

Reply to Common Council File No. 191595
From DOA-Budget and Management Division

April 29, 2020

Ref: 19007

Common Council File 191595 contains a resolution appropriating up to \$5,000,000 from the 2019 Common Council Contingent Fund for the purpose of closing the 2019 financial books due to unanticipated shortfalls in current-year operating expenses.

This file is introduced to provide appropriation authority for various 2019 budget accounts which had expenditures in excess of their budget appropriations. The Contingent Fund is established to provide funding authority for accounts in these circumstances. This file is needed to authorize transfers from the Contingent Fund to the accounts specified in the resolution in order to close the 2019 financial books. A companion file authorizing contingent borrowing will also be needed to close the 2019 financial books.

Several accounts require Contingent Fund transfers. Most of the funds (94%) are needed for the following accounts:

- DPW Operations Division Salary Expenditures Account requires a transfer of \$1,737,190. The primary driver of over expenditures in 2019 were higher than anticipated staffing costs for snow and ice control operations.
- DPW Operations Division Operating Expenditures Account requires a transfer of \$645,495. The primary drivers of over expenditures in 2019 was higher than anticipated snow and ice control operations, greater than anticipated vehicle rental costs, MPD vehicle repair costs and security costs.
- The UHC Choice Plus PPO Employee Health Care Benefit Account requires a transfer of \$874,129. Health care usage, catastrophic claims, and pharmacy expenditures were greater than anticipated in 2019.
- Social Security Tax Account requires a transfer of \$457,844. Salaries were higher than anticipated in 2019 requiring the City to pay additional social security tax.
- Library Operating Expenditures requires a transfer of \$375,525. Primary causes were increases in contracted security costs and unbudgeted expenses related to property services.
- Health Department Operating Expenditures requires a transfer of \$251,104. The primary cause was increased use of contractors and the auxiliary resource program to reduce the impact of the department's high vacancy rate.
- Police department operating expenditures requires a transfer of \$217,287. The primary factor was higher than expected costs for uniform replacements/uniforms for new hires coupled with overages in the Ambassador Program and the ACLU Consulting Services.

- Neighborhood Services Department Operating Expenditures Account requires a transfer of \$112,419. The primary cause of the overrun was due to needing greater than anticipated services from the Department of Public Works for building maintenance.

As of 4/29/2019, there is an uncommitted balance of \$4,700,000 remaining in the 2019 Contingent Fund. This file will rescind the previous \$300,000 set aside during 2019 and transfer \$5,000,000 from the 2019 Contingent Fund to various departments and accounts so that these funds can be used to offset expenditures that exceeded budget appropriations. These expenses have already been incurred, so funding must be provided to offset the expense. If transfers from the Contingent Fund to these accounts are not made, the Common Council will need to authorize Contingent Borrowing to offset these expenses. If the requested Contingent Fund transfers are approved the 2019 Contingent Fund will be fully expended.

RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER 191595

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BJR:
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