted expenditures in 2011.

### **Body**

As the end of the year approaches, a review of agency operating budgets indicates a number of areas where conditions and events during 2011 are expected to result in the overrun of specific expenditure categories.

The most significant of these is in the area of the Police Department employee compensation. Several factors, including conversion of vacation leave to pay as authorized in the Police collective bargaining agreement, the overhire of police officer positions, and overtime costs related to protests at the State Capitol earlier this year, combine to add \$1,833,000, to estimated Police Department expenditures above budgeted amounts. Savings in other categories and reimbursements from the state and other governments are expected to leave a net budget shortfall of approximately \$1,000,000.

The Fire Department requires additional authority of \$349,100. This includes the overhire of 5 positions above authorized strength and higher fleet costs. In addition, the Fire Department budget needs to be increased by \$73,100, to fund a sole source contract for new software for call data information transfer related to changes to dispatching functions in the 911 Center. Revenues to the Fire Department and overtime savings are expected to offset the entire increase in expenditure authority included in this resolution.

Other significant funding issues include Streets (fringe benefits, equipment rental and snow and ice control), Parks (fringe benefits and fleet services), Metro (diesel fuel costs), the Clerk's Office (election staffing), and Traffic Engineering (fleet costs). With the exception of Metro and Traffic Engineering, most of the cost overruns in these agencies will be nearly completely offset by savings in other categories.

Fleet cost overruns total \$622,300. The Fleet Service budget will be increased by that amount to meet the higher expenditures. Payments from the user agencies will provide the revenue to meet those costs.

The Workers Compensation Fund is also in need of an additional appropriation. The City of Madison has long been self-insured for workers compensation costs and has maintained a distinct internal service fund called the Workers Compensation Fund to account for costs associated with claims arising from work related injuries. Medical costs, disability settlements, administrative expenses and premiums for catastrophic insurance coverage are all charged to this fund. The full cost of the workers compensation program 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 significant deficit balance had accumulated. As of the end of 2006, the net asset deficit in the Workers

Compensation Fund stood at \$5,171,635. Increased charges to operating departments and additional appropriations from the General Fund in subsequent years have reduced the projected deficit to approximately \$1,500,000, by the end of 2011. Since the exact deficit and amounts available for transfer will not be known until the city finances are closed for 2011, the City Finance Director should be authorized to transfer up to \$1,500,000, from the General Fund to the Workers Compensation Fund to address the deficit.

This resolution is a compilation of General Fund Balance appropriations requested to satisfy the identified expenditure overruns within the various General Fund departments, provide sufficient expenditure authority for the Fleet Service internal service account, and eliminate the projected 2011 deficit in the Workers Compensation Fund without exceeding the expenditure limits imposed under the State Expenditure Restraint Program.

This resolution also includes the following, in accordance with the Annual Performance Contract for the Overture Center adopted by RES-11-00661 on July 19, 2011:

Appropriate and authorize \$192,300, for unfunded pension liability and authorize the General Fund to advance to Overture \$177,200, for the remaining advance to be paid over 10 years and authorize the General Fund to commit fund balance for this advance.

Appropriate \$115,000, for accrued vacation and compensation time from the Contingent Reserve and authorize the General Fund to advance to Overture \$57,500, for the remaining advance to be paid over 10 years and authorize the General Fund to commit fund balance for this advance. Actual expenditures and the advance may be less depending on employee year-end balances.

This resolution also appropriates up to \$75,000 from the Contingent Reserve for accrued sick leave costs anticipated in conjunction with Overture Center employees who are not eligible for retirement but who transition to employment with the Overture Center Foundation. On August 2, 2011, the Council authorized a payout of accumulated sick leave for such Overture Center employees (RES-11-00669). That resolution also appropriated up to \$250,000 from the Contingent Reserve. While the actual costs will not be known until the time of transition, the current estimate indicates that up to an additional \$75,000 may be necessary in order to compensate those employees.

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 agencies totaling \$4,688,100, which are expected to exceed budget authorization by the end of the year, and

WHEREAS, a review of the actual expenditures to date in the Fleet Service internal service account has identified additional costs of \$622,300, which are expected to exceed budget authorization by the end of the year, and

WHEREAS, a review of the reserve balance in the Workers Compensation Fund indicates the fund will remain in a deficit balance position of approximately \$1,500,000, at the end of 2011, and

WHEREAS, the City could appropriate the additional \$6,188,100, from the General Fund Balance to these purposes and remain eligible for future payments under the State's Expenditure Restraint Program, and

WHEREAS, because the vendor for the Fire Department call data information transfer software was chosen without a competitive process, and the total contract price is over \$25,000, approval of the Common Council is

required by MGO 4.26(4)(b) and signature by the Mayor and City Clerk are required by MGO 4.26(5), and

WHEREAS, the Annual Performance Contract with the Overture Center requires that \$307,300, be appropriated or released from the Contingent Reserve, and that \$234,700 be advanced from the General Fund balance to meet unfunded pension liabilities and accrued vacation and compensation time,

WHEREAS, an additional \$75,000 may be necessary to fund the accrued sick leave costs anticipated in conjunction with Overture Center employees who are not eligible for retirement but who transition to employment with the Overture Center Foundation; 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 2011 Operating Budget to authorize the following adjustments to expenditure categories within General Fund departments and the Fleet Services internal service account:

See Attachment Titled: 2011 Year End Appropriations -- substitute.pdf

BE IT FURTHER RESOLVED, that \$6,188,100, be appropriated from the General Fund balance to various departmental operating budgets to fund expenditures during 2011 and to the Workers Compensation Fund to alleviate that fund’s accumulated deficit:

General Fund Departments: \$4,688,100

Workers Compensation Fund: up to \$1,500,000, at the discretion of the City Finance Director.

Total Appropriation from General Fund Balance: \$6,188,100

BE IT FINALLY RESOLVED that up to \$190,000 is appropriated from the Contingent Reserve to Overture as follows: \$115,000 for accrued vacation and compensation time, and \$75,000 for accrued sick leave for employees who are not eligible for retirement and who transition to employment with the Overture Center Foundation.