

FY 2017 Year-End Financial Performance Report:

Additional Information Regarding Salaries and Wages

IBA Report 17-37

City Council Meeting

November 6, 2017

Item 201



Independent Budget Analyst



Introduction

- Financial Management (FM) provides detailed coverage of FY17 financial activity:
 - In the *Year-End Budget Monitoring Report*
 - In the *Year-End Financial Performance Report (YEPR)*
- *IBA Report 17-37* focuses on FY17 final (unaudited) General Fund salaries and wages.

Introduction

- FM's *YEPR* compares FY17 *Year-End Report* projections to the (unaudited) actuals.
- The IBA's variance analysis compares the FY17 Adopted Budget to the (unaudited) actuals.
 - A useful data point for analysis of amounts for the FY19 budget
 - The FY19 budget cycle begins with the release of the *Five-Year Financial Outlook* in November



As compared to the Adopted Budget, FY17 actual salaries and wages net expenditures were \$1.9M over budget, or 0.4%.

- Relatively low variance
- Large and offsetting components within salaries and wages sub-categories (such as salaries, special pay, overtime)
- \$15.7M under budget salaries largely offsets overages in other sub-categories

FY 2017 General Fund Salaries and Wages Expenditures			
<i>(dollars in millions)</i>	Adopted Budget	YEPR	Variance: Adopted to YEPR
Salaries	\$ 428.8	\$ 413.2	\$ (15.7)
Special Pay	28.2	32.1	4.0
Subtotal Overtime	53.4	64.0	10.6
Hourly Wages	14.0	14.2	0.1
Vacation Pay-in-Lieu	7.2	9.2	1.9
Termination Pay	<u>2.8</u>	<u>3.8</u>	<u>0.9</u>
TOTAL	<u>\$ 534.5</u>	<u>\$ 536.4</u>	<u>\$ 1.9</u>

Note: Table may not total due to rounding.



FY 2017 General Fund Expenditures: Salaries Sub-Category			
<i>(dollars in millions)</i>	Adopted Budget	YEPR	Variance: Adopted to YEPR
Fire-Rescue	\$ 73.2	\$ 73.0	\$ (0.2)
Park & Recreation	31.0	29.0	(2.0)
Police	169.6	164.6	(4.9)
Public Works - General Services	8.6	7.2	(1.5)
Transportation & Storm Water	29.6	27.9	(1.7)
Other Departments	116.9	111.6	(5.3)
TOTAL	\$ 428.8	\$ 413.2	\$ (15.7)

Note: Table may not total due to rounding.

- The \$15.7M salary savings is additional vacancy savings above the \$30.4M budgeted for FY17.
- Total FY17 vacancy savings (budgeted plus \$15.7M in excess of budget) is about \$46.1M.
 - Total FY16 vacancy savings was approximately \$43.4M.

The FY19 vacancy savings budget may need to be further right-sized.

- Actual vacancy savings trending around \$45.0M in FY16 and FY17
- Compared to FY16 vacancy savings budget of \$21.5M
 - FY17 vacancy savings budget increased to \$30.4M
 - ✓ Up \$8.9M
 - FY18 vacancy savings budget: similar, at \$29.7M
 - ✓ With offsetting adjustments in Police and Fire-Rescue Depts. that need to be monitored
- A reasonable budgeting approach in the absence of hind-sight information regarding FY17 hiring activity.

Some areas affecting vacancy savings to be considered in future budget cycles

- Continued (or new) hiring difficulties
- Anticipated budget deficits leading to an environment where hiring may be stifled
- Estimated future retirement trends
- Adjustment of vacancy savings for new positions
 - FM's FY17 Mid-Year Budget Monitoring Report noted as of January 20, 2017, 72% or 150.74 of the 209.48 new full-time equivalent (FTE) positions had been filled.

Special pay expenditures were \$32.1M in FY17, approximately \$4.0M higher than the \$28.2M budget.

- The largest overages were in the Fire-Rescue and Police Departments at \$1.7M and \$1.6M, respectively.
- The variances are largely related to special pay that is associated with overtime.
- We recommend that FM examine potentially including a budget amount for such special pay expenditures.

Overtime: significantly increased since FY15

- The FY18 \$61.5M overtime budget is less than the \$64.0M expended in FY17.
- The \$2.5M difference is largely related to TSW for winter storm issues that are not expected to recur.
 - FY18 TSW budget is \$1.1M, \$2.1M less than the \$3.2M FY17 expenditures.

Budgeted General Fund Overtime <i>(dollars in millions)</i>			
FY 2015	FY 2016	FY 2017	FY 2018
\$ 40.0	\$ 50.2	\$ 53.4	\$ 61.5

FY 2017 General Fund Expenditures Overtime Sub-Category			
<i>(dollars in millions)</i>	Adopted Budget	YEPR	Variance: Adopted to YEPR
Fire-Rescue	\$ 30.1	\$ 32.5	\$ 2.3
Police	21.0	26.0	5.0
Transportation & Storm Water (TSW)	1.0	3.2	2.2
Other Departments	1.3	2.3	1.1
TOTAL	\$ 53.4	\$ 64.0	\$ 10.6

Note: Table may not total due to rounding.

Conclusion

- The information in this report is presented for reference as the City moves into the FY 2019 budget cycle and works toward continued improvements to the budgeting process.
- FM has been working diligently since the initial implementation of SAP to refine budgeting practices and the use of the system, as well as to right-size budget expenditures in various departments and overall categories in a changing environment.
- With continued efforts and the help of City departments, we anticipate further refinements to this complex process.