

**FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU**

**2006 Proposed Budget Summary: Common Council Contingent Fund**

<b>2004 Actual</b>	<b>2005 Budget</b>	<b>2006 Proposed</b>	<b>Change</b>
\$5,000,000	\$5,000,000	\$5,500,000	10%

**Overview of the Common Council Contingent Fund**

City Contingent Fund spending has been authorized since 1874, when the state legislature enacted a new charter for the City of Milwaukee. Currently, the fund is authorized by Section 18-04-4 of the Milwaukee City Charter and state statute. The Contingent Fund provides for unanticipated needs by enabling transfer of funds into existing or new accounts. Other applications of the funds may be for emergency uses or for purposes for which no express provisions are made in the Budget. Unspent funds revert to the Tax Stabilization Fund. Contingent Fund appropriation requires a 3/4 vote of the Common Council.

**Historical Information**

Contingent Fund expenditures between 1995 and 2004 were as follows:

<b>Year</b>	<b>Appropriation</b>	<b>Expenditure</b>	<b>Expended</b>
1995	6,190,000	3,300,350	53.3%
1996	5,500,000	5,500,000	100%
1997	5,500,000	4,307,167	78.3%
1998	5,400,000	4,505,817	83.4%
1999	5,400,000	5,286,242	97.9%
2000	5,000,000	5,000,000	100%
2001	5,000,000	5,000,000	100%
2002	5,420,458	5,420,458	100%
2003	5,000,000	5,000,000	100%
2004	5,000,000	5,000,000	100%
<b>Average</b>	<b>\$5,341,046</b>	<b>\$4,832,003</b>	<b>91.3%</b>

**As of September 27, 2005 the available remaining 2005 Contingent Fund balance was \$3,614,134 (72% of the total 2005 \$5,000,000 appropriation).**

In December 1992, the Common Council adopted Resolution 921360 to establish criteria and information standards for submittal of all resolutions by City departments and agencies requesting Common Council Contingent Fund appropriations. Any Contingent Fund requests are expected to meet the following criteria to be considered by the Finance and Personnel Committee:

- Emergency Circumstances,
- Obligatory Circumstances, or
- Fiscal Advantage/Compliance with Fiscal Management Principles.

There was no explicit policy of Common Council control over Contingent Fund expenditures prior to adoption of this resolution. The intent of this legislation was to underscore concerns over using the Contingent Fund to initiate new programs or fund non-programmed capital requests outside the budget process.

For purposes of this analysis, Contingent Fund expenditures have been classified as:

**Discretionary** - An expenditure that could be deferred until the following year without significant negative consequences or which should have been foreseen and, consequently, budgeted. Some examples of discretionary expenditures include expenditures for:

- **Consultant services or studies**
- **City employee attendance at conventions and seminars**
- **A new service or program**, or an expanded service or program, outside the budget process
- **Capital improvement projects** not included in that year's budget

**Non-discretionary** - An expenditure that is required due to the nature of the circumstances that clearly meet the newly established criteria: emergency, obligatory or fiscal advantage or, which if deferred, would result in significant negative consequences.

### **Discretionary Contingent Fund Expenditures**

Although the Contingent Fund guidelines allow expenditures for discretionary items, these expenditures have been reduced in recent years compared to the period prior to 1992. **In 2004, \$185,800 for discretionary items was expended.** This discretionary expenditure was for additional garbage/recycling carts.

### **Non-Discretionary Contingent Fund Expenditures**

In 2004, the Common Council approved **\$4,814,200** in non-discretionary Contingent Fund Expenditures. The following major (+\$100,000) expenditures were approved in 2004:

Supplement Worker's Compensation - **\$510,000**

Supplement Various Accounts to close 2004 accounts- **\$2,886,629**

Remission of Taxes- **\$1,283,782**

## **The 2006 Proposed Contingent Fund Appropriation**

The 2006 proposed budget provides \$5,500,000 for the Contingent Fund.

It appears this may be a sufficient funding level, provided that departments plan their budgets to include all programmatic costs throughout 2006 and do not depend on the Contingent Fund as “supplemental funding.” Improved department budgeting procedures as well as avoidance of program initiations, expansions and non-programmed capital outside of the budget process will assist in limiting “discretionary” spending of the 2006 Contingent Fund. If new or expanded programs are approved outside of the budget process, they do not have to compete with other programs during the budget process.

Due to the variability in weather, time and day of snowfall, Contingent Fund expenditures for Snow & Ice Control are perhaps the most unpredictable of operating fund expenditures. Contingent Fund expenditures for Snow & Ice Control were needed in 1990, 1993 – 1996, 1999 and 2000. In the proposed 2006 budget, funding for snow and ice control is based upon average snow and ice control expenditures from the past three years. Unpredictability of weather could expose the 2006 Contingent Fund to appropriations for snow and ice control.

The 2006 proposed budget for the Contingent Fund is increased by 10% from 2005. This increase of \$500,000 has been proposed to compensate for additional risk in 2006 related to uncertainty in the energy market, especially as this uncertainty applies to the price of natural gas for heating and the current volatility in gasoline prices.

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## APPENDIX

### **Classification Definitions of Contingent Fund Expenditures**

1. Collection Contracts: Expenditures made for specific contracts with private firms for collection of fines, forfeitures, overdue payments, etc.
2. Consultant Studies: Expenditures made for consultant services or studies other than for information systems purposes.
3. Conventions/Seminars: Expenditures made for City employee attendance at conventions and seminars.
4. Employee Health Care Benefits: Expenditures made for the payment of Basic Plan premiums, HMO premiums, dental plan premiums, administration or cost containment (any one of the 4 sub-accounts within the Employees' Health Care Benefits SPA).
5. Fiscal Advantage: Expenditures which enable the City to increase or avoid a loss of revenues in an amount greater than the appropriation amount requested in the same year in which the request is made.
6. Fringe Benefits: Expenditures for fringe benefit payments other than one of the employee health care benefit accounts (i.e., workers' compensation, unemployment compensation, group life insurance, employee parking reimbursements).
7. General Liability Judgments: Expenditures for costs of liability judgments against the City, such as damages and claims for liabilities incurred in the provision of general services, damages and claims for vehicular-related incidents, and for miscellaneous small claims.
8. Ice & Snow Control: Expenditures made for snow and ice control operations.
9. Information Systems: Expenditures made for an information systems purpose; they may include pre-development costs, hardware, software, programming, etc.
10. Intergovernmental Agreement: Expenditures made for the implementation of programs agreed upon by City, State or Federal Government agencies.
11. Internal Service Fund Subsidies: Expenditures made to reduce or eliminate a deficit in an internal service fund.
12. Enhanced Law Enforcement: Expenditures for enhanced law enforcement, such as police overtime, special patrols, etc.

13. Outside Legal Counsel/Expert Witness Fees: Expenditures for obtaining outside (i.e., private) legal counsel in cases that present a conflict of interest for the City Attorney or for which the City Attorney's Office lacks expertise.

14. Legal Contracts: Expenditures for specific contracts for services other than for outside legal counsel or expert witness fees.

15. Compliance with State or Federal Mandate: Expenditures made to comply with a mandate of the State or Federal government.

16. Non-Programmed Capital Project: Expenditures for capital improvement projects not included in that year's capital budget. This may include additions to the infrastructure network, repairs to infrastructure or buildings, or "acceleration" of a project planned for a future year.

17. Operating Budget Shortfall: Expenditures for an operating budget item not explicitly defined in any other category.

18. Program Initiation or Expansions: Expenditures made for a new service or program, or an expanded service or program, outside the Budget process. These include "pilot" projects.

19. Remission of Taxes: Expenditures for Remission of Taxes Fund, an item budgeted as a special purpose account that is used to refund property taxes to owners who have had tax liability reduced or canceled as a result of Board of Review actions, a finding of exempt status, or an action by the State Tax Appeals Commission.

20. Special Purpose Account Shortfall: Expenditures for an item in a special purpose account not explicitly defined in any other category.