

CITY OF WAUWATOSA
MEMO



To: **Financial Affairs Committee**

From: **John Ruggini, Finance Director**

Date: **April 10, 2026**

Subject: **Presentation of preliminary 2025 Financial Results**

A. Issue

The Finance Department has finished closing the 2025 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 \$1,820,690 surplus which equates to 2.3% of total budgeted expenditures. The tables below provide detail by expenditures and revenue categories. In general, the \$10,000,000 settlement with Froedtert caused significant revenue and expenditure variances and “static” in the year-end results that requires some explanation.

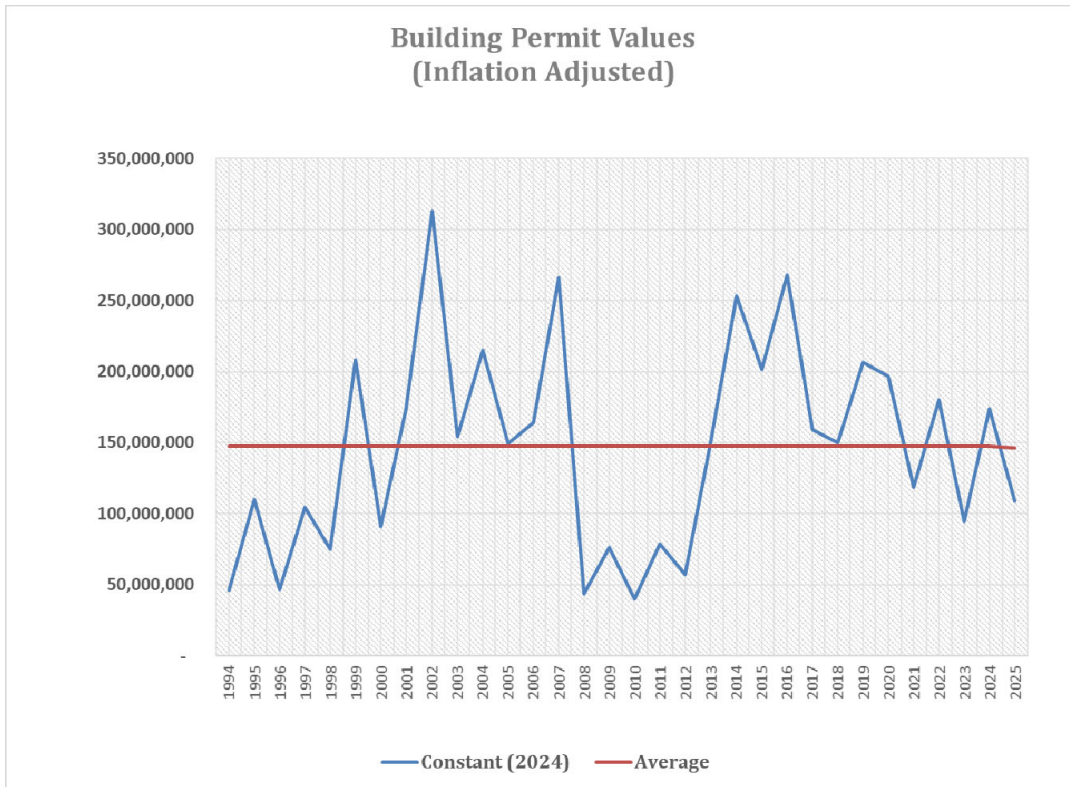
General Fund Revenues

In total, actual general fund revenues were 111.5% of the original budget, a surplus of \$9.14 million. This is broken down by revenue category below. 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). Also included is a comparison to prior year actuals.

Row Labels	2025B	2025 EST	Variance to Original Revenue Budget	% Var to Original Revenue Budget	Year over Year Trend	Prior YTD Variance
1-REVENUES	79,653,637	88,791,538	9,137,902	11.5%	↗	11,847,319
⊕ 01-TAXES	54,693,923	61,160,977	6,467,054	11.8%	↗	6,926,793
⊕ 02-STATE SHARED TAXES	7,956,282	7,948,024	(8,258)	-0.1%	↗	1,225,081
⊕ 03-LICENSES AND PERMITS	1,777,950	2,186,729	408,779	23.0%	→	(42,241)
⊕ 04-FEES	4,843,919	4,751,564	(92,355)	-1.9%	↗	343,213
⊕ 05-LAW AND ORDINANCE VIOLATIONS	1,128,500	1,028,518	(99,982)	-8.9%	→	29,742
⊕ 07-FEDERAL AND STATE GRANTS	431,668	747,417	315,749	73.1%	↓	(336,154)
⊕ 08-LOCAL INTERGOVT REVENUE	153,184	206,682	53,498	34.9%	↑	48,416
⊕ 09-INTEREST	2,400,000	5,071,944	2,671,944	111.3%	↘	(452,181)
⊕ 10-MISC REVENUES	553,843	534,304	(19,539)	-3.5%	↑	171,557
⊕ 11-INTER-DEPT REVENUE	218,867	218,869	2	0.0%	↗	42,698
⊕ 12-BOND PROCEEDS	-	-	-	N/A	N/A	-
⊕ 13-INTER-FUND TRANSFERS	5,495,500	4,936,510	(558,990)	-10.2%	↑	3,890,394

“Taxes” is not a category that typically varies from budget however “chargebacks” are considered a tax and made up 99% of the variance. The chargebacks were revenue received from the other taxing jurisdiction for their share of the Froedtert settlement.

Building permits drove the 23% revenue surplus in category 03 despite the value of building construction being down 37% year over year (Figure 2). This is due to timing issues – the Medical College and Three Leaf projects construction value was counted in 2024 but the revenue was earned in 2025. If you average the construction value over those 2 years, it equals \$139 million which slightly below average (\$146 million). As you can see from the graph below, the City is trending down in the value of building activity since 2015. This will have impacts on future net new construction.

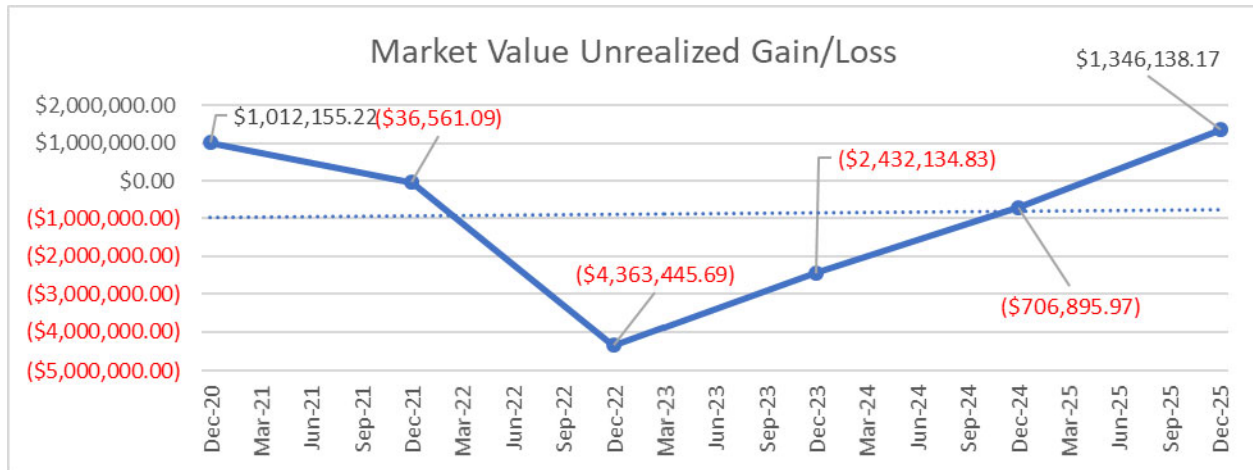


Shortfalls in Court Penalties drove the 9% deficit in Law and Ordinance Violation revenue. We earned \$349,462 of a budgeted \$481,000 as we continue to feel the effects of past and current police vacancies. This was consistent with 2024. Notably, Parking Violations exceed budget by 11.1% and was \$42,327 over last year, despite having parking checker vacancies in the fourth quarter. Federal and State Grant revenue surplus is for grants received that were not known at the time of the adopted budget and are offset by expenditures so they have no impact on the net surplus.

“09-Interest” was at 111.3% of budget with a \$2.7 million surplus. Approximately 23% of this total, \$619,000, were real gains. This surplus was driven by higher than budgeted interest rates. The 2025 budget assumed 125 basis points in cuts in the Fed Funds rate as compared to the actual 75 basis points. The City has held larger balances of liquid investment as it was anticipated that higher than usual cash balances would be needed to cover the Froedtert property tax settlement and increased cash financing later in the year. That, plus the lack of rate cuts contributed to the surplus earnings in the liquid portfolio

The required mark-to-market adjustment increased the surplus by another \$2.1 million. As interest rates decrease, bond prices increase so the City’s portfolio now exceeds its par value by \$1.3 million. So long as the City holds its investments to maturity, which it has sufficient cash to do so, those paper gains will not be realized (just like our paper losses in 2022 and 2023 were not realized). 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.



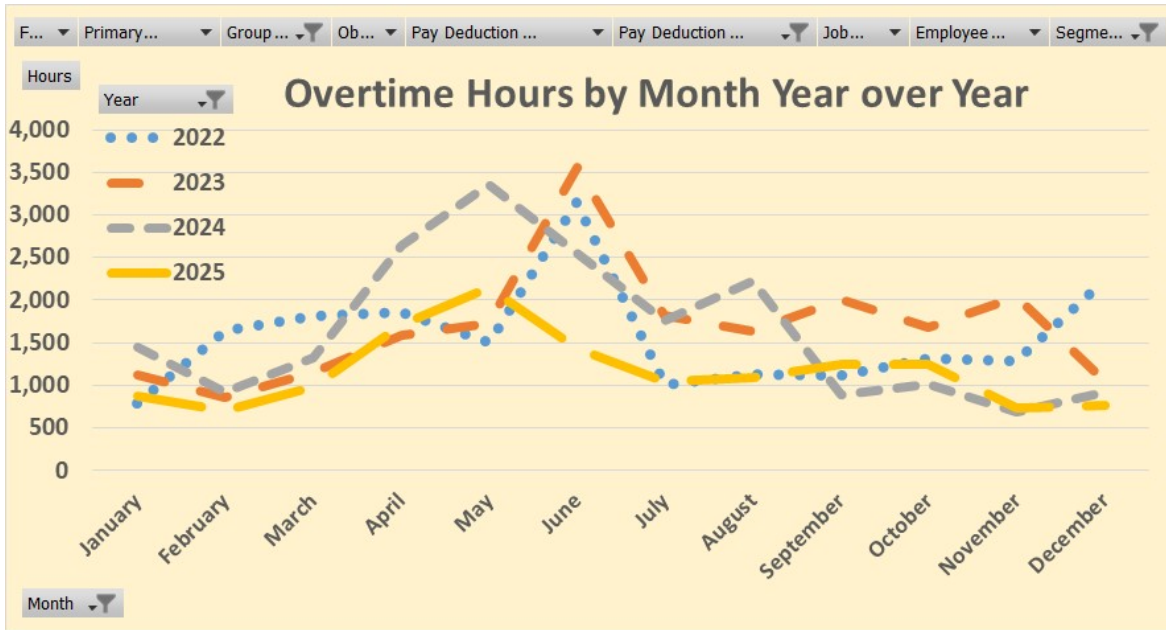
Finally, transfers were short of budget by 10.2% however, there are multiple moving pieces. All things equal, revenues should be short by \$4,000,000 (as would expenditures) as a result of the Expenditure Restraint state aid contingency which is a budget-only figure. However, \$3.55 million was transferred from contingency to the General Fund to cover the City's portion of the Froedtert settlement. So the only material impact on year-end surplus among the transfers was the \$129,000 shortfall in the transfer from the Water Utility – this is a payment in lieu of taxes and the budget assumed a higher tax rate than actual.

General Fund Expenditures

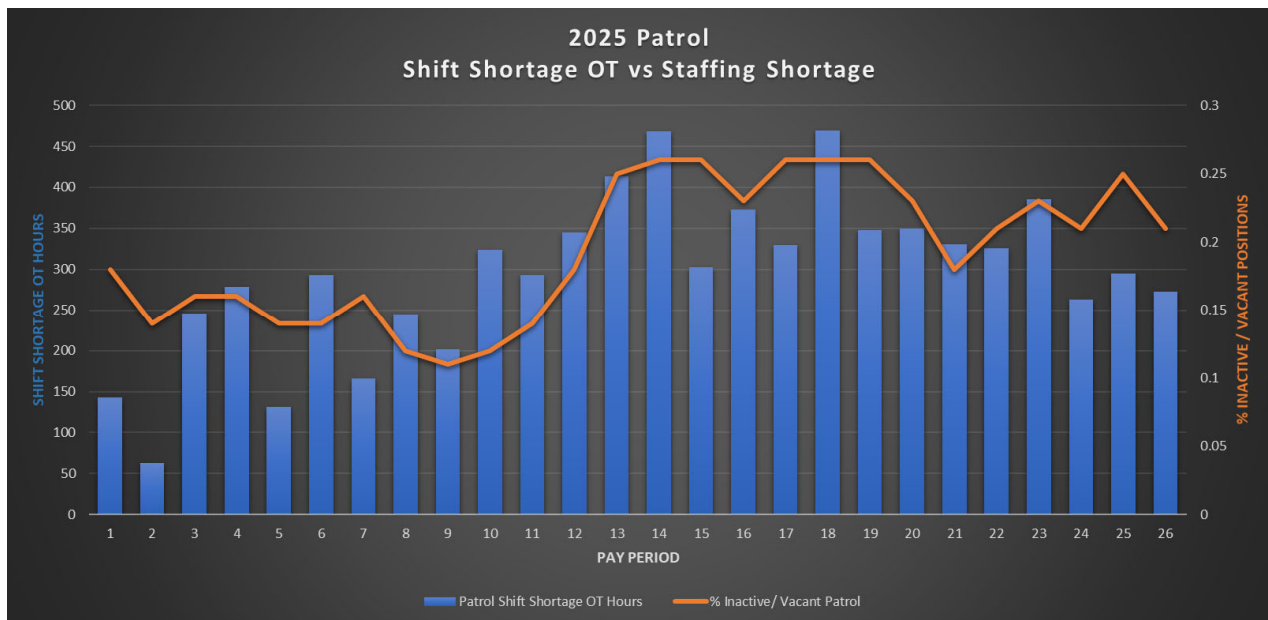
In total, General Fund expenditures exceeded budget by \$7.3 million, which represents a 9.2% variance of budget. This large variance was driven by the Froedtert settlement as well as the Medical College property tax court judgement which will be discussed more below.

Row Labels	2025BA	2025 EST	Var. to Original Budget	% Var to Original Budget	Year over Year Trend	Prior YTD Variance
2-EXPENDITURES	79,653,637	86,970,848	(7,317,212)	-9.2%	↔	13,237,187
01-WAGES	33,141,804	33,472,793	(330,989)	-1.0%	→	1,235,927
01A-REGULAR PAY-POLICE SWORN	10,534,308	10,186,119	348,189	3.3%	↔	492,896
01B-REGULAR PAY-FIRE SWORN	10,425,647	10,335,386	90,261	0.9%	→	472,635
01C-REGULAR PAY-GENERAL	10,750,877	10,654,786	96,091	0.9%	→	481,580
02A-OVERTIME-POLICE SWORN	898,132	1,517,219	(619,087)	-68.9%	↘	(117,537)
02B-OVERTIME-FIRE SWORN	320,000	526,484	(206,484)	-64.5%	↘	(158,824)
02C-OVERTIME-GENERAL	212,840	252,799	(39,959)	-18.8%	↑	65,177
02-BENEFITS	14,255,222	14,767,347	(512,125)	-3.6%	→	611,529
03-OPERATING EXPENDITURES	5,778,505	17,728,249	(11,949,744)	-206.8%	↑	12,016,375
04-UTILITIES	779,860	774,642	5,219	0.7%	↔	41,226
05-OTHER EXPENSES	413,450	114,374	299,076	72.3%	↓	(277,236)
08-INTER-DEPT CHARGES	4,418,580	3,965,621	452,960	10.3%	↘	(418,811)
09-CAPITAL IMPROVEMENTS	557,712	175,888	381,824	68.5%	↑	58,018
12-INTER-FUND TRANSFERS	20,308,502	15,971,934	4,336,568	21.4%	→	(29,843)

The City saw a 1% deficit in wages as overtime overages exceeded salary savings in both the police and fire departments. Positively for the Fire Department, year-over-year overtime was down \$158,824 and as can be seen in the graph below, the department was successful in managing the overtime by avoid summertime spikes as had occurred in prior years. This was done primarily by proactively limiting overtime call-backs which did have an impact of staffing a fire apparatus with 3 instead of 4 firefighters more frequently. Overtime was driven by vacancies and paid time off. The department ran a 5% vacancy rate in its union positions, the equivalent of 4.0 FTE. However, vacation payouts limited the associated salary savings to offset overtime. Offtime (sick and vacation) was also a significant overtime driver.



Police overtime was driven more largely by staffing shortages. In fact 44% of total overtime was due to patrol and dispatch vacancies. The table below produced by the police department below shows that shift shortage is due to vacant and inactive positions (primarily military and workers compensation leave) which peaked at 25% and remained elevated at year-end.



The benefits category exceeded budget due to pension and social security costs being calculated as a percentage of pay.

“Operating Expenditures” greatly exceeded budget as the Froedtert settlement (\$10.0 million) and the Medical College judgement (\$2.1 million) were incurred in this category. As described under “Revenues”, the Froedtert expenses was offset by chargeback and contingency revenue. However, due to the timing of the Medical College judgement which was paid after Oct. 1, that chargeback revenue will not be received until February 2027 so accounting rules prohibited to recognizing it in 2025. Were it not for these expenses, we would have realized a small surplus in this category.

The surplus in “Other Expenses” was driven by a favorable timing issue in the police department budget related to the body worn camera and taser contract.

“Interdept Charges” 10% surplus was driven nearly entirely by Public Works operations and Engineering billing more time than budgeted towards capital projects (as opposed to their operating budgets). This is a positive development and both departments should be commended.

“Capital Improvements” surplus by \$381,000, most of which are projects funded by the vehicle registration fee and will be completed in 2026.

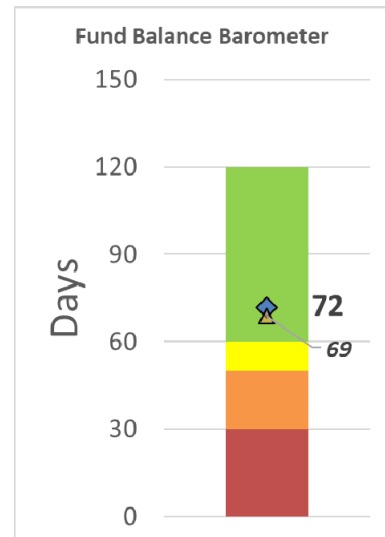
\$4.0 million of the “Inter-Fund Transfers” surplus was offset by the revenue deficit related to the Expenditure Restraint Aid contingency. The majority of the remainder was due to utilizing unbudgeted bond premium to pay for a portion of debt service which would have otherwise been paid for with property taxes.

General Fund Balance

The total General Fund Balance increased \$1,868,626, a 8.% increase.

In total, the Unassigned Reserve is estimated at \$15,140,000 which reflects 72 days of operating expenditures. The City’s policy is to maintain 60 days of operating expenses in reserve so the City is at 118% of its benchmark; a surplus of \$2.3 million. As the chart below shows, this continues an upward trend in % of unreserved fund balance.

While \$2.05 million of this increase is unrealized gains, it will be offset by yet-to-be recognized chargeback revenue of approximately \$1.5 million. Taking into account these adjustments, the City has 69 days of reserves available.



General Fund Balance 2019-2025

