

Reply to Common Council File No. 141674
From DOA-Budget and Management Division

May 4, 2014

Ref: 15007

Common Council File 141674 contains a resolution appropriating up to \$4,046,637 from the 2014 Common Council Contingent Fund for the purpose of closing the 2014 financial books due to unanticipated shortfalls in current-year operating expenses.

This file is introduced to provide appropriation authority for various 2014 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 2014 financial books.

Several accounts require Contingent Fund transfers. The majority of the funds (98%) are needed for four accounts, as explained below:

- DPW Operations Division Operating Expenditures Account requires a transfer of \$2,679,725. The primary driver of over expenditures in 2014 was adverse weather conditions, which resulted in higher than anticipated snow and ice control operations. The higher level of snow and ice control operations contributed to increased expenses for salt, vehicle rental, and vehicle repairs. A 14% mid-year price increase to both salt (about \$360,000) and solid waste tipping fees (about \$500,000) compounded these impacts on the Operating Expenditures account.
- DPW Infrastructure Services Operating Expenditures Account requires a transfer of \$949,488. This results primarily from higher expenditures related to severe winter weather. Expenditures for electricity in facilities managed by DPW were \$231,401 higher than the amount included in the 2014 budget. Costs for natural gas in DPW managed facilities in 2014 were \$152,249 higher than what was included in the 2014 budget. These increased costs can be attributed to higher than anticipated rate increases as well as the extreme cold experienced in early 2014. Harsh winter conditions also caused expenditures related to pothole patching to be \$401,661 higher than the average of the prior three years. The remaining \$164,177 overage resulted from several miscellaneous programs including permanent street repairs, ironwork maintenance on bridges, and repairs and maintenance to building mechanical systems.
- City Attorney Collection Contract Special Purpose Account requires a transfer of \$213,482. This account funds contracts with private collection companies for the collection of outstanding city receivables and overdue Municipal Court judgments. CCFN 130538 authorized an amendment to the contract for the collection of delinquent personal and real property tax bills. The collection of these bills was moved six months earlier, starting in November 2013, rather than April 2014. The goal of providing taxpayers with more time to make payment arrangements with the private collection company is to reduce the number of in rem tax foreclosures and increase the collection of

delinquent taxes. Shifting collection efforts six months earlier than would normally occur, resulted in higher expenses in 2014 for the Collection Contract Special Purpose Account. The appropriation for this account was increased in the 2015 adopted budget to reflect the higher anticipated costs for collection efforts.

- City Attorney Outside Counsel/Expert Witness Special Purpose Account requires a transfer of \$126,681. This account supports the legal expenses incurred by the city for the retention of outside counsel and experts necessary for litigation and related efforts. Expenditures for these services were higher than anticipated in the 2014 budget was adopted.

As of May 1, 2015, there is an uncommitted balance of \$4,135,000 remaining in the 2014 Contingent Fund. This file will transfer \$4,046,637 from the 2014 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 has to 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, approximately \$88,363 will remain in the 2014 Contingent Fund. If not utilized for other purposes, this uncommitted balance will lapse to the Tax Stabilization Fund.

RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER 141674.



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