



Wauwatosa, WI

Financial Affairs Committee

Meeting Agenda - Final

7725 W. North Avenue
Wauwatosa, WI 53213

Tuesday, April 8, 2025

6:30 PM

Committee Room #1 and Zoom:
<https://servetosa.zoom.us/j/81144274572>,
Meeting ID: 811 4427 4572

Regular Meeting

HYBRID MEETING INFORMATION

Members of the public may observe and participate in the meeting in-person or via Zoom at the link above. To access the Zoom meeting via phone, call 1-312-626-6799 and enter the Meeting ID.

CALL TO ORDER

ROLL CALL

FINANCIAL AFFAIRS COMMITTEE ITEMS

1. Presentation of biennial actuarial report of retiree health insurance liability [25-0514](#)
2. Report on 2024 Unaudited Financial Results [25-0556](#)

ADJOURNMENT

NOTICE TO PERSONS WITH A DISABILITY

Persons with a disability who need assistance to participate in this meeting should call the City Clerk's office at (414) 479-8917 or send an email to tclerk@wauwatosa.net, with as much advance notice as possible.



Staff Report

File #: 25-0514

Agenda Date: 4/8/2025

Agenda #: 1.

Presentation of biennial actuarial report of retiree health insurance liability

Submitted by:

John Ruggini and Beth Mbow

Department:

Finance and Human Resources

A. Issue

This is an informational item reporting on the results of the 2024 retiree medical expense and liability actuarial valuation as required under Governmental Accounting Standards Board Statement 75.

B. Background/Options

GASB 75

Federal law requires the City to have prepared on its behalf an actuarial valuation of the City's current retiree health benefit program. This is required by the Governmental Accounting Standards Board and is commonly called "GASB 75." The retiree health program was ended for general employees hired after January 1, 2015. For police officers and supervisors hired after January 1, 2019, and Firefighters hired after January 1, 2021, the City pays a fixed monthly amount towards their retiree health insurance until age 65. A full description of the benefit can be found on page 18-20.

It is important to note that the requirement is only that an actuarial valuation be completed and that the liability be reflected in the City's financial statements. The City is not required to fund the liability, although the state legislature has considered, but never codified that requirement. Historically, the City pays for its post-employment liability (i.e. retiree health insurance) on a "pay as you go" basis, meaning that the City funds the liability one year at a time and does not pre-fund future liability.

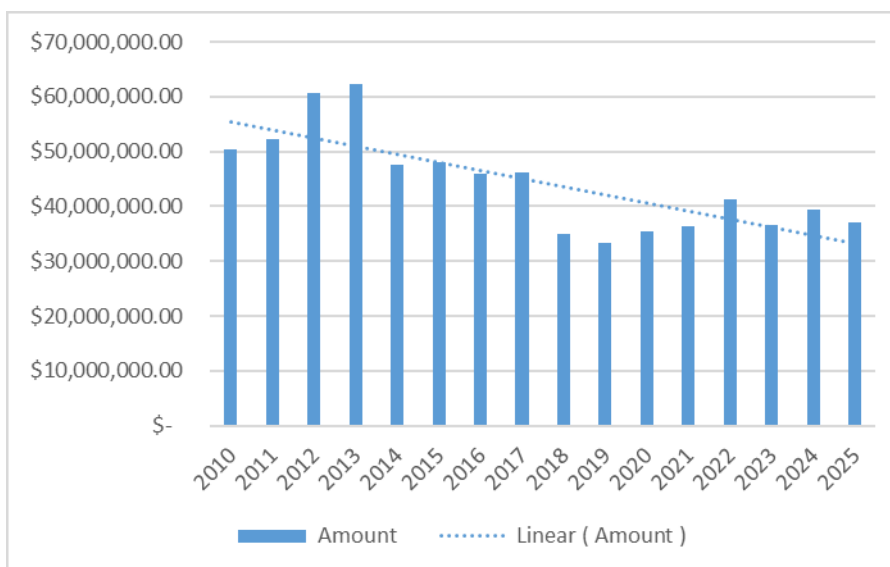
Values Reported:

A representative from Milliman, who conducted the valuation, will be present at Tuesday's meeting for a more detailed discussion, but the following is a brief summary. GASB 75 liability typically refers to the calculation called "Unfunded Actuarial Accrued Liability." This is now referred to as the "Other Post-Employment Benefit (OPEB) Liability. This represents the amount of the liability to pay for retirement health insurance for all current employees and retirees in current dollars. It is not what the City owes in any given year, but rather the City's projected liability to pay for the entire retirement benefit from the stated date until all active employees and retirees are off the plan. This is considered a "closed group" analysis, meaning the analysis does not include future hires.

The Unfunded Actuarial Accrued Liability for the City is:

- December 31, 2024: \$39,361,560
- December 31, 2025: \$37,097,953

The chart below shows the amount of the retiree health insurance liability since 2010 and shows a downward trend although it has been creeping upwards over the past 4 years.



The \$2.8 million increase from 2023 to 2024 is largely the result of assumption changes. An assumed decrease in interest rates from 3.72% to 3.26% based on the 20-year bond rate contributed to 22% of the increase before netting benefit payments. In addition, demographic changes that differed from assumptions, including earlier than assumed protective safety retirements and higher than assumed marital rates, contributed 32% to the increase.

As no new employees are eligible for a defined retiree health insurance benefit (Fire and Police union employees are eligible for a defined \$700 monthly contribution) where the City pays a large portion of an ever increasing premium, this liability will eventually begin declining. Importantly, the projected cash flow through 2034 which has the largest impact on the budget is relatively stable as shown below.

Also of note, the 2025 projection from 2016 was \$3,035,000 which is 13% more than what is projected below for 2025. This is due to many factors including the cost containments strategies put in place by the City and employees making smart wellness and health consumerism choices.

Year	City Employees
2025	\$2,677,074
2026	2,794,289
2027	2,869,298
2028	3,088,965
2029	3,084,540
2030	3,055,309
2031	3,166,174
2032	3,250,715
2033	3,311,356
2034	3,011,784

This report also includes a projection of the sick conversion that was granted in 2008 as part of reduction in the Retiree Health Care benefit. This benefit was ended for general employees hired after January 1, 2015 but police

and fire employees still qualify. In the 2024 report, the current accrued liability is \$2,748,575 compared to the \$1,913,840 reported 4 years ago and will continue to grow as individuals eligible get closer to retirement. The table below shows the expected cash flow projection. A decision will have to be made over the next several years as to try and pre-fund this benefit or continue to cash-finance the annual cost.

Present Value of Future Benefits	Accrued Liability	Normal Cost
\$5,965,302	\$2,748,575	\$262,324

Cash Flow Projections, the Annual Undiscounted Cost of Sick Leave Conversion at Retirement for Current Active Employees

Year	City Employees
2025	\$ 48,000
2026	42,000
2027	52,000
2028	77,000
2029	73,000
2030	102,000
2031	116,000
2032	123,000
2033	140,000
2034	186,000

C. Strategic Plan (Area of Focus)

Priority Area One: Economic Development & Financial Resilience

D. Fiscal Impact

As a result of this valuation, the liability reported on the Statement of Net Position will increase \$2,743,130 to \$39,361,560 for the reasons discussed above. A non-cash expense of \$4,034,277 will be added to the Health/Life Fund as of 12/31/24.

E. Recommendation

This is an informational report

City of Wauwatosa Retiree Medical Plan

GASB 75 Disclosure
Fiscal Years: 2024 and 2025

Prepared by

John M. Chmielewski, FSA, EA, MAAA
Principal and Consulting Actuary

Steven G. Hanson, ASA, MAAA
Senior Consulting Actuary



Issued March 20, 2025



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Certification

Actuarial computations presented in this report under Statement 75 of the Governmental Accounting Standards Board are for purposes of assisting the City in fulfilling its financial accounting requirements. This report is for fiscal years January 1, 2024 to December 31, 2024 and January 1, 2025 to December 31, 2025. The reporting dates for determining plan assets and obligations are December 31, 2024 and December 31, 2025. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

In preparing this report, we relied, without audit, on information as of December 31, 2024 furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information. The membership as of December 31, 2024 includes 286 active participants and 91 retirees.

We performed a limited review of the census and financial information used directly in our analysis and have found them to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

Actuarial assumptions, including mortality tables and others identified in this report are adopted by the City. In compliance with GASB Statement No. 75, the discount rate reflects an index rate for 20-year, tax-exempt general obligation municipal bonds with average rating of AA or higher and the individual entry age actuarial cost method is used. All costs, liabilities, rates of interest, and other factors for the Plan have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated future experience affecting the Plan and are expected to have no significant bias.

This valuation report is only an estimate of the plan's financial condition as of a single date. It can neither predict the plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of plan benefits. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of future measurements.

Certification

The valuation results were developed using models employing standard actuarial techniques. The intent of the models was to estimate retiree claim costs and trend used in this analysis. We have reviewed the models, including their inputs, calculations, and outputs, for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOPs). The models, including all input, calculations, and output may not be appropriate for any other purpose.

Milliman's work is prepared solely for the internal use and benefit of the City of Wauwatosa. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to the Plan Sponsor's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the City; and (b) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

This report and its use are subject to the terms of our Consulting Services Agreement with the City of Wauwatosa dated November 23, 2010.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. Steven G. Hanson is responsible for the work related to the current expected healthcare benefit costs and trend rates. John M. Chmielewski is responsible for projecting the current costs into future years using the valuation assumptions and methodology and then calculating the accounting costs and liabilities reported herein.



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Principal and Consulting Actuary



Steven G. Hanson, ASA, MAAA
Senior Consulting Actuary

Overview of GASB 75

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Executive Summary

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is December 31, 2024. This is the date as of which the actuarial valuation is performed. The Measurement Dates are December 31, 2023 and December 31, 2024. This is the date as of which the total OPEB liability is determined. The Reporting Dates are December 31, 2024 and December 31, 2025. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

Police represented employees and Police supervisors hired after 3/1/2024 must have 15 years of service to be eligible for the retiree insurance benefit.

Participant Data as of December 31, 2024

Actives	286
Retirees	91
Beneficiaries	<u>0</u>
Total	377

Total OPEB Liability

Fiscal Year Ending	December 31, 2024	December 31, 2025
Total OPEB liability	\$39,361,560	\$37,097,953
Covered payroll	38,733,565	40,572,631
Total OPEB liability as a % of covered payroll	101.62%	91.44%

The total OPEB liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions below.

Discount Rate

Discount rate	3.26%	4.08%
20 Year Tax-Exempt Municipal Bond Yield	3.26%	4.08%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of December 31, 2024 and December 31, 2025 were based on the results of an actuarial experience study for the period 2021-2023 for the Wisconsin Retirement System (WRS).

Valuation date	December 31, 2024	December 31, 2024
Measurement date	December 31, 2023	December 31, 2024
Actuarial cost method	Entry Age Normal	Entry Age Normal
Salary increases including inflation	WRS; see "Actuarial Assumptions" for details	WRS; see "Actuarial Assumptions" for details
Mortality	WRS; see "Actuarial Assumptions" for details	WRS; see "Actuarial Assumptions" for details

Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability	
	2024	2025
Beginning of Year Balance	\$36,618,430	\$39,361,560
Changes for the year:		
Service cost	1,321,853	1,484,346
Interest on total OPEB liability	1,349,587	1,291,792
Effect of plan changes	0	0
Effect of economic/demographic gains or losses	1,964,431	(381,796)
Effect of assumptions changes or inputs	1,460,046	(2,197,398)
Benefit payments	<u>(3,352,787)</u>	<u>(2,460,551)</u>
End of Year Balance	39,361,560	37,097,953

Cash Flow Projections

Cash Flow Projections, the Annual Undiscounted Cost of Retiree Medical Benefits Current Retiree Plus Current Active Employees

Year	City Employees
2025	\$2,677,074
2026	2,794,289
2027	2,869,298
2028	3,088,965
2029	3,084,540
2030	3,055,309
2031	3,166,174
2032	3,250,715
2033	3,311,356
2034	3,011,784

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	2024		
	1% Decrease	Discount Rate	1% Increase
	2.26%	3.26%	4.26%
Total OPEB liability	\$42,297,701	\$39,361,560	\$36,693,413

	2025		
	1% Decrease	Discount Rate	1% Increase
	3.08%	4.08%	5.08%
Total OPEB liability	\$39,801,073	\$37,097,953	\$34,636,571

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	2024		
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$36,458,049	\$39,361,560	\$42,704,189

	2025		
	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$34,177,727	\$37,097,953	\$40,459,299

Milliman GASB 75 Disclosure for Fiscal Years Ending December 31, 2024 and December 31, 2025
City of Wauwatosa Retiree Medical Plan

Schedule of Changes in Total OPEB Liability and Related Ratios (in 1,000s)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability										
Service cost	\$1,484	\$1,322	\$1,753	\$1,629	\$1,423	\$1,193	\$1,298	\$1,173	N/A	N/A
Interest on total OPEB liability	1,292	1,350	853	779	965	1,350	1,192	1,311	N/A	N/A
Effect of plan changes	0	0	0	0	0	17	0	0	N/A	N/A
Effect of economic/demographic (gains) or losses	(382)	1,964	280	2,237	635	1,450	661	0	N/A	N/A
Effect of assumption changes or inputs	(2,197)	1,460	(4,384)	2,730	1,386	1,502	(1,491)	784	N/A	N/A
Benefit payments	(2,461)	(3,353)	(3,067)	(2,636)	(3,492)	(3,384)	(3,221)	(3,593)	N/A	N/A
Net change in total OPEB liability	(2,264)	2,743	(4,566)	4,739	916	2,129	(1,560)	(325)	N/A	N/A
Total OPEB liability, beginning	39,362	36,618	41,185	36,445	35,530	33,401	34,961	35,286	N/A	N/A
Total OPEB liability, ending	37,098	39,362	36,618	41,185	36,445	35,530	33,401	34,961	N/A	N/A
Covered payroll	40,573	38,734	36,059	34,556	35,326	32,373	29,943	29,094	N/A	N/A
Total OPEB liability as a % of covered payroll	91.44%	101.62%	101.55%	119.18%	103.17%	109.75%	111.55%	120.17%	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

OPEB Expense

Fiscal Year	January 1, 2024 to December 31, 2024	January 1, 2025 to December 31, 2025
Service cost	\$1,321,853	\$1,484,346
Interest on total OPEB liability	1,349,587	1,291,792
Effect of plan changes	0	0
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of economic/demographic gains or losses	1,095,327	1,019,858
Recognition of assumption changes or inputs	267,510	(121,364)
OPEB Expense	<u>4,034,277</u>	<u>3,674,632</u>

As of December 31, 2024, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$0	\$3,768,118
Changes of assumptions	<u>(3,199,883)</u>	<u>3,651,346</u>
Total	<u>(3,199,883)</u>	<u>7,419,464</u>

As of December 31, 2025, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$323,772)	\$2,690,236
Changes of assumptions	<u>(4,202,229)</u>	<u>2,577,658</u>
	<u>(4,526,001)</u>	<u>5,267,894</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended December 31:	2024	2025
2025	\$1,290,469	N/A
2026	1,285,389	893,414
2027	881,679	489,704
2028	214,239	(177,736)
2029	245,950	(146,025)
2030	301,855	(90,120)
Thereafter*	0	(227,344)

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

Schedule of Deferred Inflows and Outflows of Resources For Fiscal Year Ending December 31, 2024

	Original Amount	Date Established	Original Rec. Period*	Amount Recognized in Expense for FYE 12/31/2024	Balance of Deferred Inflows 12/31/2024	Balance of Deferred Outflows 12/31/2024
Economic/ demographic (gains) or losses	\$1,964,431	12/31/2024	6.58	\$298,546	\$0	\$1,665,885
	279,844	12/31/2023	6.43	43,522	0	192,800
	2,236,595	12/31/2022	6.43	347,837	0	1,193,084
	634,893	12/31/2021	6.76	93,919	0	259,217
	1,450,482	12/31/2020	6.76	214,568	0	377,642
	661,100	12/31/2019	6.82	<u>96,935</u>	<u>0</u>	<u>79,490</u>
	Total			1,095,327	0	3,768,118
Assumption changes or inputs	1,460,046	12/31/2024	6.58	221,891	0	1,238,155
	(4,384,365)	12/31/2023	6.43	(681,861)	(3,020,643)	0
	2,730,024	12/31/2022	6.43	424,576	0	1,456,296
	1,385,687	12/31/2021	6.76	204,983	0	565,755
	1,502,330	12/31/2020	6.76	222,238	0	391,140
	(1,490,762)	12/31/2019	6.82	(218,587)	(179,240)	0
	784,072	12/31/2018	6.82	<u>94,270</u>	<u>0</u>	<u>0</u>
	Total			267,510	(3,199,883)	3,651,346
Total deferred (inflows)/outflows					(3,199,883)	7,419,464
Total net deferrals						4,219,581

* Economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Schedule of Deferred Inflows and Outflows of Resources For Fiscal Year Ending December 31, 2025

	Original Amount	Date Established	Original Rec. Period*	Amount Recognized in Expense for FYE 12/31/2025	Balance of Deferred Inflows 12/31/2025	Balance of Deferred Outflows 12/31/2025
Economic/ demographic (gains) or losses	(\$381,796)	12/31/2025	6.58	(\$58,024)	(\$323,772)	\$0
	1,964,431	12/31/2024	6.58	298,546	0	1,367,339
	279,844	12/31/2023	6.43	43,522	0	149,278
	2,236,595	12/31/2022	6.43	347,837	0	845,247
	634,893	12/31/2021	6.76	93,919	0	165,298
	1,450,482	12/31/2020	6.76	214,568	0	163,074
	661,100	12/31/2019	6.82	<u>79,490</u>	<u>0</u>	<u>0</u>
	Total			1,019,858	(323,772)	2,690,236
Assumption changes or inputs	(2,197,398)	12/31/2025	6.58	(333,951)	(1,863,447)	0
	1,460,046	12/31/2024	6.58	221,891	0	1,016,264
	(4,384,365)	12/31/2023	6.43	(681,861)	(2,338,782)	0
	2,730,024	12/31/2022	6.43	424,576	0	1,031,720
	1,385,687	12/31/2021	6.76	204,983	0	360,772
	1,502,330	12/31/2020	6.76	222,238	0	168,902
	(1,490,762)	12/31/2019	6.82	<u>(179,240)</u>	<u>0</u>	<u>0</u>
	Total			(121,364)	(4,202,229)	2,577,658
Total deferred (inflows)/outflows					(4,526,001)	5,267,894
Total net deferrals						741,893

* Economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Milliman GASB 75 Disclosure for Fiscal Years Ending December 31, 2024 and December 31, 2025
City of Wauwatosa Retiree Medical Plan

Summary Chart

	Total OPEB Liability	Deferred Inflows	Deferred Outflows	Net Deferrals	Total OPEB Liability plus Net Deferrals	Annual Expense
Balances as of December 31, 2023	(\$36,618,430)	(\$4,100,331)	\$6,258,272	\$2,157,941	(\$34,460,489)	
Service cost	(1,321,853)					1,321,853
Interest on total OPEB liability	(1,349,587)					1,349,587
Effect of plan changes	0					0
Effect of liability gains or losses	(1,964,431)		1,964,431	1,964,431		
Effect of assumption changes or inputs	(1,460,046)		1,460,046	1,460,046		
Benefit payments	3,352,787				3,352,787	
Recognition of liability gains or losses			(1,095,327)	(1,095,327)		1,095,327
Recognition of assumption changes or inputs		900,448	(1,167,958)	(267,510)		267,510
Annual expense					(4,034,277)	4,034,277
Balances as of December 31, 2024	(39,361,560)	(3,199,883)	7,419,464	4,219,581	(35,141,979)	

	Total OPEB Liability	Deferred Inflows	Deferred Outflows	Net Deferrals	Total OPEB Liability plus Net Deferrals	Annual Expense
Balances as of December 31, 2024	(\$39,361,560)	(\$3,199,883)	\$7,419,464	\$4,219,581	(\$35,141,979)	
Service cost	(1,484,346)					1,484,346
Interest on total OPEB liability	(1,291,792)					1,291,792
Effect of plan changes	0					0
Effect of liability gains or losses	381,796	(381,796)		(381,796)		
Effect of assumption changes or inputs	2,197,398	(2,197,398)		(2,197,398)		
Benefit payments	2,460,551				2,460,551	
Recognition of liability gains or losses		58,024	(1,077,882)	(1,019,858)		1,019,858
Recognition of assumption changes or inputs		1,195,052	(1,073,688)	121,364		(121,364)
Annual expense					(3,674,632)	3,674,632
Balances as of December 31, 2025	(37,097,953)	(4,526,001)	5,267,894	741,893	(36,356,060)	

This work product was prepared solely for the City for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Glossary

Deferred Inflows/Outflows of Resources	Portion of changes in net OPEB liability that is not immediately recognized in OPEB Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.
Discount Rate	<p>Single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of:</p> <ol style="list-style-type: none">1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.2) The actuarial present value of projected benefit payments not included in (1), calculated using the Municipal Bond Rate.
Fiduciary Net Position	Equal to market value of assets.
Long-Term Expected Rate of Return	Long-term expected rate of return on plan investments expected to be used to finance the payment of benefits, net of investment expenses.
Money-Weighted Rate of Return	The internal rate of return on plan investments, net of investment expenses.
Municipal Bond Rate	Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Net OPEB Liability	Total OPEB Liability minus the Plan's Fiduciary Net Position (unfunded accrued liability).
Projected Benefit Payments	All benefits estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and expected future service.
Service Cost	The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total OPEB Liability	The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method based on the requirements of GASB 74 and 75.

Summary of Actuarial Assumptions

The following actuarial assumptions were used in the development of the City of Wauwatosa's retiree health cost projections. Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the Wisconsin Retirement System (WRS) as provided in connection with a study of experience during 2021-2023 and adopted by the Employee Trust Fund Board. In our opinion, these assumptions are reasonable for the intended purposes of the report.

Interest Discount

Measurement Date	Rate
December 31, 2023	3.26%
December 31, 2024	4.08%

Mortality

Pre-Retirement: This assumption applies to death while in service. Rates are based on the 2020 WRS Experience Table for Active Employees as the base table and projected with mortality improvements using 100% of the fully generational MP-2021 projection scale from a base year of 2010.

Post-Retirement: This assumption applies to death of participants after retirement. Rates are based on the 2020 WRS Experience Table for Healthy Retirees as the base table and projected with mortality improvements using 100% of the fully generational MP-2021 projection scale from a base year of 2010.

Post-Disability: This assumption applies to death after disablement. Rates are based on the 2020 WRS Experience Table for Disabled Retirees as the base table and projected with mortality improvements using 100% of the fully generational MP-2021 projection scale from a base year of 2010.

* Sample rates of base mortality tables are shown in Appendix A.

Employee Turnover/Withdrawal

Ten-year select and ultimate rates of WRS for Non-State Protective with Social Security for Police and Fire Department employees and General Non-State Employee for all other employees. Separate rates for males and females. Ultimate rates after the tenth year are shown in the rate table in Appendix A. Select rates are as follows:

Year	General Non-State Employee Male Rate	General Non-State Employee Female Rate	Non-State Protective with Social Security
1	17.7%	20.0%	15.6%
2	12.5%	15.0%	9.4%
3	9.0%	11.5%	5.3%
4	7.1%	9.6%	4.4%
5	6.6%	9.0%	4.2%
6	5.3%	7.4%	3.3%
7	4.8%	6.3%	3.2%
8	4.6%	6.0%	3.0%
9	4.1%	5.7%	2.7%
10	4.0%	5.0%	2.3%

Disablement

WRS disability rates for Non-State Protective with Social Security for Police and Fire Department employees and General Non-State Employee for all other employees. Separate rates for General Employees for males and females. Rates shown in the rate table at the end of Appendix A.

Retirement Rates

WRS retirement rates for Non-State Protective with Social Security for Police and Fire Department employees and General Non-State Employee for all other employees. Separate rates for General Employees for male and females. Rates shown in the rate table at the end of Appendix A.

Salary Increase

Used to project earnings for each participant between the valuation date and the participant's retirement age are shown below for sample years of service. This assumption is used to project a participant's current earnings to the earnings upon which benefits will be based.

% Merit and Longevity Increase Next Year		
Service	Non-State Protective with Social Security	General Non-State
1	4.9%	3.6%
2	4.9	3.6
3	4.2	3.2
4	3.6	2.9
5	2.9	2.6
10	1.2	1.6
15	0.9	1.2
20	0.8	1.0
25	0.7	0.7
30	0.6	0.5

In addition to the merit and longevity increase, each person is assumed to get an economic increase of 3.0% each year.

Percentage of Retirees Participating In Retiree Medical Coverage

Future retirees: 95% of current employees are expected to participate in the City of Wauwatosa's retiree health insurance plan.

Current retirees: Actual retiree participation.

Percentage of Retirees Electing Family Coverage

Future retirees: 75% of future retirees that take coverage are assumed to elect family coverage.

Current retirees: Actual family coverage election.

Age Difference of Participants and Spouses

Spouses same age as participants.

Sick Leave Accrual:

It is assumed that active participants will accumulate the following hours in sick leave each year subject to maximum amounts provided by the Plan. These amounts are net of sick leave that is used as well as sick leave that is converted to the RHSA.

Groups	Hours
Non Rep, Former AFSCME, Former IBEW, Former OPEIU	39
Fire Supervisors & Fire Union	59
Police Supervisors (WPSA) & Police Union (WPOA)	18

Annual Medical Trend Rate Assumptions

Medical inflation was based on the “Getzen” model published by the Society of Actuaries for purposes of evaluating long term medical trend. The following tables show the trend rates used in this valuation.

Fiscal Year Beginning	Annual Medical Trend Rate Pre-65
2025	6.40%
2026	5.80%
2027	5.20%
2028	5.10%
2029	4.90%
2030	4.80%
2031	4.60%
2032	4.50%
2033	4.30%
2034-2050	4.10%
2051-2064	4.20%
2065-2066	4.10%
2067-2068	4.00%
2069-2070	3.90%
2071-2073	3.80%
2074+	3.70%

Changes in Assumptions Since Prior Valuation

- The discount rate was updated in accordance with the parameters defined by GASB 75. A higher discount rate results in lower liabilities and vice versa.
- The medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application.
- The annual sick leave accrual assumption has been updated to reflect plan experience.
- The demographic and salary increase assumptions have been updated as a result of the WRS Three- Year Experience Study for 2021-2023.

The overall impact of the new assumptions is an increase in the benefit obligations for the December 31, 2023 measurement date and a decrease in the benefit obligations for the December 31, 2024 measurement date.

Rationale for Significant Assumptions

With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. The following assumptions should be reviewed for appropriateness.

Discount Rate: The discount rate is based upon the Bond Buyer General Obligation 20-Year Municipal Bond Index as of the measurement date.

Demographic Assumptions: The City of Wauwatosa participates in the Wisconsin Retirement System. The actuary for the system updates assumptions triennially based upon plan experience.

Medical Trend: We are using medical inflation assumptions based on the “Long Term Healthcare Costs Trend Resource Model” created for the Society of Actuaries by Professor Thomas E. Getzen of Temple University. This model reflects the most current academic research regarding future healthcare cost trends.

Participation Rate and Spouse Election: We have based the rates on recent experience in the plan.

Summary of Participant Data

Monthly 2025 Retiree Premiums: The aggregate current retiree premium rates paid by retirees are shown in the following table:

Coverage	Monthly 2025 Health Insurance Premiums	
	Single	Subscriber and Spouse
Pre-65	\$820.49	\$2,051.23

Participant Data: We relied on the following medical plan participant data as of December 31, 2024.

	Participant Count	Average Age	Average Service
Active Employees*	286	42.8	13.2
Retirees**	91	58.9	N/A

* Excludes general employees hired after January 1, 2015.

** Excludes retirees with life insurance benefits only.

Expected Annual 2025 Medical Costs Per Retiree

We developed estimates of monthly 2025 medical costs per retiree by age based on the City's claim cost experience and actual administrative costs per capita, adjusted for demographic differences between retirees and all participants (actives and retirees combined) and adjusted for plan differences.

Age	Male		Female	
	Single	Dual	Single	Dual
55	\$1,093	\$2,420	\$1,241	\$2,420
60	1,390	2,918	1,441	2,918
64	1,718	3,423	1,619	3,424

A monthly medical cost of \$41.67 per retiree and spouse for each year also needs to be added to account for the HRA plan.

The retirees pay 100% of the fully insured self-supporting premium for post-65. Therefore, no liability is valued for post 65 benefits.

Relative cost factors were developed from the Milliman Health Cost Guidelines. Based on the projected claims and administrative expenses of the self-insured plan and relative age cost factors assumptions, we developed age adjusted "per member per month" (PMPM) costs for 2025.

Summary of Plan Provisions

Eligibility Requirements and Benefits

Eligibility requirements and benefits by City employee group are as follows:

RETIREE MEDICAL AND LIFE INSURANCE

Police Union & Police Supervisors

Eligibility: Any Police Supervisors and Police Union retirees hired on or before March 1, 2024 who has attained age 50. Any Police Supervisors and Police Union retirees hired after March 1, 2024 who has attained age 50 and 15 years of service.

Benefits: For those electing medical coverage at retirement in the Police Union & Police supervisor group, each year the City pays up to 110% of the previous year's premium until age 65 if hired before January 1, 1992. For employees hired after January 1, 1992 but before January 1, 2008 the City shall pay 95% of the monthly Health Insurance premium in retirement. For employees hired after January 1, 2008 but before August 7, 2019, the City shall provide 50% of the total premium expense each month for the identical standard and major medical liability coverage for every employee upon retirement. For employees hired on and after August 7, 2019 the City shall contribute \$700 toward the monthly premium.

Retirees can continue in a retiree medical plan after attaining Medicare Eligibility Age by paying 100% of the premium (Benistar Plan).

Police Supervisors hired before January 1, 1974 and Police Union employees hired before October 1, 1974 are eligible for a life insurance benefit of \$3,500. Those hired after these dates are eligible for a life insurance benefit of \$2,500.

Fire Union & Fire Supervisors

Eligibility: Any retiree who has attained age 50.

Benefits: For those electing medical coverage at retirement in the Fire supervisor group, each year the City pays up to 110% of the previous year's premium until age 65 if hired before September 1, 1991. For employees hired after September 1, 1991 but before January 1, 2008, the City shall pay 95% of the monthly health insurance premium in retirement. For employees hired after January 1, 2008, the City shall provide 50% of the total premium expense for each month.

For those electing medical coverage at retirement in the Fire Union group, each year the City pays up to 110% of the previous year's premium until age 65 if hired before January 1, 1992. For employees hired after January 1, 1992 but before January 1, 2008 the City shall pay 95% of the monthly Health Insurance premium in retirement. For employees hired after January 1, 2008 but before January 1, 2021, the City shall provide 50% of the total premium expense each month for the identical standard and major medical liability coverage for every employee upon retirement. For employees hired on or after January 1, 2021 the City shall contribute \$700 toward the monthly premium.

Retirees can continue in a retiree medical plan after attaining Medicare Eligibility Age by paying 100% of the premium (Benistar Plan).

Fire Supervisors hired before January 1, 1974, and Fire Union employees hired before June 30, 1974, are eligible for a life insurance benefit of \$3,500. Those hired after these dates are eligible for a life insurance benefit of \$2,500.

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City of Wauwatosa Retiree Medical Plan

Non Represented

Eligibility: Any non-represented retiree who has attained age 55 and 15 years of service.

Benefits: For those electing medical coverage at retirement, each year the City pays up to 110% of the previous year's premium until age 65 if hired before September 1, 1991. For employees hired on or after September 1, 1991 and prior to January 1, 2008, the City shall provide 95% of the total premium expense each month for the identical standard and major medical liability coverage for every employee upon retirement. For employees hired on or after January 1, 2008 and prior to January 1, 2015, the City shall a percent of the premium according to the following table:

	Years of Service with the City			
	15	20	25	30
City Premium Contribution	15%	30%	40%	50%

Employees hired on or after January 1, 2015 are not eligible for retiree medical coverage.

Retirees can continue in a retiree medical plan after attaining Medicare Eligibility Age by paying 100% of the premium (Benistar Plan).

Employees in the IBEW group who retired prior to Act 10 are eligible for a life insurance benefit of \$2,500. All other general group employees are eligible for a life insurance benefit of \$3,500 provided they have 20 years of service at the time of retirement. In order to obtain a paid-up policy, an employee who retires prior to age 65 must pay the full cost of the policy between the time of retirement and the date the employee reaches 65.

Sick Leave Conversion Upon Retirement:

Groups: Non Rep, Former AFSCME, Former IBEW, Former OPEIU

Eligibility: Full-Time Employees hired after January 1, 2008 and prior to January 1, 2015 shall convert accumulated unused sick leave into a RHSA. Conversion will be at the employee's regular rate of pay as of the date of retirement. Conversion is based upon total years of service at time of retirement.

Years of Service	15	20	25	30
Sick Leave Conversion upon Retirement	100%	80%	60%	50%

Max Conversion Amount: 120 days; 960 hours for an 8-hour employee and 1,008 hours for an 8.4-hour employee.

Groups: Fire Supervisors & Fire Union

Eligibility: Full-Time Employees hired after January 1, 2008 shall convert 100% of accumulated unused sick leave into a RHSA. Conversion will be at the employee's regular rate of pay as of the date of retirement. Full-Time Employees hired after January 1, 2021 shall convert 50% of accumulated unused sick leave into RHSA. Conversion will be at the employee's regular rate of pay as of the date of retirement.

Max Conversion Amount: 1,940 hours

Groups: Police Supervisors (WPSA) & Police Union (WPOA)

Eligibility: Full-Time Employees hired after January 1, 2008 and prior to August 7, 2019 shall convert 100% of accumulated unused sick leave into a RHSA. Full-Time Employees hired after August 7, 2019 shall convert 50% of accumulated unused sick leave into RHSA. Conversion will be at the employee's regular rate of pay as of the date of retirement.

Max Conversion Amount: 165 days

Appendix A: Rate Tables

General Non-State Employee

Separations from active status expressed as number of occurrences per 10,000:

Age	Withdrawal		Early Retirement		Normal Retirement*		Death**		Disability	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
25	N/A	N/A	0	0	0	0	2	1	1	0
26	N/A	N/A	0	0	0	0	2	1	1	0
27	N/A	N/A	0	0	0	0	3	2	1	0
28	N/A	N/A	0	0	0	0	3	2	1	1
29	N/A	N/A	0	0	0	0	3	2	1	1
30	320	490	0	0	0	0	4	2	1	2
31	310	480	0	0	0	0	4	2	1	2
32	300	480	0	0	0	0	4	3	1	2
33	290	460	0	0	0	0	5	3	1	2
34	280	430	0	0	0	0	5	3	1	2
35	280	410	0	0	0	0	5	3	1	2
36	270	380	0	0	0	0	6	4	1	2
37	260	360	0	0	0	0	6	4	2	2
38	250	350	0	0	0	0	6	4	2	3
39	240	340	0	0	0	0	6	4	3	3
40	240	320	0	0	0	0	7	4	3	3
41	230	310	0	0	0	0	7	5	4	4
42	220	300	0	0	0	0	7	5	5	4
43	210	300	0	0	0	0	7	5	5	4
44	200	300	0	0	0	0	8	5	6	5
45	200	290	0	0	0	0	8	5	6	5
46	190	290	0	0	0	0	9	6	6	5
47	180	290	0	0	0	0	9	6	6	5
48	180	280	0	0	0	0	10	7	9	6
49	170	260	0	0	0	0	11	7	11	6
50	170	250	0	0	0	0	12	8	13	7
51	160	230	0	0	0	0	13	8	15	8
52	160	220	0	0	0	0	14	9	17	9
53	160	220	0	0	0	0	16	10	19	10
54	160	220	0	0	0	0	17	11	21	12
55	0	0	700	700	0	0	19	12	24	13
56	0	0	600	700	0	0	21	13	27	14
57	0	0	500	600	2,000	1,700	23	15	30	16
58	0	0	600	700	2,000	1,800	25	16	33	17
59	0	0	600	700	2,000	1,500	28	18	36	18

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City of Wauwatosa Retiree Medical Plan

General Non-State Employee

Separations from active status expressed as number of occurrences per 10,000:

Age	Withdrawal		Early Retirement		Normal Retirement*		Death**		Disability	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
60	0	0	900	1,000	2,000	2,000	31	19	43	18
61	0	0	800	1,000	2,000	1,800	34	21	0	0
62	0	0	1,900	1,600	3,000	2,400	38	23	0	0
63	0	0	2,000	1,800	3,000	2,900	41	25	0	0
64	0	0	1,800	1,800	3,000	2,400	46	28	0	0
65	0	0	0	0	3,000	3,600	50	30	0	0
66	0	0	0	0	4,000	3,900	54	33	0	0
67	0	0	0	0	3,200	3,500	59	36	0	0
68	0	0	0	0	3,200	3,000	64	40	0	0
69	0	0	0	0	2,800	2,300	69	44	0	0
70	0	0	0	0	2,800	2,400	75	50	0	0
71	0	0	0	0	2,800	2,900	80	56	0	0
72	0	0	0	0	2,800	2,800	86	63	0	0
73	0	0	0	0	1,800	2,800	93	72	0	0
74	0	0	0	0	1,800	1,600	100	82	0	0
75	0	0	0	0	10,000	10,000	108	94	0	0

* Normal retirement assumptions apply to employees with 30 or more years of service.

** Mortality rates are for 2023. Future years will reflect improvements in mortality.

Non-State Protective with Social Security

Separations from active status expressed as number of occurrences per 10,000:

Age	Withdrawal		Early/Normal Retirement		Death*		Disability	
	Male	Female	Male	Female	Male	Female	Male	Female
25	N/A	N/A	0	0	2	1	2	2
26	N/A	N/A	0	0	2	1	2	2
27	N/A	N/A	0	0	3	2	2	2
28	N/A	N/A	0	0	3	2	2	2
29	N/A	N/A	0	0	3	2	2	2
30	210	210	0	0	4	2	2	2
31	200	200	0	0	4	2	2	2
32	200	200	0	0	4	3	2	2
33	190	190	0	0	5	3	2	2
34	180	180	0	0	5	3	3	3
35	180	180	0	0	5	3	3	3
36	170	170	0	0	6	4	4	4
37	160	160	0	0	6	4	4	4
38	160	160	0	0	6	4	4	4
39	160	160	0	0	6	4	4	4
40	150	150	0	0	7	4	5	5
41	150	150	0	0	7	5	5	5
42	150	150	0	0	7	5	5	5
43	150	150	0	0	7	5	6	6
44	150	150	0	0	8	5	6	6
45	140	140	0	0	8	5	7	7
46	140	140	0	0	9	6	7	7
47	140	140	0	0	9	6	8	8
48	140	140	0	0	10	7	9	9
49	140	140	0	0	11	7	10	10
50	130	130	600	600	12	8	11	11
51	130	130	800	800	13	8	12	12
52	130	130	1,100	1,100	14	9	13	13
53	130	130	3,400	3,400	16	10	66	66
54	130	130	3,200	3,200	17	11	120	120
55	0	0	2,600	2,600	19	12	173	173
56	0	0	2,300	2,300	21	13	227	227
57	0	0	2,700	2,700	23	15	280	280
58	0	0	2,100	2,100	25	16	284	284
59	0	0	2,300	2,300	28	18	288	288

Non-State Protective with Social Security

Separations from active status expressed as number of occurrences per 10,000:

Age	Withdrawal		Early/Normal Retirement		Death*		Disability	
	Male	Female	Male	Female	Male	Female	Male	Female
60	0	0	2,200	2,200	31	19	292	292
61	0	0	3,000	3,000	34	21	0	0
62	0	0	3,500	3,500	38	23	0	0
63	0	0	2,700	2,700	41	25	0	0
64	0	0	3,000	3,000	46	28	0	0
65	0	0	3,400	3,400	50	30	0	0
66	0	0	3,500	3,500	54	33	0	0
67	0	0	3,500	3,500	59	36	0	0
68	0	0	3,500	3,500	64	40	0	0
69	0	0	3,500	3,500	69	44	0	0
70	0	0	10,000	10,000	75	50	0	0
71	0	0	10,000	10,000	80	56	0	0
72	0	0	10,000	10,000	86	63	0	0
73	0	0	10,000	10,000	93	72	0	0
74	0	0	10,000	10,000	100	82	0	0
75	0	0	10,000	10,000	108	94	0	0

* Mortality rates are for 2023. Future years will reflect improvements in mortality.

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City of Wauwatosa Retiree Medical Plan

Separations from retired status expressed as number of occurrences per 10,000:

Age	Healthy		Disabled	
	Male	Female	Male	Female
50	12	9	172	158
51	14	10	182	165
52	16	12	193	172
53	18	15	204	181
54	21	18	217	191
55	24	22	229	201
56	27	25	242	210
57	30	27	255	218
58	34	30	268	226
59	37	32	280	232
60	42	35	292	237
61	46	37	303	240
62	51	40	315	243
63	56	43	326	246
64	62	46	338	248
65	68	50	349	251
66	75	54	360	255
67	82	58	372	261
68	91	64	383	269
69	101	70	396	279
70	113	79	410	292
71	126	88	427	308
72	141	100	446	328
73	160	114	468	351
74	180	130	493	378
75	205	149	523	409
76	233	172	557	445
77	264	197	596	485
78	301	227	640	530
79	343	261	690	581
80	390	299	746	638
81	445	344	808	701
82	507	394	878	771
83	579	452	953	848
84	660	517	1,036	932
85	753	591	1,126	1,024

Age	Healthy		Disabled	
	Male	Female	Male	Female
86	858	674	1,222	1,120
87	975	768	1,325	1,218
88	1,106	874	1,436	1,318
89	1,251	992	1,576	1,419
90	1,411	1,124	1,729	1,522
91	1,585	1,272	1,886	1,630
92	1,771	1,435	2,043	1,744
93	1,968	1,613	2,201	1,867
94	2,172	1,803	2,359	1,999
95	2,380	2,004	2,519	2,145
96	2,604	2,222	2,697	2,314
97	2,831	2,448	2,886	2,503
98	3,060	2,680	3,085	2,707
99	3,292	2,918	3,299	2,925
100	3,523	3,159	3,523	3,159
101	3,754	3,404	3,754	3,404
102	3,984	3,652	3,984	3,652
103	4,213	3,900	4,213	3,900
104	4,437	4,148	4,437	4,148
105	4,654	4,392	4,654	4,392
106	4,864	4,630	4,864	4,630
107	5,068	4,861	5,068	4,861
108	5,260	5,084	5,260	5,084
109	5,444	5,296	5,444	5,296
110	5,594	5,498	5,594	5,498
111	5,613	5,688	5,613	5,688
112	5,632	5,796	5,632	5,796
113	5,652	5,813	5,652	5,813
114	5,673	5,828	5,673	5,828
115	5,692	5,844	5,692	5,844
116	5,695	5,847	5,695	5,847
117	5,698	5,848	5,698	5,848
118	5,699	5,850	5,699	5,850
119	5,700	5,850	5,700	5,850
120	10,000	10,000	10,000	10,000

* Mortality rates are for 2023. Future years will reflect improvements in mortality.

Appendix B: Sick Leave Conversion at Retirement

The City allows accumulated unused sick leave to be used by retired members to “pay” their required premium for retiree medical coverage to the extent the balance is sufficient to pay the cost. The results of these calculations as of December 31, 2024 are shown below:

	Present Value of Future Benefits	Accrued Liability	Normal Cost
General	\$925,044	\$642,262	\$49,534
Police	1,281,576	522,528	54,686
Fire	3,758,682	1,583,785	158,104
Total	\$5,965,302	\$2,748,575	\$262,324

Cash Flow Projections, the Annual Undiscounted Cost of Sick Leave Conversion at Retirement for Current Active Employees

Year	City Employees
2025	\$ 48,000
2026	42,000
2027	52,000
2028	77,000
2029	73,000
2030	102,000
2031	116,000
2032	123,000
2033	140,000
2034	186,000



Wauwatosa, WI

7725 W. North Avenue
Wauwatosa, WI 53213

Staff Report

File #: 25-0556

Agenda Date: 4/8/2025

Agenda #: 2.

Report on 2024 Unaudited Financial Results

Submitted by:

John Ruggini

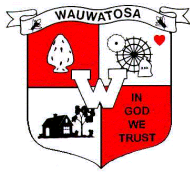
Department:

Finance

A. Issue

The Finance Department has finished closing the 2024 fiscal year and the preliminary and unaudited results are available for discussion.

See the attached memo.



CITY OF WAUWATOSA
MEMO

To: **Financial Affairs Committee**

From: **John Ruggini, Finance Director**

Date: **April 8, 2025**

Subject: **Presentation of preliminary 2024 financial results**

A. Issue

The Finance Department has finished closing the 2024 fiscal year and the preliminary and unaudited results are available for discussion.

B. Background/Options

At the close of each fiscal year, the Finance Department presents the preliminary financial results. At this time, those results have not been audited. The final audited financial statements are expected in June.

General Fund

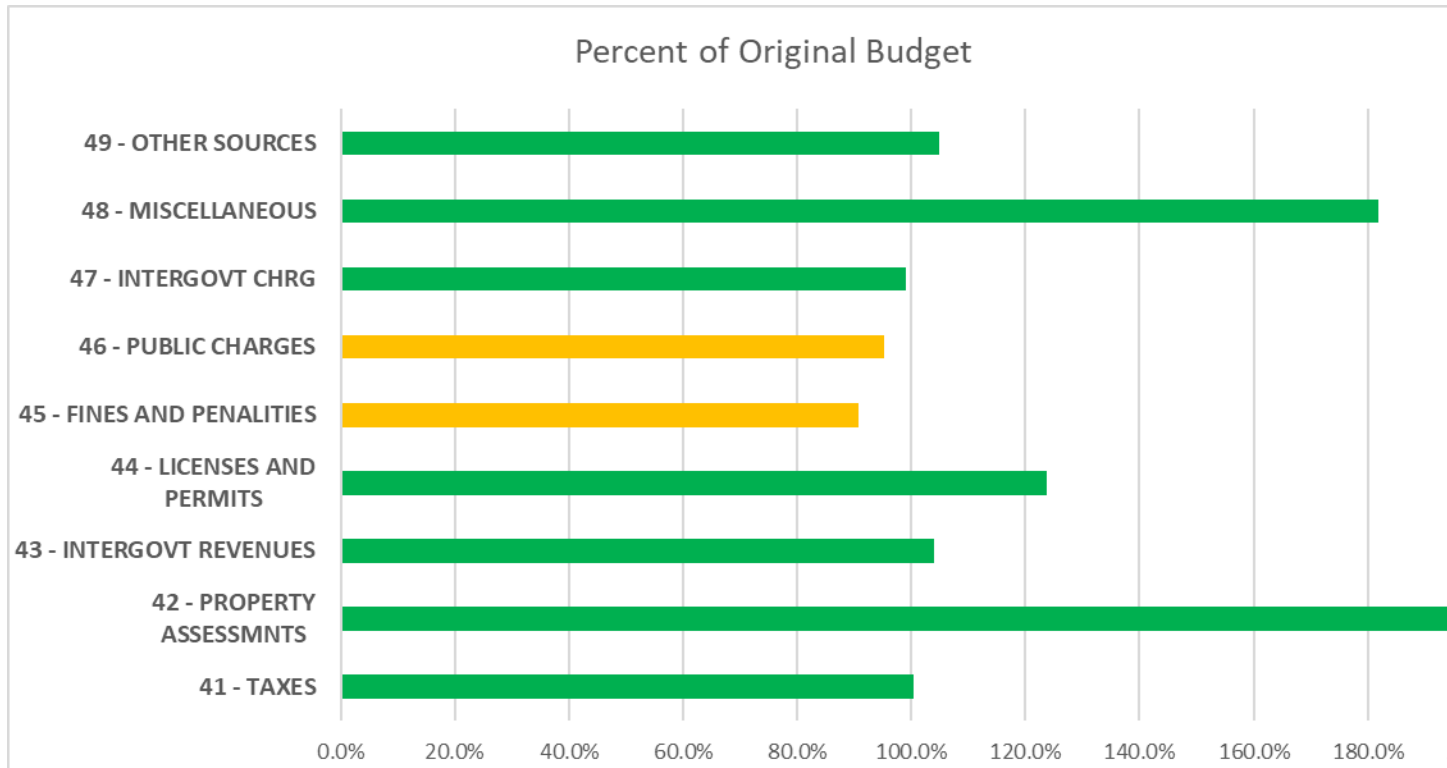
The General Fund, ended the year with a \$3,602,762 surplus which equates to 4.9% of total expenditures. The tables below provide detail by expenditures and revenue categories.

General Fund Revenues

In total, actual general fund revenues were 104.6% of the original budget, a surplus of \$3.4 million. This is broken down by revenue category below.

	Actual	LY Actual	Original Budget	Revised Budget	Surplus/(Deficit)	CY % of Original Budget Used	Period over Period Growth
Revenue	\$ 77,302,183	\$ 74,087,785	\$ 73,923,348	\$ 80,063,654	\$ 3,378,835	104.6%	4.3%
41 - TAXES	54,375,350	53,015,254	54,142,272	54,295,921	\$ 233,078	100.4%	2.6%
42 - PROPERTY ASSESSMNTS	32,106	16,043	10,000	21,000	\$ 22,106	321.1%	100.1%
43 - INTERGOVT REVENUES	8,153,020	7,133,532	7,835,686	8,437,861	\$ 317,334	104.0%	14.3%
44 - LICENSES AND PERMITS	2,228,970	1,846,912	1,800,600	1,956,456	\$ 428,370	123.8%	20.7%
45 - FINES AND PENALTIES	953,306	758,662	1,051,500	983,000	\$ (98,194)	90.7%	25.7%
46 - PUBLIC CHARGES	3,146,714	2,956,591	3,304,934	3,249,499	\$ (158,220)	95.2%	6.4%
47 - INTERGOVT CHRGR	1,590,673	1,697,034	1,605,856	1,603,856	\$ (15,183)	99.1%	-6.3%
48 - MISCELLANEOUS	5,775,928	5,337,505	3,174,900	6,362,325	\$ 2,601,028	181.9%	-8.2%
49 - OTHER SOURCES	1,046,115	1,326,252	997,600	3,153,736	\$ 48,515	104.9%	-21.1%

The graph below uses a “stop-light” formatting to indicate which revenue categories exceeded the revised budget (green), were within 90% of budget (yellow) or were less than 90% (red).

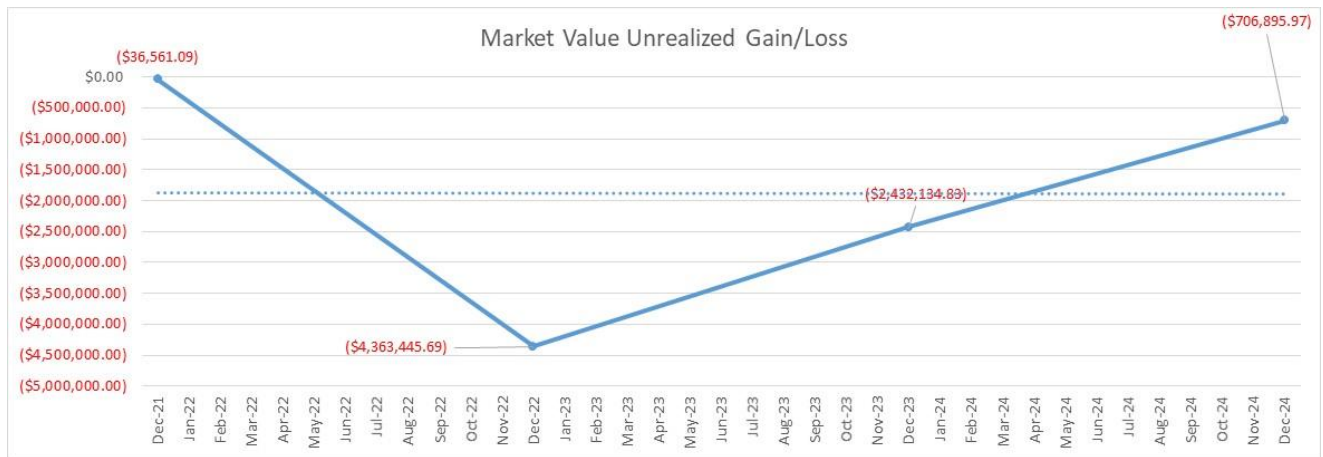


The largest positive variance from the Revised Budget was 42-Property Assessments at 321% but the dollar value of the surplus is only \$22,106

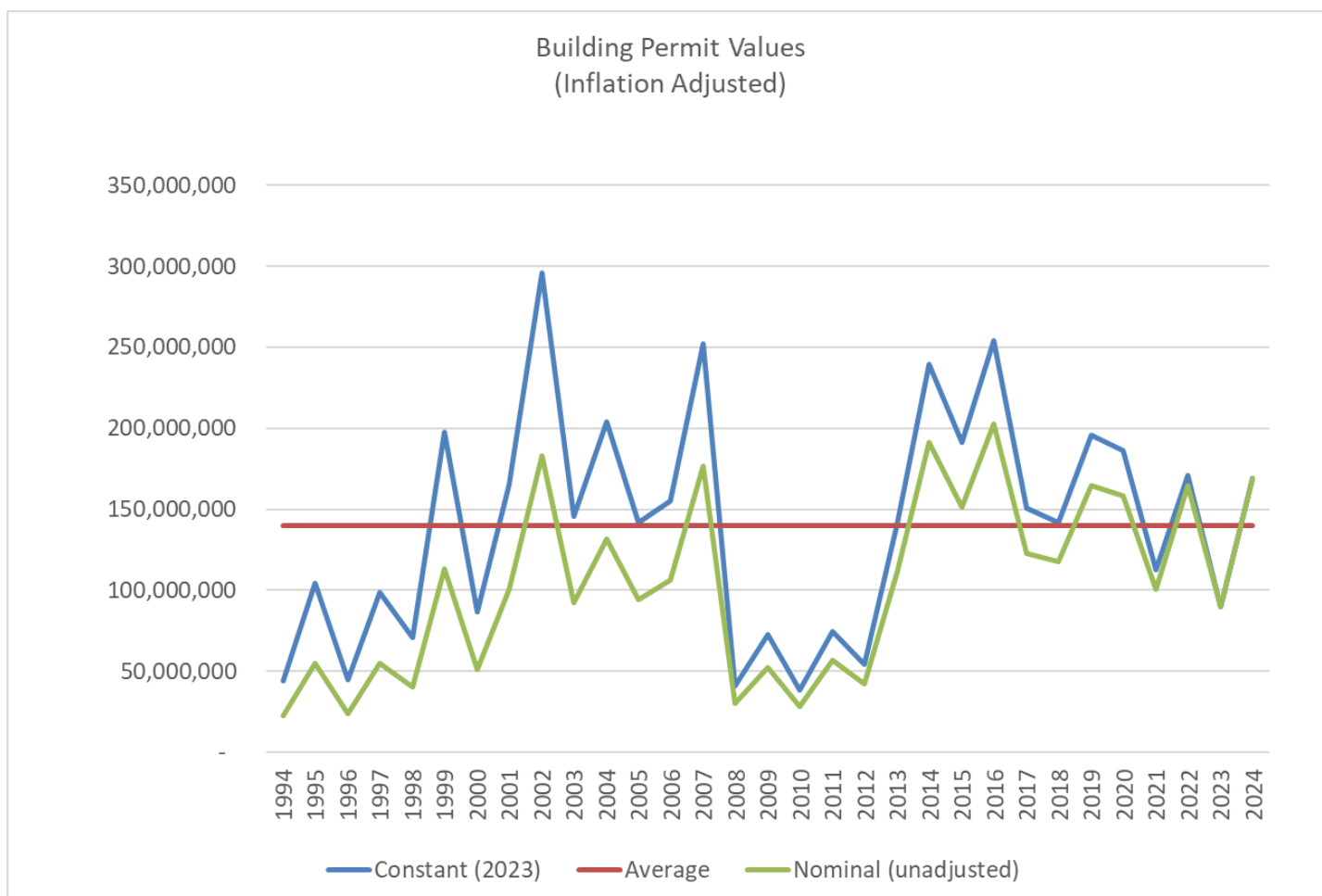
“48-Miscellaneous” at 182% of budget had the largest positive dollar variance of \$2.6 million. Approximately 30% of this total, \$800,000, were real gains. This surplus was driven by higher than budgeted interest rates. The 2024 budget assumed an overall portfolio earnings rate of 3.20% compared to an actual rate of 4.27%. This was largely driven by fewer Federal Reserve rate cuts than anticipated. The required mark-to-market adjustment increased the surplus by another \$1.7 million. As interest rates decrease, bond prices increase so the City’s portfolio saw a 84% recovery of the \$4.4 million-dollar loss of value in 2022 keeping in mind that these are unrealized gains.

So long as the City holds its investments to maturity, which it has sufficient cash to do so, the remaining \$0.7 million of market value will be recovered. Due to the volatility of the mark-to-market adjustment made annually as of 12/31 and its non-cash nature, the City does not budget for it.

The chart below shows the historical changes in value due to the mark-to-market.

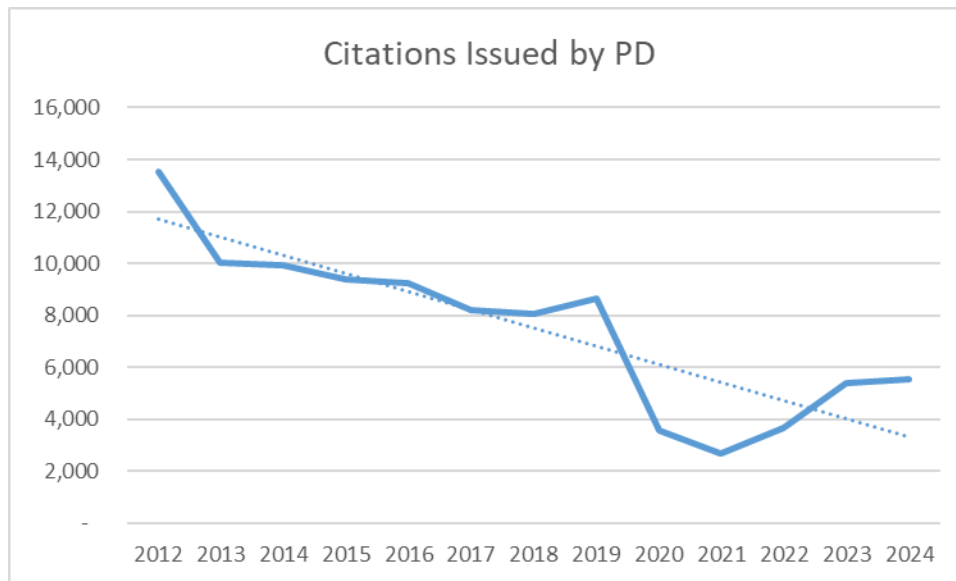


“44-Licenses and Permits” exceed budget by 23.8% or \$428,370. This was nearly entirely due to building permits exceeding the original budget. As shown below, 2024 construction value, which drives building permit revenue grew 88% of 2023 and ended 21% over average.

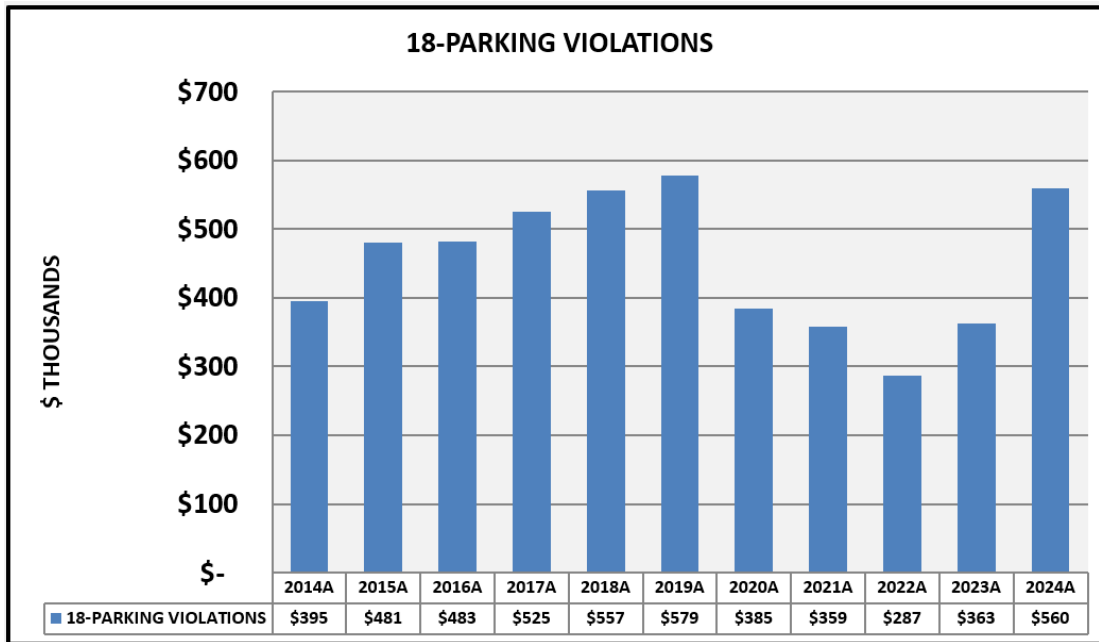


“43-Intergovernmental Revenues” posted a 4% revenue surplus the equivalent of \$317,000. The majority of this surplus is driven by Republican National Convention reimbursements which offset expenditure overages.

“46-Public Charges” and “45-Fines and Penalties” both posted revenue shortfalls. “Fines and Penalties” ending at 91% of budget, a \$98,000 deficit. The sole driver of this shortfall were court revenues which were 70.5% of budget, a \$119,000 shortfall. This was caused by multiple years of below average municipal citations issued as shown below. This has been driven by changes in police enforcement and officer vacancies. We should consider reducing this revenue in the 2026 buget.



On the positive side, after multiple year declines, parking citation revenue increased as the police made operational changes and were able to stabilize staffing levels.

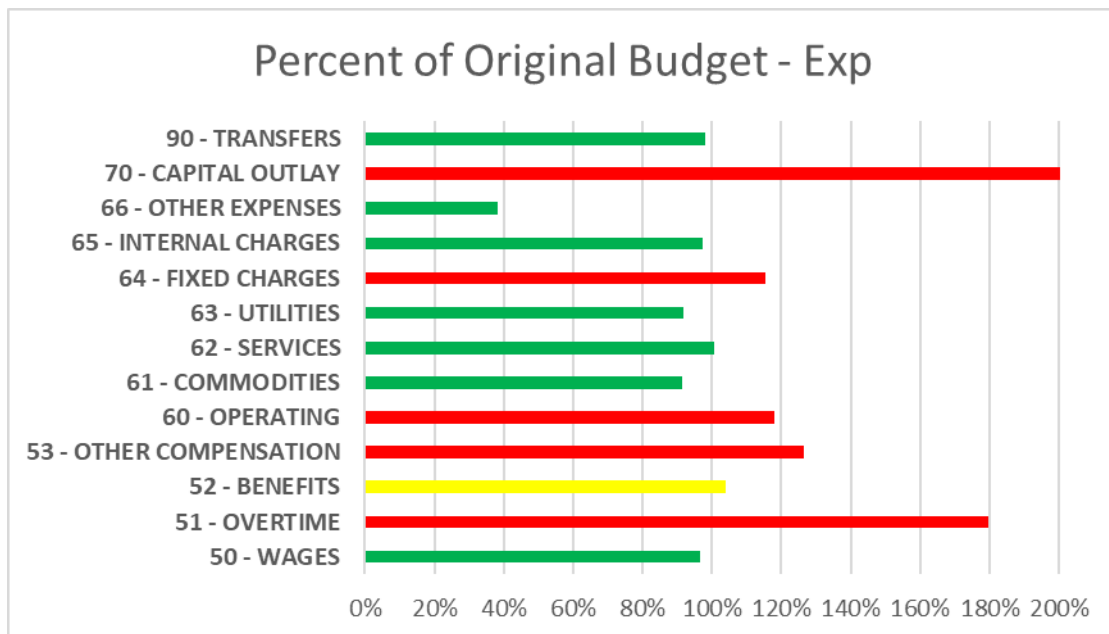


“46-Public Charges” was 4.8% below budget and is marked yellow. This was largely due to a deficit of \$146,203 in Ambulance Revenue. As in 2023, we continued to assume additional Medicare revenue based on a change in Wisconsin law. However, that additional revenue has been stalled awaiting approval of Wisconsin’s application by the Federal Department of Health and Human Services. While this caused a revenue deficit in 2024, the application was approved in December and we anticipate to earn that additional revenue in 2025 as well as retro-payments back to 2023.

General Fund Expenditures

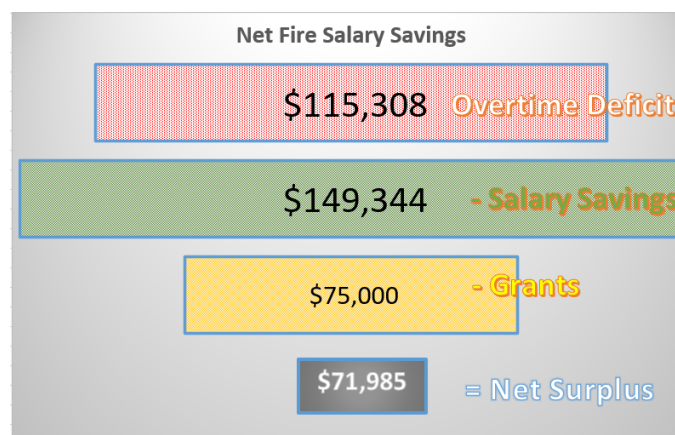
In total, General Fund expenditures posted a surplus of \$760,971, which represents 99% of budget and 7.5% growth over the previous year.

Actual	LY Actual	Original Budget	Revised Budget	Surplus/(Deficit)	CY % of Original Budget Used	Period over Period Growth
\$ 73,699,422	\$ 72,991,285	\$ 73,919,848	\$ 77,024,591	\$ 220,426	99.7%	1.0%
29,750,632	28,772,307	30,855,424	\$31,449,517	\$ 1,104,792	96.4%	3.4%
2,507,686	2,237,366	1,396,400	\$2,456,400	\$ (1,111,286)	179.6%	12.1%
13,969,137	14,136,425	13,437,599	\$13,447,094	\$ (531,538)	104.0%	-1.2%
130,990	105,594	103,613	\$103,613	\$ (27,377)	126.4%	24.1%
1,802,791	1,926,256	1,526,286	\$2,063,820	\$ (276,505)	118.1%	-6.4%
360,147	344,313	394,629	\$415,530	\$ 34,482	91.3%	4.6%
3,432,409	4,019,055	3,409,371	\$4,003,395	\$ (23,038)	100.7%	-14.6%
733,416	657,618	799,167	\$799,667	\$ 65,751	91.8%	11.5%
116,527	86,238	101,060	\$125,630	\$ (15,467)	115.3%	35.1%
4,384,432	4,506,612	4,502,807	\$4,502,807	\$ 118,376	97.4%	-2.7%
391,610	699,448	1,024,286	\$1,253,211	\$ 632,675	38.2%	-44.0%
117,870	92,370	55,000	\$65,000	\$ (62,870)	214.3%	27.6%
16,001,777	15,407,683	16,314,207	\$16,338,908	\$ 312,430	98.1%	3.9%

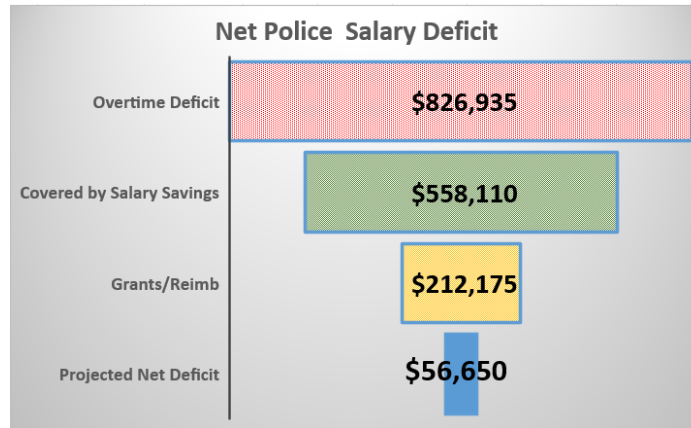


Similar to revenues, while “70-Capital Outlay” was 114% over budget, this only amounted to \$62,870 and was due to renovations in the Health Department that were funded by grants so it had no impact to the net year end surplus.

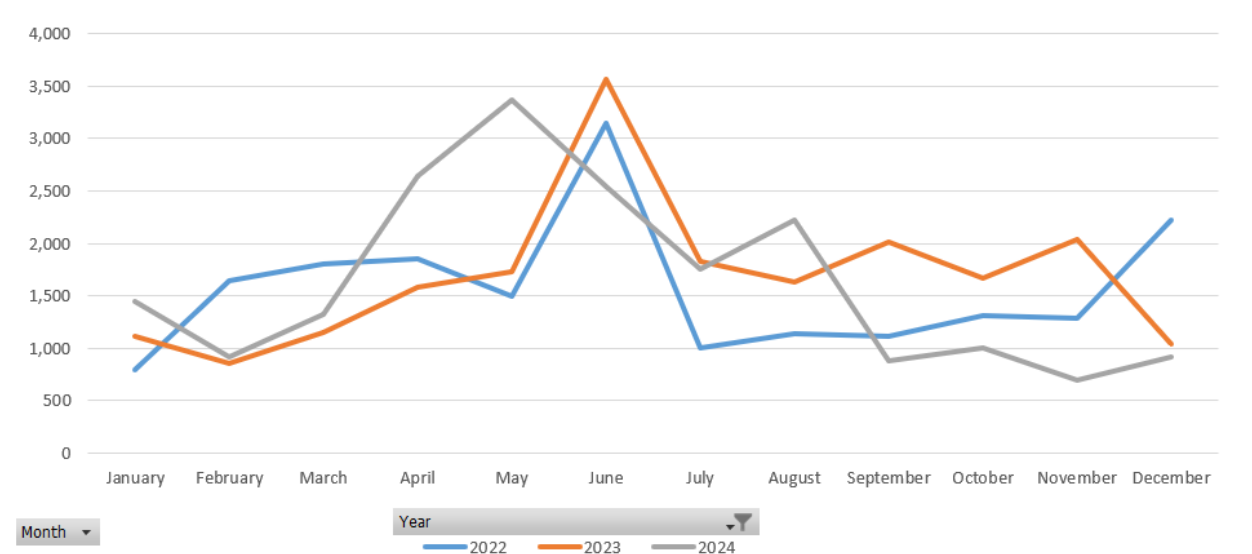
However, “51-Overtime” continued to be problematic exceeding budget by 79%, \$1.1 million. It is important to note that there are several offsetting factors. In the Fire department, overtime exceeded budget by \$115,308 but was more than offset by salary savings and reimbursements related to the Republican National Convention.



Police on the otherhand were not able to offset their overtime deficit that was largely driven by vacancies.



On the positive side, while 2024 overtime hours exceeded prior years for the first half of the year, the Police Department were able to drive overtime below prior years in the second half.



The largest area that exceeded budget on a dollar basis was “52-Benefits” which ran a 4.0% deficit costing \$531,538. This was largely driven by the benefits related to overtime (social security and pension) which were \$217,000 over budget. An additional \$362,000 in unanticipated cost was a result of not providing emergency room policing services to Froedtert hospital as originally budgeted (some of which was offset by salary savings). These overages, were offset by \$282,000 in health insurance savings. This will be discussed further under the “Other Fund Results” section.

The next largest category that ran over budget was “Operating Expenditures” by \$276,505, a 13% overage despite being 6.4% under 2023 spending. However, the total 2024 Actuals of \$1.8 million is less than the \$2.1 million revised budget. This is the result of spending 2023 carried over funds as well as \$160,000 in property tax appeals not known when the original budget was adopted, 70% of which were offset by chargeback revenue from the other taxing jurisdictions.

In terms of surplus, “50-Wages” posted the largest dollar savings - \$1,1 million. The table below shows that by function. The largest budgetary savings were in Public Safety and as described above, were needed to offset associated overtime.

FUNCTIONAL AREA	Actual as a % of Original Budget	Var from Orig Budget	Period over Period Growth
50 - WAGES	96.4%	\$ 1,104,792	3.4%
10 - GENERAL GOVERNMENT	92.7%	\$ 244,601	8.3%
11 - PUBLIC SAFETY	96.8%	\$ 672,979	3.5%
12 - PUBLIC WORKS	93.4%	\$ 240,945	-1.3%
13 - HEALTH AND HUMAN SERVICES	111.0%	\$ (118,480)	9.4%
16 - CONSERVATION AND DEVELOPMENT	95.5%	\$ 64,748	-0.6%

In terms of budgetary surplus, the large surplus in “66-Other Expenses” is the offset for health grants that will be spent in 2025.

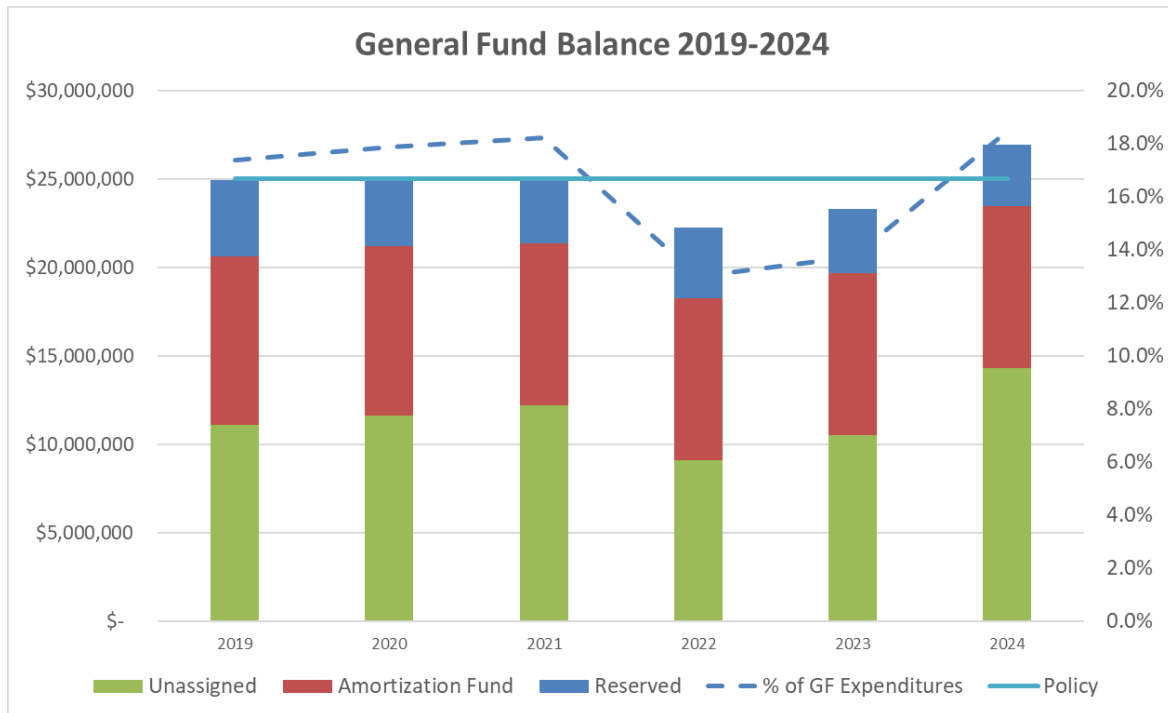
“90-Transfers” was under budget by \$312,430, or 1.9%. This was the result of the earned bond premium being used to pay for interest costs in lieu of property taxes as required by the bond covenants. As bond premium is volatile and unpredictable, it is not budgeted. This was augmented by a \$90,000 savings due to the General Liability Fund performing well, as described under “Other Fund Results”

General Fund Balance

The total General Fund Balance increased \$3,602,761.51, a 15.4% increase.

In total, the Unassigned Reserve is estimated at \$13,989,000 which reflects 67 days of operating expenditures. The City’s policy is to maintain 60 days of operating expenses in reserve so the City is at 110% of its benchmark; a surplus of \$1.3 million.

Especially important to note is that we’ve been able to fully replenish the loss of surplus caused by unrealized losses with unrealized gains. That wasn’t the case last year and was cause for concern – but no longer.



Other Funds

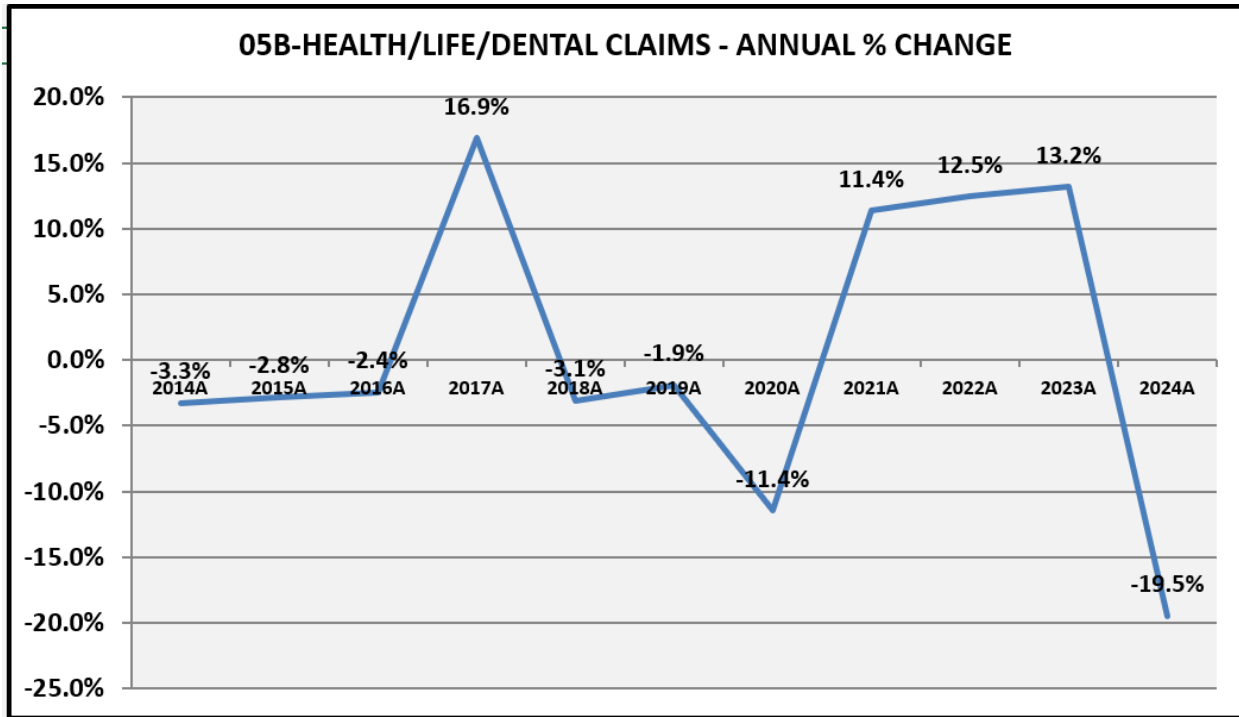
The ending balance and net change for each fund is included as an attachment as well as a brief explanation of significant changes. A few significant changes are described below.

Health Insurance Fund

The Health Insurance program ran at 94.2% of the premium equivalent as claims were \$709,000 under budget (9%). This was supplemented by prescription rebates which exceeded budget by \$378,613 (61%). This resulted in a \$1.4 million surplus prior to a \$400,000 dividend shared with all funds and departments.

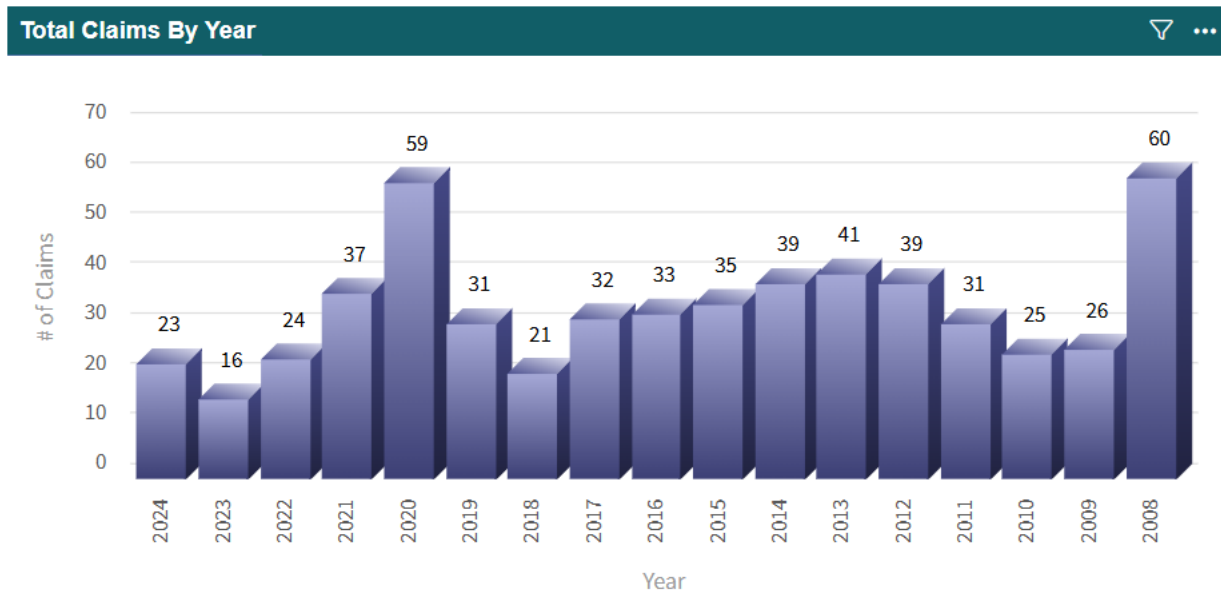
In total, year-to-date plan costs decreased 1.7% despite a 4.3% increase in enrollment.

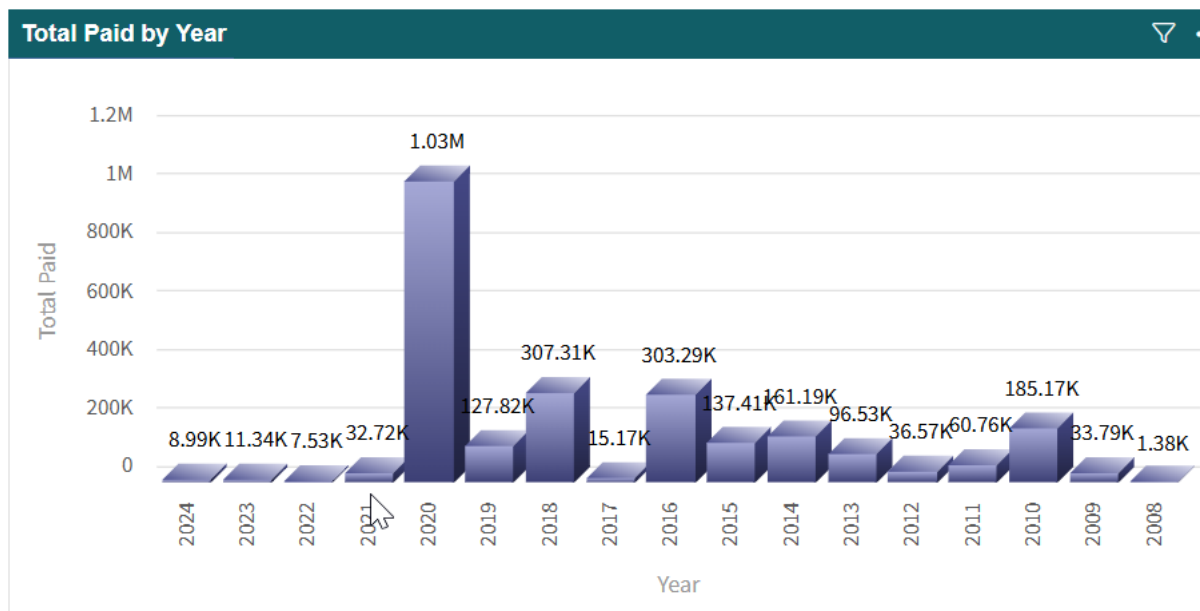
Last year's report expressed concern over claim trends as the plan has run double-digit claims cost increases for three consecutive years. The 19.5% decrease in 2024 over 2023 halts that trend as shown in the graph below. However, behind the numbers is continued dramatic increase in high cost claims that drove a 40% increase in our large claim insurance for 2025. We'll need to continue to monitor these claims.



General Liability

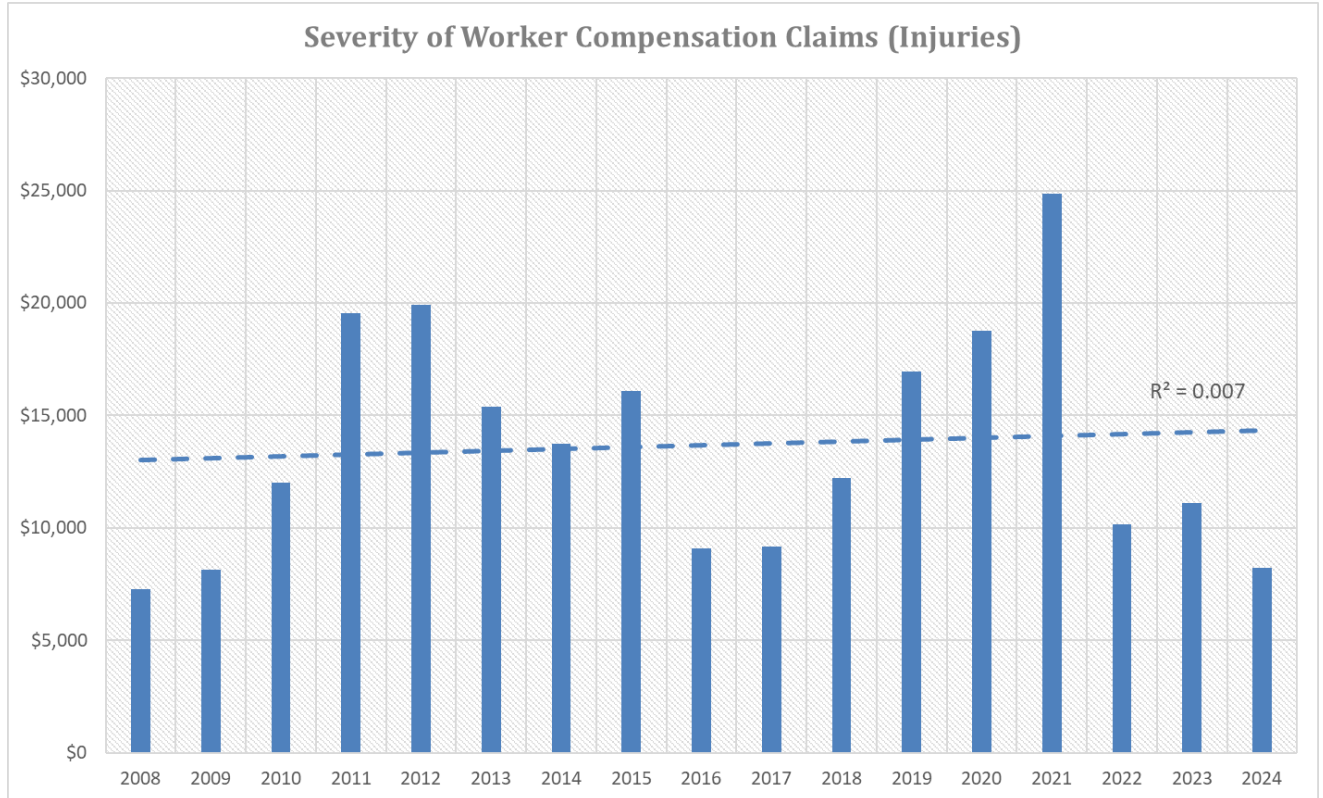
The City had another low-claim year and even though claims increased from 2023, the amount of total claims cost paid fell.





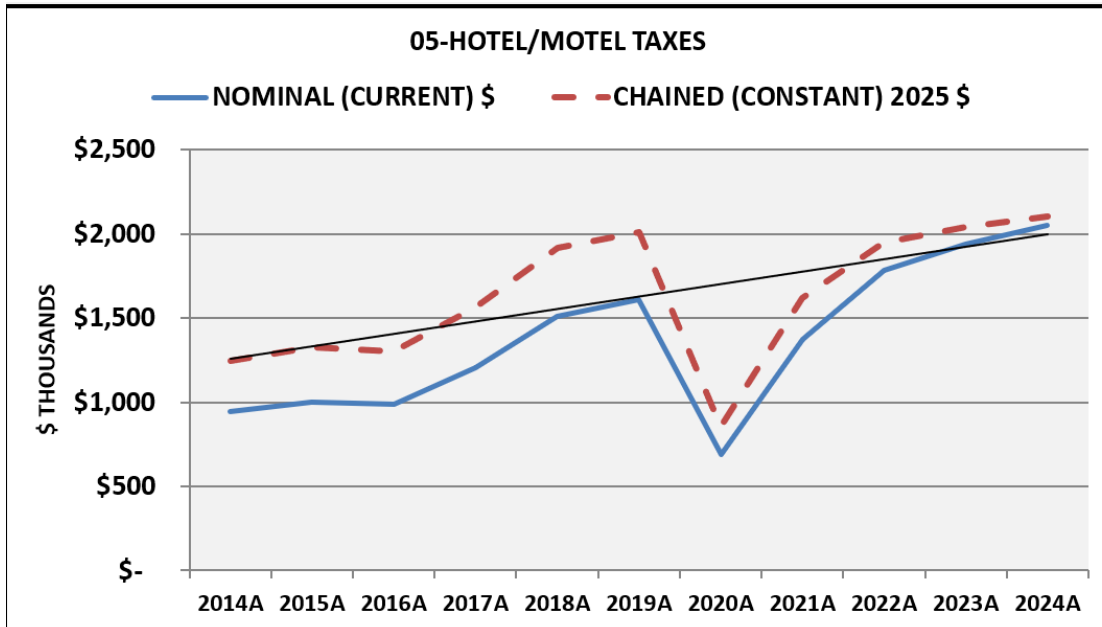
Workers Compensation

The number of claims increased 22% in 2024 from the prior year but the severity of those claims (Total \$ incurred/number of claims) decreased 19%. In fact, the \$9,165 cost per claim was the lowest since 2009. This helped replenish fund balance from a starting balance of \$97,877 to \$460,268.



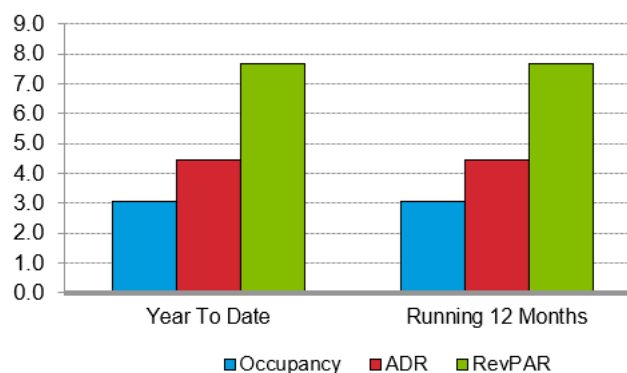
Tourism

Hotel/Motel taxes continue to grow, posting a respectable 5.8% increase despite the closure of the Radisson; however that growth has certainly slowed and was aided in 2024 by the Republican National Convention. The strength of this revenue allowed the Tourism Commission to contribute \$907,000 towards public art in the Firefly Grove Park and the Muellner Building renovation.



Hotel/Motel revenue increases were driven by both occupancy and daily rate increases as shown below.

Overall Percent Change



Water Utility

The Water Utility's fund balance includes the value of physical assets. Most of the \$8.7 million increase was driven by asset growth. Cash and investments grew \$1.3 million, approximately 11.7%. This was driven by \$908,000 in expenditures savings compared to budget in nearly all categories. Sale of water revenue was approximately 1.5% below budget. \$6.1 million of asset growth was related to fixed assets. This included \$4.4 million of contributed capital – the Elm Grove Water Main paid for as part of the Elm Grove Mandel development.

Sanitary Utility

Sanitary cash increased \$1.4 million, however nearly all of this increase was unspent bond proceeds that will be expended in 2025. At year end, the utility had \$1.4 million in grant proceeds that had not yet been received from the Metropolitan Milwaukee Sewerage District. In total, Sanitary maintains a strong \$17.2 million in fund balance representing 170% of expenditures. This intentionally exceeds our target of 25% of expenditures due to funds for prior year projects and building a fund balance to help address the pending East Tosa Sewer project.

Stormwater Utility

The Stormwater Utility adjusted cash fund dropped to \$2.5 million, 46% of expenditures. This occurred as current assets grew about the same amount as liabilities but included in current assets were unspent bond proceeds.

C. Fiscal Impact

For informational purposes only

E. Recommendation

For informational purposes only.

Attachment A – Other Fund Results

Funds	Ending Balance	Net Change	% Change	Comment
10 - GENERAL FUND	26,943,792	3,602,762	15.4%	See Memo
11 - DEBT SERVICE	2,121,223	68,391	3.3%	Use of bond premium as required. Reduction in MADACC loan
12 - CAPITAL IMPROVEMENTS	16,182,153	(2,329,959)	-12.6%	Use of prior year bond proceeds
13 - COMMUNITY DEV BLOCK GRANT	(6,889)	46	-0.7%	Timing of grant reimbursements
14 - REVOLVING REVENUE	207,228	(8,963)	-4.1%	
15 - AGENCY	712,555	27,188	4.0%	Transfer of year-end Library surplus
16 - HEALTH AND LIFE INSURANCE	(23,236,890)	1,063,048	-4.4%	Rx rebates and better than budgeted claims
17 - DENTAL INSURANCE	245,924	10,231	4.3%	Positive claims experience
18 - GENERAL LIABILITY	6,970,462	1,139,727	19.5%	Fund surplus as budgeted. Lower claims.
19 - WORKERS COMPENSATION	558,145	460,268	470.3%	Better than budgeted claims
20 - FLEET	4,978,004	602,202	13.8%	Increase in cash, fixed assets off set by recognizing sick time liability
21 - FLEET CAPITAL	769,075	93,303	13.8%	
22 - MUNICIPAL COMPLEX	370,464	(185,317)	-33.3%	Budgeted use of fund balance for building improvements
24 - INFORMATION TECHNOLOGY	1,832,528	36,638	2.0%	
25 - INFO TECH CAPITAL	1,726,328	245,225	16.6%	Contribution for future replacements exceeded expenses
26 - PUBLIC WORKS BUILDING	2,860,676	(91,855)	-3.1%	Depreciation
27 - PUBLIC WORKS CAPITAL	313,128	(16,488)	-5.0%	Emergency Generator purchase
30 - REDEVELOPMENT RESERVE	1,015,056	9,049	0.9%	
31 - COMMUNITY DEV AUTH	5,133,105	(133,757)	-2.5%	
32 - TOURISM	1,199,854	(664,284)	-35.6%	Contributions towards Firefly Grove and Muellner Building
33 - SPECIAL ASSESSMENTS	(0)	(0)	0.0%	
34 - PARKS	2,337,833	485,669	26.2%	Wage surplus. Carrover consulting services. Rental Revenue
35 - LIBRARY	-	-	0.0%	
36 - TAX INCREMENTAL DISTRICTS	4,804,444	1,076,166	28.9%	\$1.3M surplus in TIF6; 595K in TIF 8. \$1.3M decrease in TIF7
37 - HOSPITAL POLICING	40,710	(28,703)	-41.4%	
38 - SPECIAL GRANTS	(213)	(2,113)		
50 - WATER	53,646,665	8,701,498	19.4%	\$1.3M cash increase. \$4.3M contributed capital; \$1M fixed assets
51 - SANITARY	67,531,284	4,293,207	6.8%	\$1.4M cash increase; \$1.4M receivables from MMSD
52 - STORM SEWER	53,768,836	3,533,654	7.0%	\$7.0M in capital assets; \$850K receivables from MMSD
CA - CAPITAL ASSETS - GOVERNMENT	142,529,145	8,823,561	6.6%	Construction in progress - Firefly Grove, Muellner Building, Streets
Grand Total	\$375,554,625	\$30,810,394		