



Legislation Text

File #: 20679, **Version:** 1

Fiscal Note

This resolution provides funding authorization for a variety of expenditures not anticipated in the 2010 Operating Budget. The appropriation of \$5,744,000 from the General Fund balance brings the 2010 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 General Fund balance will remain at approximately 12.5% of budgeted expenditures, somewhat below the established target of 15%.

Title

Appropriating \$5,744,000 from the General Fund balance to agency budgets, the Capital Projects Fund and the Workers Compensation Fund to cover various unbudgeted expenditures during 2010.

Body

[PREAMBLE]

As the end of the year approaches, a review of agency operating budgets indicates a number of areas where conditions and events during 2010 are expected to result in the overrun of specific expenditure categories:

The most significant of these is in the area of Police Department employee compensation. Several factors, including the authorized "overhire" of 11 officers earlier this year in advance of receiving federal COPS grant funding, the higher than normal salary savings required in the 2010 budget and the cost of converting vacation leave to pay as authorized in the Police collective bargaining agreement will, when taken together, result in an estimated budget overrun of nearly \$2,000,000 by the end of the year. Savings in various other accounts within the Police department will only partially offset these costs, and the Department is expected to end the year with a net budget shortfall of approximately \$1,600,000, as was projected and reported in July.

In some of the City's other largest operating departments (Fire, Parks and Streets), overruns of specific accounts have also been identified. In each of these cases, however, offsetting savings in other expenditure or program revenue categories within the same departments will be sufficient to fully offset the projected overruns, so that no net departmental operating budget shortfalls are expected to occur.

A significant funding shortfall has also been identified in the Parks Division capital budget. The Lisa Link Park project, with a total budget of \$1,165,000 was to be completed using a combination of funding sources, including prior year general obligation borrowing (\$50,000), Impact Fee funds (\$80,000), TIF increment revenue (\$650,000) and private donations (\$385,000). The project will be completed this year at a total cost of \$978,055, but no private donations have been secured. When the authorized borrowing and Impact Fees are combined with the total amount of TIF increment that can be applied to TIF eligible costs of the project, a funding deficit of \$330,000 remains. This deficit can be alleviated with a direct appropriation to the Capital Projects Fund.

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. While increased charges to operating departments and additional appropriations from the General Fund in subsequent years have reduced the projected deficit to approximately \$2,000,000 by the end of 2010, a transfer from the General Fund to the Workers Compensation fund at this time would serve to further reduce the accumulated fund deficit.

This resolution is a compilation of General Fund Balance appropriations requested to satisfy the identified expenditure overruns within the various General Fund departments, cover the funding shortfall that has occurred in the Lisa Link Park capital project and substantially eliminate the projected Workers Compensation Fund deficit without exceeding the expenditure limits imposed under the State Expenditure Restraint Program.

WHEREAS, a review of actual expenditures to date has identified departmental expenditure categories in General Fund agencies totaling \$3,414,000 which are expected to exceed budget authorization by the end of the year, and

WHEREAS, completion of the Lisa Link Park project this year with no private contributions collected has left a net shortfall in the capital project fund of \$330,000, and

WHEREAS, a review of the reserve balance in the Workers Compensation Fund indicates that the fund will remain in a deficit balance position of approximately \$2,000,000 at the end of 2010, and

WHEREAS, the City could appropriate the additional \$5,744,000 from the General Fund Balance to these purposes and remain eligible for future payments under the State's Expenditure Restraint Program,

NOW THEREFORE BE IT RESOLVED, that the Common Council amends the 2010 Operating Budget to authorize the following adjustments to expenditure categories within General Fund departments:

See Attachment Titled: 2010 Year End Adjustments.pdf

BE IT FURTHER RESOLVED, that \$ 5,744,000 be appropriated from the General Fund balance to various departmental operating budgets to fund expenditures during 2010, to the Capital Projects Fund to cover the Lisa Link Park project funding deficit, and to the Workers Compensation Fund to alleviate that fund's accumulated deficit:

General Fund Departments: \$3,414,000
Capital Projects Fund: \$330,000
Workers Compensation Fund: \$2,000,000
Total Appropriation from General Fund Balance: \$5,744,000