

## **RESEARCH AND ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU**

### **2008 Proposed Budget Summary: Common Council Contingent Fund**

<b>2006 Actual</b>	<b>2007 Budget</b>	<b>2008 Proposed</b>	<b>Change</b>
\$5,436,801	\$5,500,000	\$5,000,000	-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 1997 and 2006 were as follows:

<b>Year</b>	<b>Appropriation</b>	<b>Expenditure</b>	<b>Expended</b>
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%
2005	5,000,000	5,000,000	100%
2006	5,500,000	5,436,801	98.9%
<b>Average</b>	<b>\$5,222,045</b>	<b>\$4,995,648</b>	<b>95.6%</b>

**As of October 1, 2007, the available remaining 2007 Contingent Fund balance was \$2,372,000 (43% of the total 2007 \$5,500,000 appropriation).**

In December 1992, the Common Council adopted Resolution File Number 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 2006, \$143,000 for a discretionary item was expended.** This discretionary expenditure replaced \$143,000 of debt financed expenditure authority in three 2006 capital accounts for a training and certification program for specific skilled trades for Milwaukee residents.

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

For 2006, the Common Council approved **\$5,293,801** in non-discretionary Contingent Fund Expenditures. The following major (+\$100,000) expenditures were approved for 2006:

1. **City Attorney** salaries account - \$327,320 for costs relating to the manner staff salaries for legal services provided to RACM were accounted for and the retirement of 2 City Attorneys. RACM deposited funds for City Attorney legal services into the City's General Fund rather than to a City Attorney's Office account, creating a shortfall in the City Attorney's salaries account. A portion of the shortage was due to benefit payouts that were made out of the Salary account for two attorneys that retired in 2006.

2. **Assessor's Office** salaries account - \$158,048 due to lower than anticipated vacancies, unpaid leaves, etc. than were anticipated in the department's 2006 Personnel Cost Adjustment.
3. **Fire Department** salaries account - \$962,177 for costs related to greater than anticipated expenses for sick leave and FMLA leave.
4. **Fire Department** operating account - \$459,383 for energy related costs.
5. **Police Department** salaries account - \$2,182,787 for overtime expenses.
6. **Remission of Taxes SPA** - \$700,000 to remit tax overpayments to two large manufacturing taxpayers, Newark and Gagliano, which were successful in their appeals at the state level to have certain land, buildings and equipment declared eligible for tax exemption under state statutes

### **The 2008 Proposed Contingent Fund Appropriation**

The 2008 proposed budget provides \$5,000,000 for the Contingent Fund, a \$500,000 decrease from the amount provided in the 2007 Budget. The proposed reduction reflects a \$1.8 million increase in the Police Department's 2008 overtime funding. The increase in overtime funding should decrease the Fund's exposure to Police overtime expenses. In recent years, there have been significant transfers from the Contingent Fund for Police overtime. For example, in 2006, approximately \$2.2 million was transferred for Police overtime and in 2007 \$1,975,000 was reserved in the Contingent Fund for overtime related to the Police Department's "Neighborhood Safety Initiative".

For 2008, the unpredictability of weather could expose the 2008 Contingent Fund to appropriations for snow and ice control. Contingent Fund expenditures for Snow & Ice Control were needed in 1990, 1993 – 1996, 1999, 2000, 2005 and in 2007 up to \$1 million has been reserved for snow and ice control operations.

There is also uncertainty in the energy market, especially it applies to the price of natural gas for heating and the current volatility in gasoline prices. The volatility in the cost of energy is expected to continue in 2008.

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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.