

Reply to Common Council File No. 121602
From DOA-Budget and Management Division

April 22, 2013

Ref: 13010

File Number 121602 contains a substitute resolution authorizing carryover of certain fund balances from 2012 to 2013 in accordance with Section 65.07(1)(p), Wisconsin Statutes.

State statutes permit the carryover of unexpended appropriations from one budget year to the next, up to a maximum of three years following the original appropriation.

Carryover in recent years has been used primarily to provide for (a) budgeted, but uncompleted, projects; (b) planned supplements to program accounts that in effect reduced the level of new appropriations required in the annual budget; (c) payment of encumbrances; and (d) the payment of accrued but unpaid health care benefit and workers compensation expenses.

The recommended list of carryovers is included in Exhibit A. The following highlights some items that may be of particular interest to the Committee's review of this file.

- \$6 million is included for a reserve for health and worker's compensation claims volatility, such as arise from higher-than-projected utilization, large claim occurrences, the actual timing of claims processing, among other factors. The city is completely self-funded and assumes all the risk of costs that exceed budget. This reserve will reduce Contingent Fund exposure for costs that exceed budget.
- \$5.5 million is included to pay Employee Health Care Benefits expenses which have accrued to the 2012 fiscal year, consistent with past practice and generally accepted accounting principles.
- \$1.8 million is included to fund General City salary adjustments that are under consideration. If these adjustments are approved, additional funding will be required and this carryover will allow funding of these adjustments.
- \$1 million in DPW Operations for snow and ice control operations, a carryover assumed in the formulation of the 2013 Adopted Budget.
- \$873,000 for increased demolitions. The city faces an increasing number of blighted properties that exceed available 2013 funding for demolitions. The Common Council approved increased funding from unexpended appropriations and greater than anticipated revenues in 2012, that otherwise would be available for lapse to the Tax Stabilization Fund. This carryover will effectuate the Council's intent.
- \$315,000 for increased street maintenance, including additional crackfilling and utility cut restorations. These expenditures help prevent increases to deferred maintenance.
- \$185,000 for maintenance, management and repair of the city's *in rem* and foreclosed property inventory. The number of properties in the city's inventory has increased, and this carryover will reduce the need for increased funding for this purpose.

- \$90,000 for the Health Department to expand outcome-based harm reduction and risk reduction HIV/AIDS initiatives
- \$54,000 to hire a consultant to conduct an economic analysis of residency requirements.
- \$40,000 is included to fund the Phase 1 component of the Milwaukee Civic Partnership Initiative. The consultant will inventory the city's assets, estimate the revenue that could be generated from these assets, and identify a strategy for implementing the Phase 2 marketing campaign.
- \$10 million in appropriation authority for the Grant and Aid fund, to provide funding for additional unanticipated grant awards in 2013. This is non-tax levy authority.
- \$1,795,043 for Contribution accounts. This is non-tax levy authority.

The recommendations include a total carryover amount of \$32,230,855, which includes \$10,000,000 for the Grant and Aid Fund, \$1,795,043 for Contribution accounts, and \$2,495,479 for Enterprise Funds. The remainder of the recommended carryover is \$17,940,333 in General Fund levy supported appropriations. Approximately 64% of this amount pertains to health care benefits accounts and 10% is for General City salary adjustments that are under consideration. Approximately \$4.6 million supports service capacity; over half of this was either projected as part of 2013 budget development, or reflects costs of previously budgeted, but not yet completed, projects.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER
121602.**



Mark Nicolini
Budget and Management Director

EP:dmr

FINANCE: 121602