



Legislation Text

File #: 32182, Version: 2

Fiscal Note

This resolution provides funding authorization for a variety of expenditures not anticipated in the 2013 Operating Budget. The appropriation of \$4,699,700, from the General Fund balance brings the 2013 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 2014 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 2013.

The resolution also amends the 2013 capital budget to transfer \$1.566 million of unused funds borrowed for the Enterprise Resources Planning system in 2012 to hardware and software purchases within the Information Technology budget, to avoid arbitrage penalties. The City's 2013 general obligation borrowing amount reflected this transfer.

Title

SUBSTITUTE-Appropriating \$4,699,700 from the General Fund balance to agency budgets and the Insurance and Workers Compensation Funds to cover various unbudgeted expenditures in 2013 and amending the 2013 Information Technology capital budget to transfer cash between projects.

Body

As the end of the year approaches, a review of agency operating budgets indicates a number of areas where conditions and events during 2013 are expected to result in the overrun of specific expenditure categories. In addition, funding is transferred between Information Technology capital projects.

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, special duty pay, and an employee arbitration award require an additional \$505,000, in expenditure authority. Vehicle, vehicle supply and maintenance needs add another \$47,900, to estimated Police Department expenditures above budgeted amounts. Savings in other categories, along with revenues and donations, are expected to leave a net reduction in the general fund balance of approximately \$311,800.

The Streets Division request of \$1,934,500, reflects the 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 \$600,000 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.

Human Resources requires \$65,600 of expenditure authority to meet overruns in salaries, consulting services, copying and supplies. The salary shortfall is the result of insufficient turnover to meet salary savings targets. Consulting services costs have increased due to employee debriefings associated with crisis events. Copying and supplies reflect additional informational mailings to employees and office equipment needs. With no savings expected in other areas, this additional expenditure authority will reduce the general fund balance.

The Clerk's Office requires \$50,000 of expenditure authority to meet overtime and election supplies costs.

Under-spending in other expenditure categories is expected to offset the entire amount.

The Fire Department requires additional authority of \$37,000, to meet additional salary costs associated with its recruit class. This amount is expected to be entirely offset by overtime savings.

Under Miscellaneous Appropriations, the funding for the City's share of the Zoo operating budget needs an additional appropriation of \$51,000 to fund actual operating costs at the Zoo which exceed budgeted amounts, as well as due to actual revenues falling short of initial estimates.

Other significant funding issues include Parks (fringe benefits and supplies), Information Technology (salaries), Finance (salaries), Council (salaries, postage and office equipment), and Treasurer (shortfall in inter-agency revenues due to delay in implementing monthly water bills). With the exception of the Treasurer, all of the cost overruns in these agencies will be offset by savings in other categories.

The Workers Compensation and Insurance Funds are also in need of an additional appropriation. The City of Madison has long been self-insured for liability and workers compensation costs and has maintained distinct internal service funds to account for costs associated with claims arising from liability claims and work related injuries. Payment of liability claims, medical costs, disability settlements, administrative expenses and premiums for catastrophic insurance coverage are all charged to these funds. 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 both funds.

As of the end of 2006, the net asset deficit in the Workers Compensation Fund stood at \$5,171,635. This deficit has been addressed through a \$1.5 million appropriation at the end of 2011 and a \$1.7 million appropriation at the end of 2012. This resolution includes a \$750,000 appropriation to address expected actuarial adjustments for 2013 and keep the fund at or near a positive balance.

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. 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 \$1.0 million appropriation to the Insurance Fund.

This resolution also amends the 2013 Information Technology capital budget to transfer \$1.566 million of unused borrowing proceeds from the Enterprise Resources Planning (ERP) project to the project for purchase of computer hardware and software. The 2013 borrowing amounts anticipated the transfer of this cash balance. Utilization of this balance is necessitated by the delay in implementing the ERP system and federal tax law requirements related to bond arbitrage.

This resolution is a compilation of General Fund balance appropriations requested to satisfy the identified expenditure overruns within the various General Fund-supported agencies and to address the projected deficiencies in the Workers Compensation and Insurance Funds 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 \$2,949,700, which are expected to exceed budget authorization by the end of the year, and

WHEREAS, a review of the reserve balances in the Workers Compensation and Insurance Funds indicates these funds require supplements of \$1.75 million, and

WHEREAS, the City could appropriate the additional \$5,971,100, from the General Fund Balance to these purposes and remain eligible for future payments under the State’s Expenditure Restraint Program, and

WHEREAS, the 2013 Adopted Capital Budget needs to be amended to transfer \$1,566,000, between Information Technology projects, 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 2013 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:

See Attachment Titled 2013 Year End Appropriations.pdf

and amends the 2013 Capital Budget to transfer \$1,566,000 from the Enterprise Resources Planning (ERP) project to the Hardware and Software Purchases Project within the Information Technology capital budget, and

BE IT FINALLY RESOLVED, that \$4,699,700, be appropriated from the General Fund balance to various departmental operating budgets to fund expenditures during 2013 and to the Workers Compensation and Insurance Funds to alleviate those funds’ accumulated deficit:

General Fund Departments: \$2,949,700
Workers Compensation Fund: \$750,000
Insurance Fund: \$1,000,000
Total Appropriation from General Fund Balance: \$4,699,700