

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

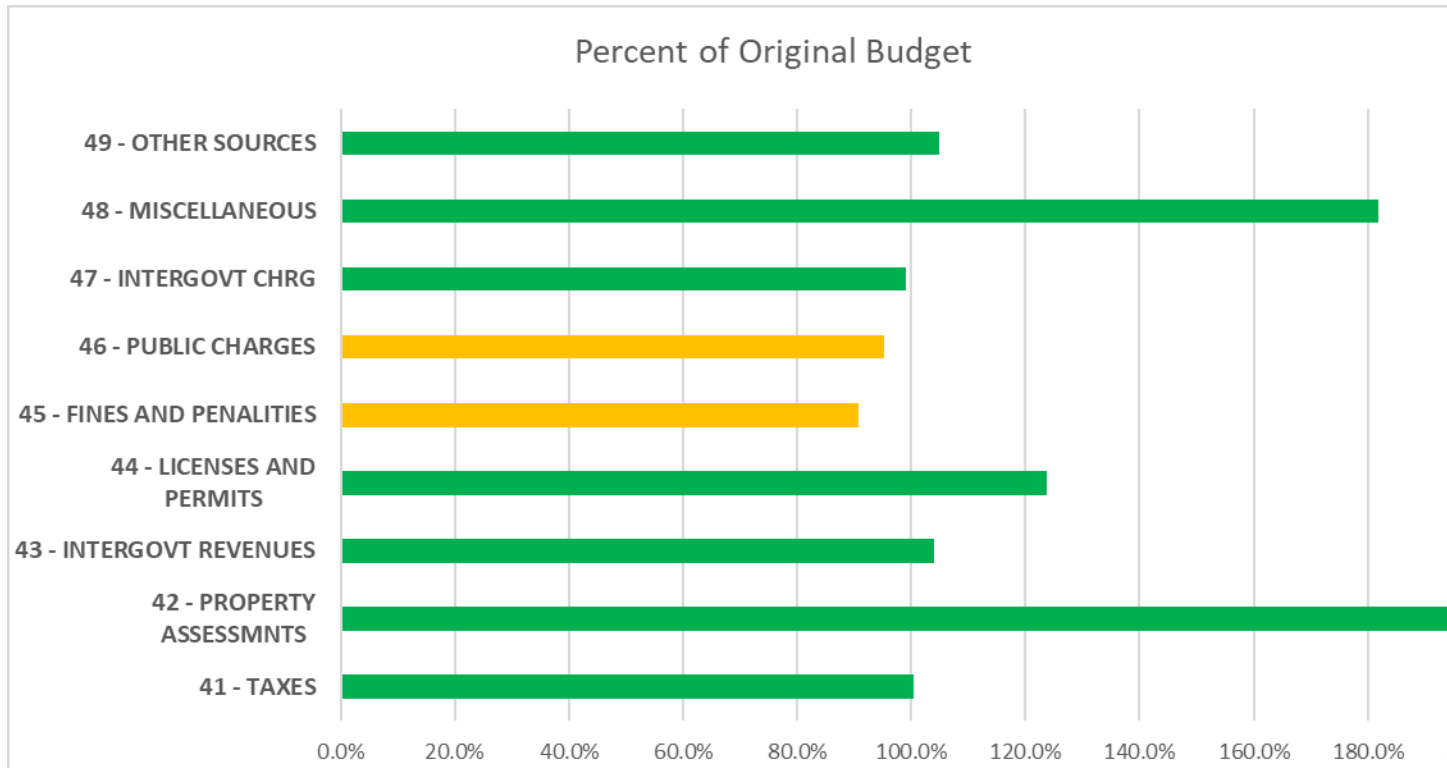
The General Fund, ended the year with a \$3,602,762 surplus which equates to 4.9% of total expenditures. The tables below provide detail by expenditures and revenue categories.

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).

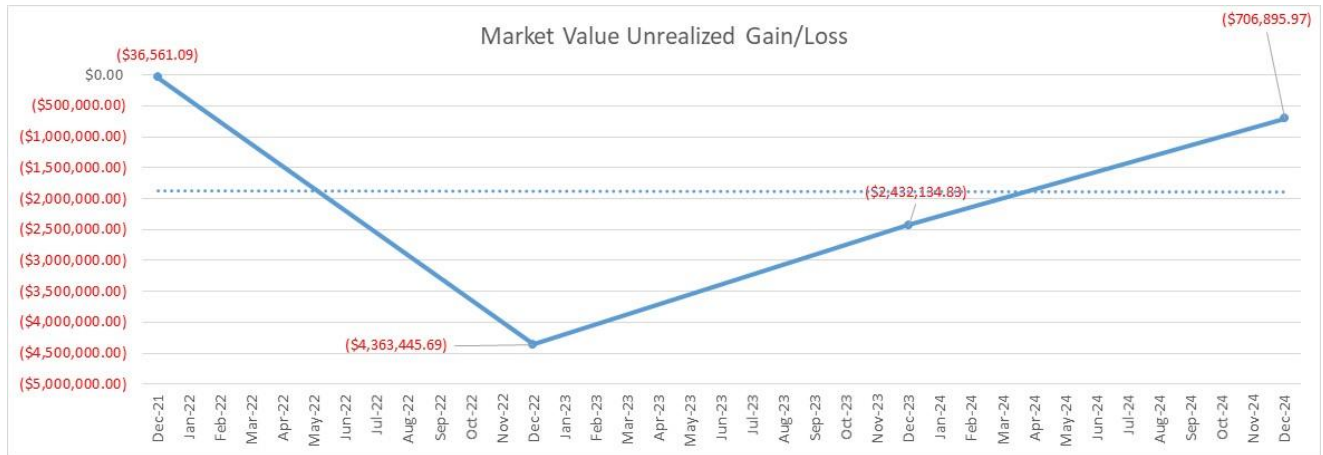


The largest positive variance from the Revised Budget was 42-Property Assessments at 321% but the dollar value of the surplus is only \$22,106

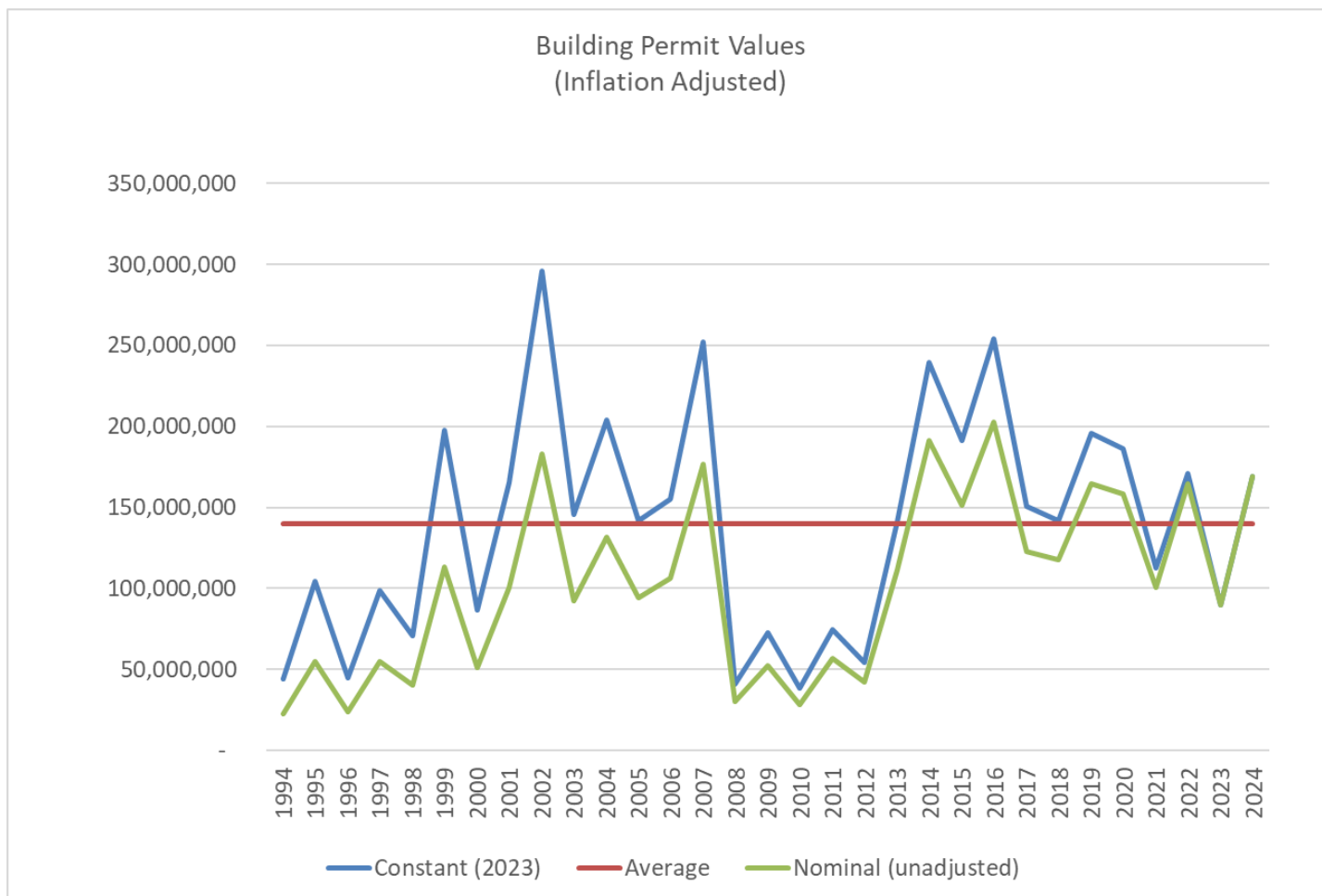
“48-Miscellaneous” at 182% of budget had the largest positive dollar variance of \$2.6 million. Approximately 30% of this total, \$800,000, were real gains. This surplus was driven by higher than budgeted interest rates. The 2024 budget assumed an overall portfolio earnings rate of 3.20% compared to 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.

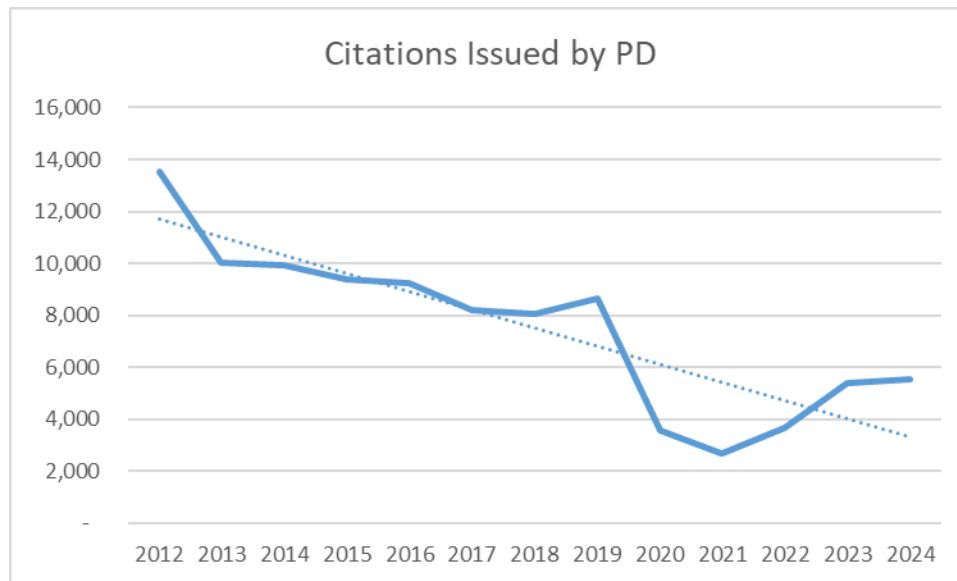


“44-Licenses and Permits” exceed budget by 23.8% or \$428,370. This was nearly entirely due to building permits exceeding the original budget. As shown below, 2024 construction value, which drives building permit revenue grew 88% of 2023 and ended 21% over average.

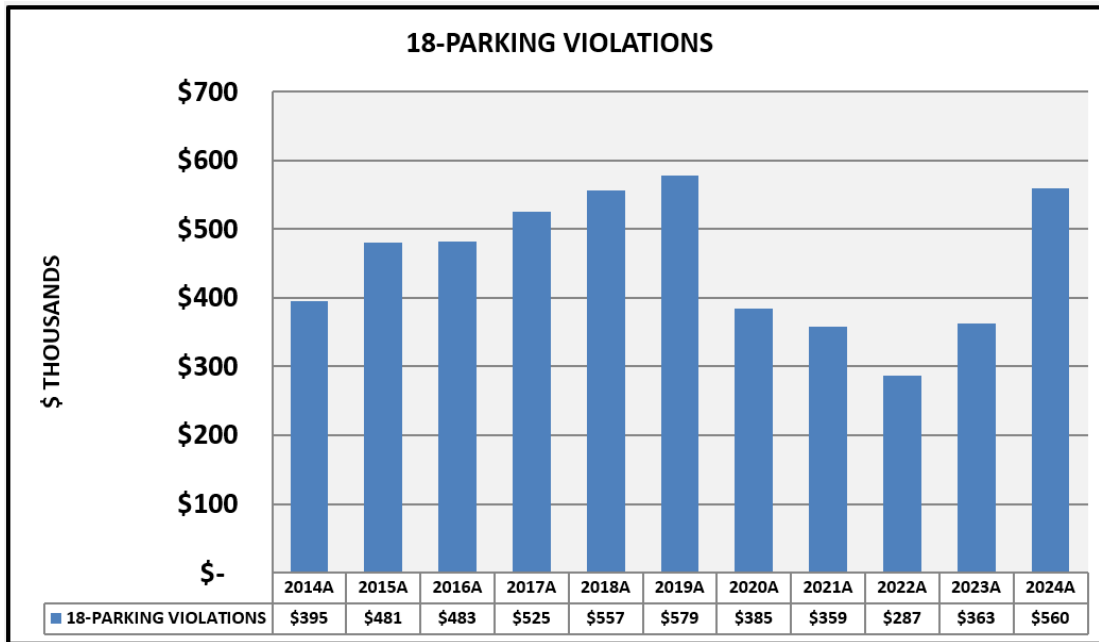


“43-Intergovernmental Revenues” posted a 4% revenue surplus the equivalent of \$317,000. The majority of this surplus is driven by Republican National Convention reimbursements which offset expenditure overages.

“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.

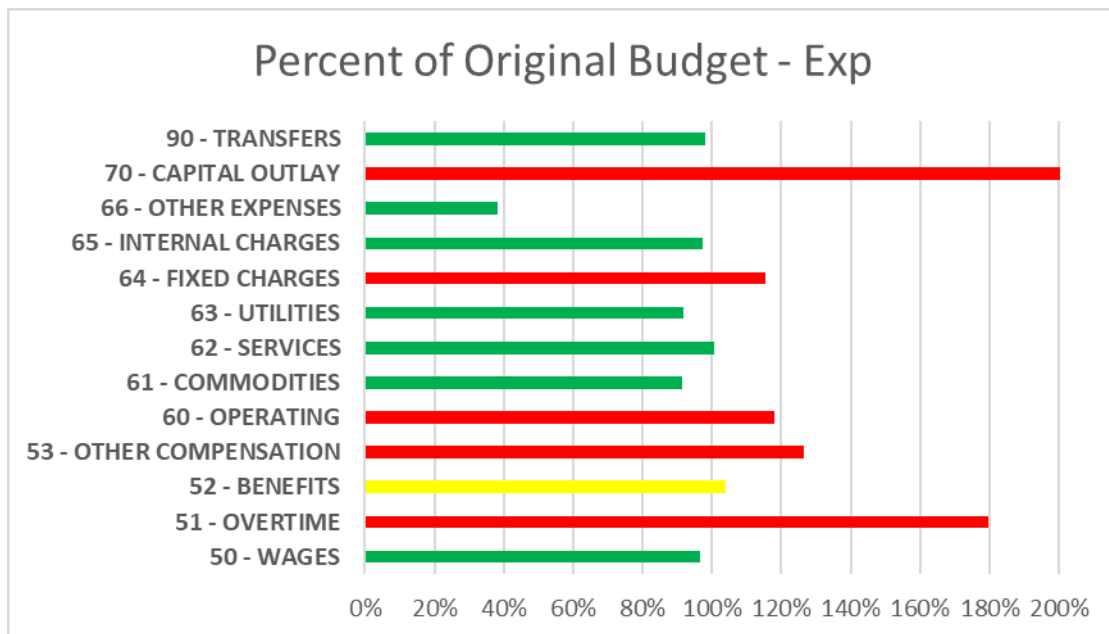


“46-Public Charges” was 4.8% below budget and is marked yellow. This was largely due to a deficit of \$146,203 in Ambulance Revenue. As in 2023, we continued to assume additional Medicare revenue based on a change in Wisconsin law. However, that additional revenue has been stalled awaiting approval of 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

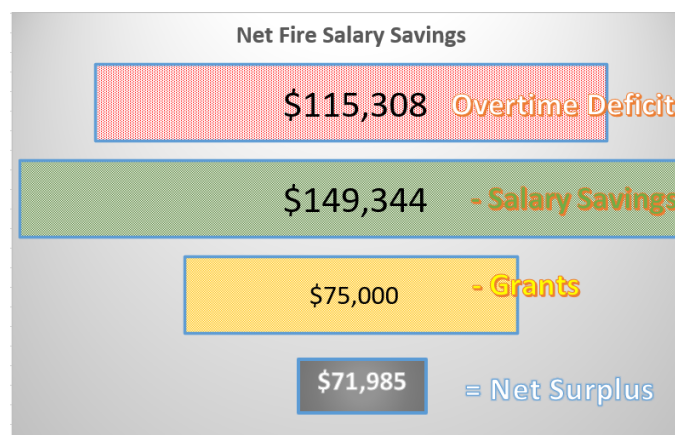
In total, General Fund expenditures posted a surplus of \$760,971, which represents 99% of budget and 7.5% growth over the previous year.

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%

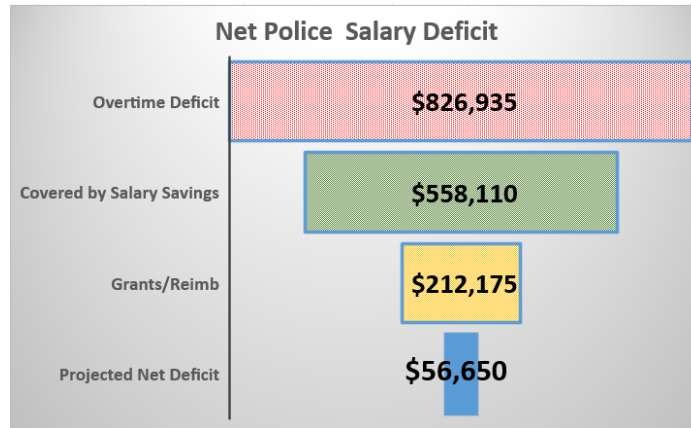


Similar to revenues, while “70-Capital Outlay” was 114% over budget, this only amounted to \$62,870 and was due to renovations in the Health Department that were funded by grants so it had no impact to the net year end surplus.

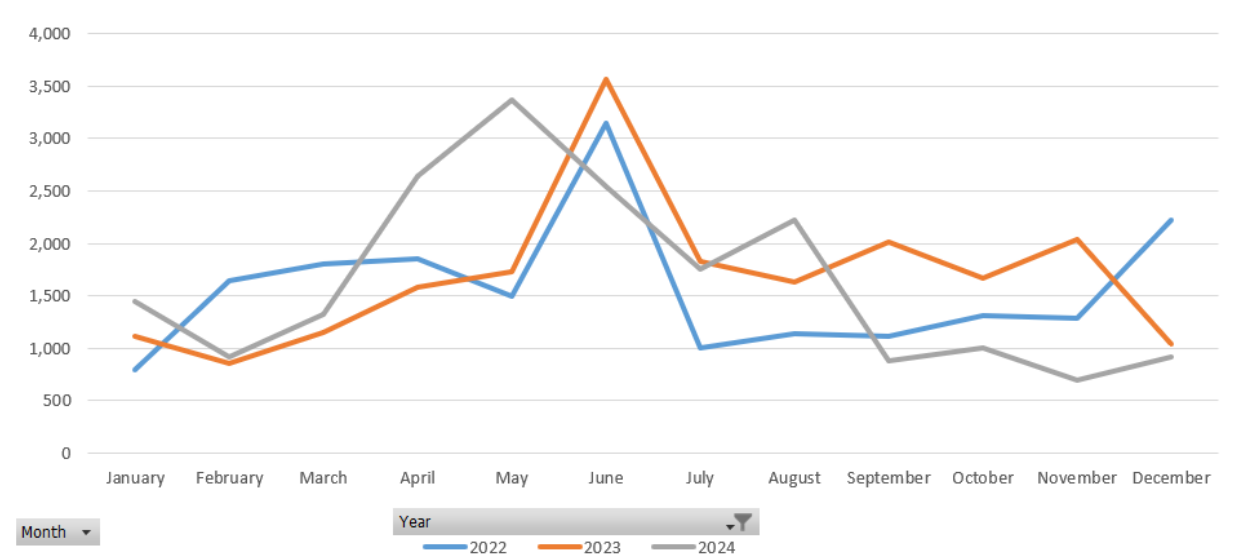
However, “51-Overtime” continued to be problematic exceeding budget by 79%, \$1.1 million. It is important to note that there are several offsetting factors. In the Fire department, overtime exceeded budget by \$115,308 but was more than offset by salary savings and reimbursements related to the Republican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

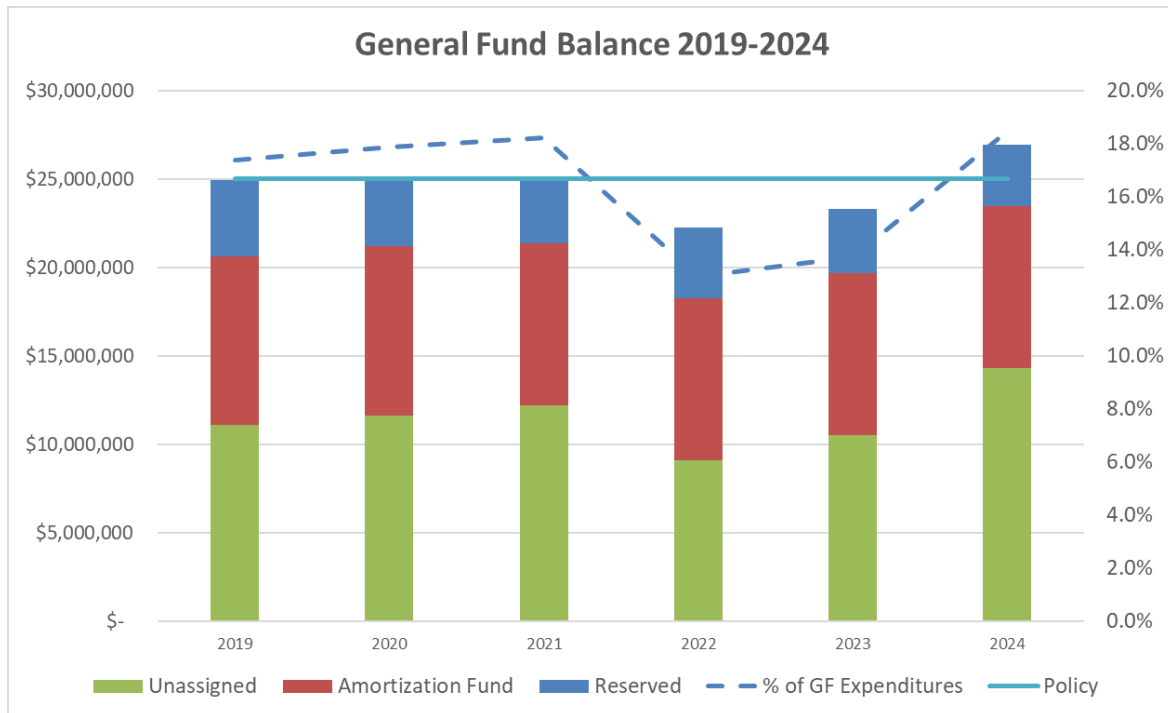
“90-Transfers” was under budget by \$312,430, or 1.9%. This was the result of the earned bond premium being used to pay for interest costs in lieu of property taxes as required by the bond covenants. As bond premium is volatile and unpredictable, it is not budgeted. This was augmented by a \$90,000 savings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

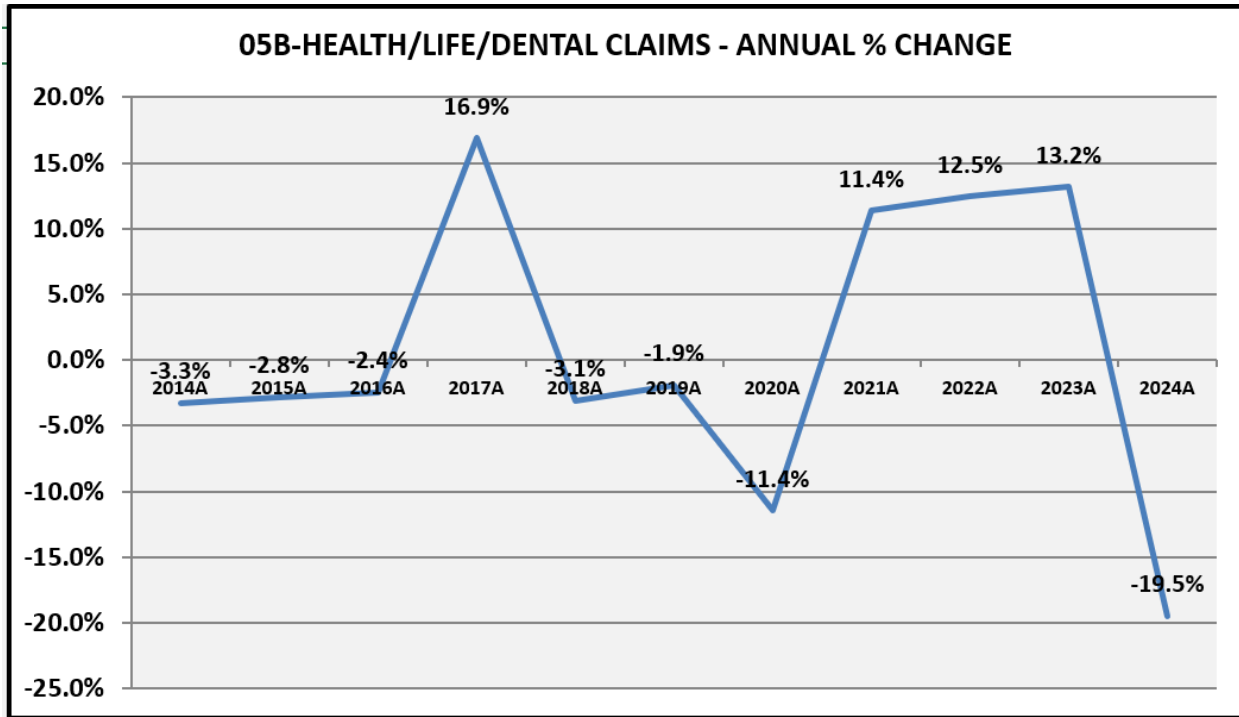
The ending balance and net change for each fund is included as an attachment as well as a brief explanation of significant changes. A few significant changes are described below.

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.

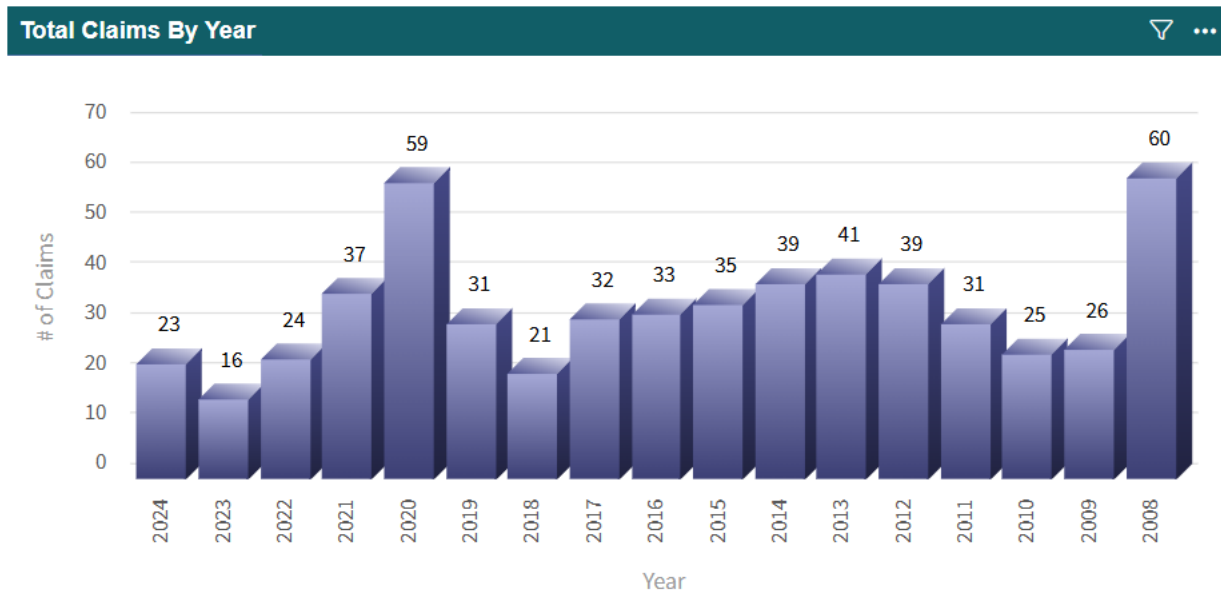
In total, year-to-date plan costs decreased 1.7% despite a 4.3% increase in enrollment.

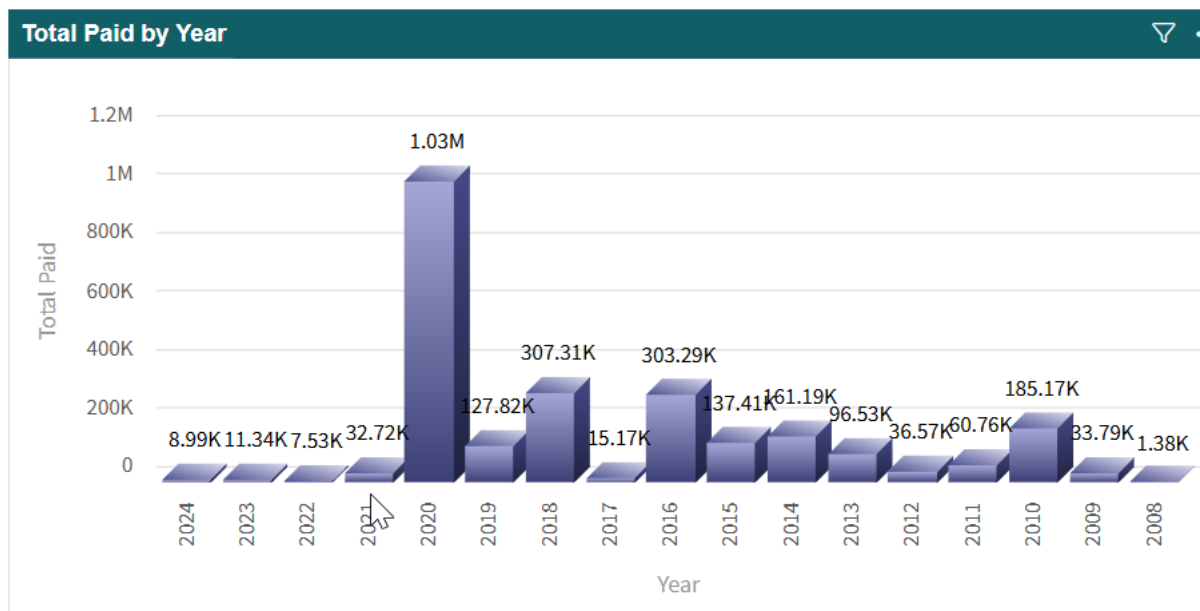
Last year's report expressed concern over claim trends as the plan has run double-digit claims cost increases for three consecutive years. The 19.5% decrease in 2024 over 2023 halts that trend as shown in the graph below. However, behind the numbers is continued dramatic increase in high cost claims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



General Liability

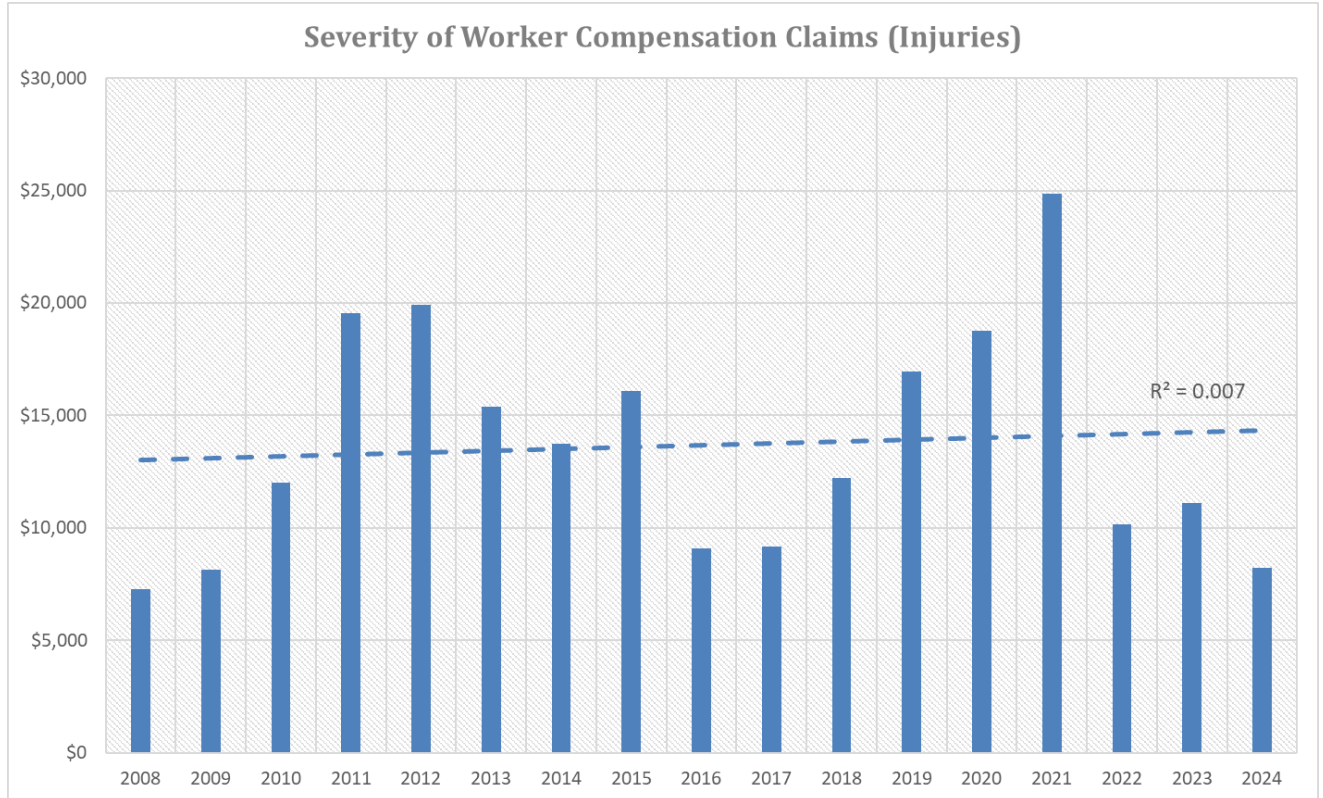
The City had another low-claim year and even though claims increased from 2023, the amount of total claims cost paid fell.





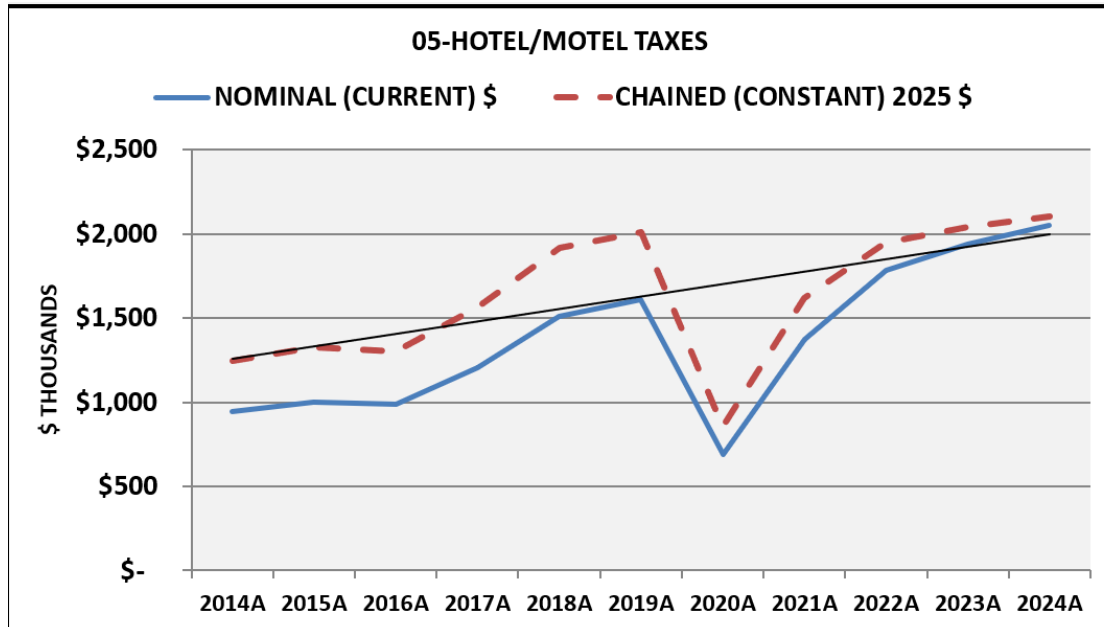
Workers Compensation

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.



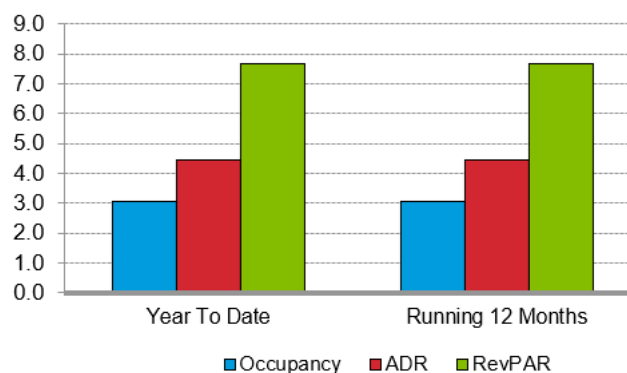
Tourism

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		