

Reply to Common Council File No. 111544
From DOA-Budget and Management Division

April 2, 2012

Ref: 12006

File Number 111544 contains a substitute resolution authorizing carryover of certain fund balances from 2011 to 2012 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.

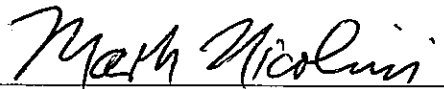
The recommended list of carryovers is included in Exhibit A. The following highlights some items that may be of particular interest to the Committee's review of this file.

- The recommendations include \$396,000 for the Fire Department to enable the operation of a fire suppression company for the entire year. The adopted budget was projected to require one company to be out of service for 6-7 months, in addition to three companies to be removed daily from service for the entire year. This action should enable a more effective transition to a reduced level of fire suppression capacity in addition to providing additional coverage for the entire year.
- The recommendations include \$7,044,504 pertaining to four Employee Health Care Benefits sub-accounts. Approximately \$3.5 million of this total is directed to the payment of expenses which have accrued to the 2011 fiscal year, consistent with past practice and generally accepted accounting principles. The remaining ~ \$3.544 million is directed to a reserve for health benefits claims experience volatility. In 2012 the city initiated self-funding for all benefit contracts; in prior years an insured product covered approximately 90% of plan participants. As a result the city assumes all the risk of experience varying from projected levels of expense. This reserve will reduce Contingent Fund exposure to the financial volatility that can arise from higher-than-projected utilization; large claims occurrences; the actual timing of claims processing; and other factors.
- The recommendations include \$625,393 pertaining to the Damages and Claims Fund special purpose account. This is consistent with past practice as the city is exposed to the potential for large single case occurrences. Building a fund balance reduces the potential need for Contingent Fund appropriations or contingent borrowing.

- The recommendations include \$159,966 to complete seven demolitions of blighted properties, including a 36-unit apartment building. In addition, the recommendations provide \$33,800 for graffiti abatement.
- The recommendations include \$292,698 for the Unified Call Center's licensing expenses for Customer Relationship Management Software. This will provide for three years' worth of fees that, as a result, will not require new budget appropriations.
- The recommendations include \$38,000 for the Health Department to maintain additional clerical support at the STD Clinic in order to continue progress regarding clients being served on the day they visit. In addition, \$100,000 is included for an evaluation (\$35,000) of potential "short-term" solutions to deficiencies associated with the Health Department's CHILI application, with \$65,000 being made available for implementation of the potential solution.
- The recommendations include \$45,000 for the Department of Administration to implement the new management intern program in 2012.

In summary, the recommendations include carryover of \$13,960,307 of levy supported funds. Approximately 58% of this amount pertains to health care benefits and workers compensation accounts.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER
111544 AS SUBSTITUTED.**



Mark Nicolini
Budget and Management Director

DY:dmr

FINANCE: 111544