



**Department of Administration
Budget and Management Division**

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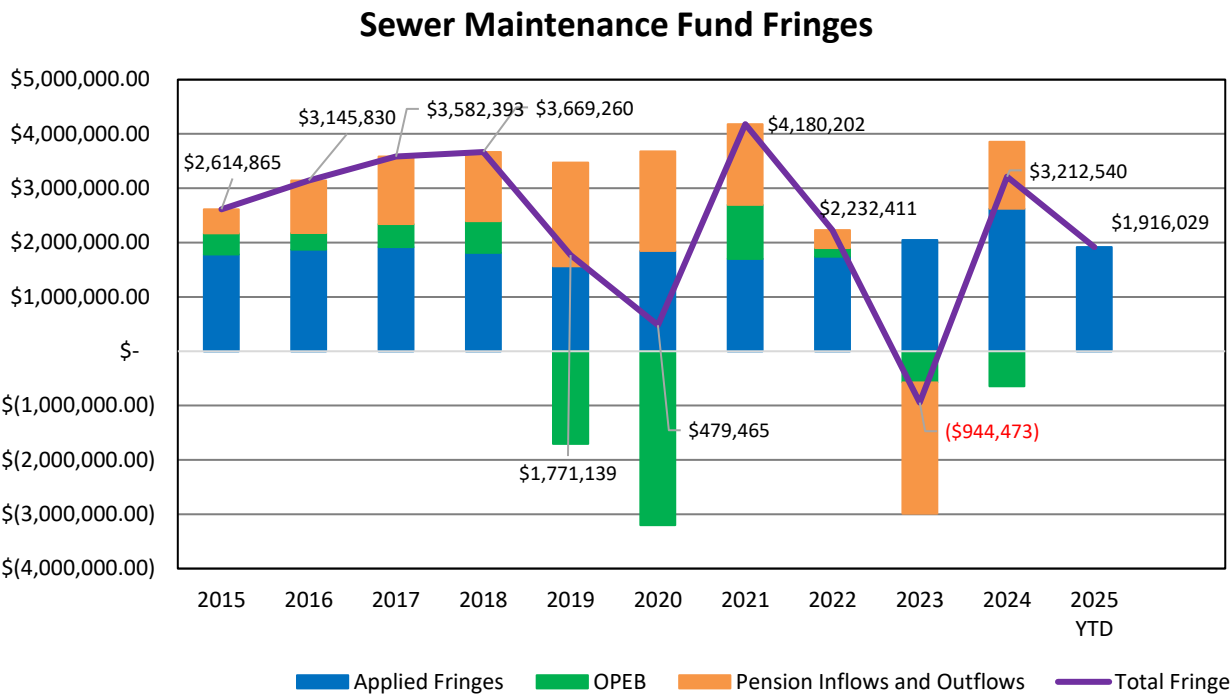
MEMORANDUM

To: Finance and Personnel Committee Members
From: Nathaniel Haack, Budget and Management Division
Subject: Sewer Maintenance Fund Fringe Estimates

Dear Finance and Personnel Committee Members,

Thank you for your questions about the fringe benefit estimates for the Sewer Maintenance Fund. Until the 2025 budget, the Sewer Maintenance Fund budget included both applied and indirect fringe estimates. When this change was made and discussed in 2025, the intention was to continue budgeting this way from 2025 forward. As an enterprise fund, the Sewer Maintenance Fund must budget and pay for its employee benefits directly.

Indirect fringe includes pension obligations and other post-employment benefits. Expenses for these retirement benefits can vary significantly, primarily due to deferred inflows and outflows, which are based on actuarial calculations to represent expenses and revenues that will be reported in future reporting periods in accordance with Generally Accepted Accounting Principles (GAAP). Major swings in these, which impact future net position, but not cash flow, caused the actual fringe rate – when incorporating these indirect fringes – to be negative over \$900,000 in 2023. Working with the Comptroller's Office, we determined that as operating budgets already are not created with full accrual accounting – they do not account for other financial aspects of net position (as reported in the ACFR) such as accounts payable, unearned revenues, and depreciation – that it would be more accurate and transparent to budget only for applied fringes, such as healthcare. This does not impact the department's actual financial obligations nor net position.



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Budget/2026budget/F&P questions/ Sewer Maintenance Fund Fringe Estimates