2025 Cost to Continue & Budget Planning

Budget Contacts Meeting

Finance Department | March 12, 2024

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Agenda

1. Introductions: Finance Budget Team & Feedback Survey

2. Budget Calendar & Key Dates

3. Cost to Continue Methodology

4. Results Madison: Chart of Accounts Redesign

5. Salary & Benefits Projection

6. Questions
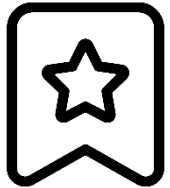
- Slides will be available on Employeenet:
  https://www.cityofmadison.com/employeenet/finance/budget
- Recordings available on Mediasite Budget Training Page:
  https://media.cityofmadison.com/Mediasite/Channel/budget_training_2023

2025 Budget Outlook

- Today's meeting will **not** cover the 2025 budget outlook, structural deficit, or specific guidelines for budget development

- [2025 Budget Outlook Website](#)
  - 4-part informational series on structural deficit
  - Presentations to the Common Council
  - Links to Common Council meetings and discussion

- Capital budget guidance will be shared at next week's kick off meeting

Introduction:
Finance Dept. Budget Team & Citywide Budget Survey

Meet the Team

L to R: Christine Koh, Maggie McClain, Robert Mulcahy, Betsy York, Ryan Pennington

Analyst Portfolios

Maggie McClain

PCED
- BI
- CDA Housing & Redev.
- CDD
- EDD
- PCED OOD
- Planning

Administration
- DCR
- IT

Robert Mulcahy

Public Works
- Engineering & Utilities
- Fleet
- Parks & Golf
- Water

Administration
- Assessor
- Clerk

Ryan Pennington

Transportation
- Metro
- Parking
- TE
- Transportation

Administration
- Attorney
- EAP
- HR

Other
- Monona Terrace
- GF Revenues & Room Tax

Betsy York

Public Safety & Health
- Fire
- OIM
- Police
- Public Health

Admin./ General Gov.
- Common Council
- Finance
- Mayor
- Municipal Court

Other
- Library
- Debt, Misc. Approp., Insurance/Work Comp

Budget Team Resources

Main website: https://www.cityofmadison.com/finance/budget

- Budget calendar & public-facing materials
- 2025 Budget Outlook

Employeenet: https://www.cityofmadison.com/employeenet/finance/budget

- Training Materials & Resources
- Analyst Assignments

Mediasite: https://media.cityofmadison.com/Mediasite/Channel/budget_training_2023

- All training videos/ recordings

Finance Committee Email: financecommittee@cityofmadison.com

- Internal staff email for FC agenda questions and written comments
- Does not go to alders/ FC members

General Inquiries: citybudget@cityofmadison.com

- Internal staff email for general question and if assigned analyst is out of office

2024 Budget Feedback Survey

Purpose

- Understand staff experience of budget process

- What's working? What needs improvement?

- Use feedback to improve budget tools & communications

- Follow-up from 2022 survey

Respondent Profile

of Respondents:

- **35 Respondents**
- Smaller group than 2022 survey (n= 58)

Staff Roles:

- 37% Dept/ Div head
- 34% Finance-focused staff
- 29% Other role

Budget Experience:

- 94% have previously completed a budget

Agency Size:

- 63%: 50+ FTEs
- 29%: 13-50 FTEs
- 9%: <12 FTEs

What is working well: Process & Resources

Compared to 2022 survey, higher percentage of positive responses in **all** areas.

Communications & Timeline

100% agree or strongly agree (A/SA) "budget phases and deadlines were clearly communicated"

77% A/SA "I felt I had enough time to complete required budget deliverables"

Guidelines & Forms

89% A/SA "I understood the guidelines and parameters for budget reductions and supplemental requests."

77% A/SA "The 2024 Budget Forms were an improvement from SharePoint/ prior year forms."

Skills & Support

80% A/ SA"I had access to adequate budget training, resources and assistance"
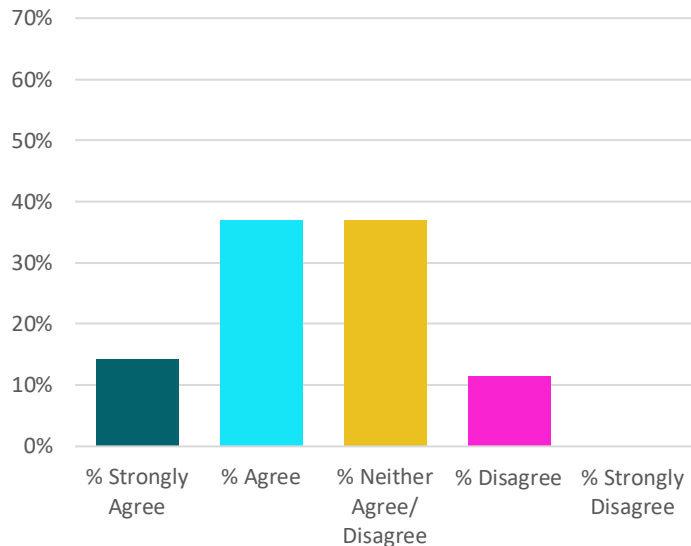
80% A/ SA "I had the knowledge and skills needed to prepare my budget requests"

A/ SA = Agree/ Strongly Agree

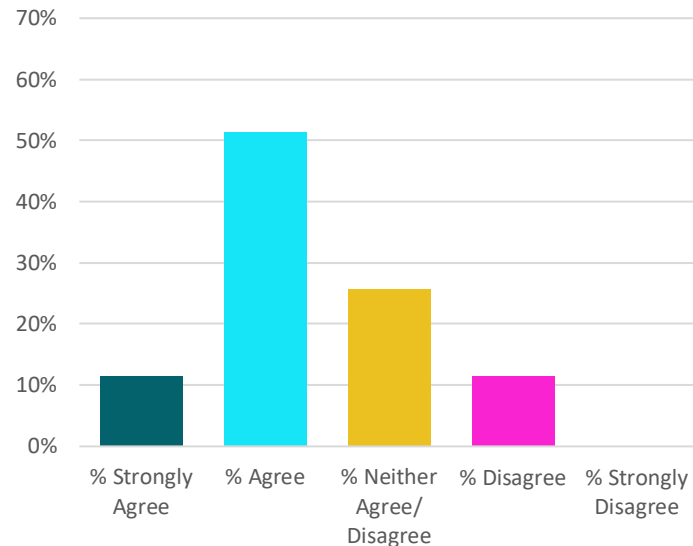# Transparency & Decision-Making

Transparency

51% A/SA "The executive budget decision-making process is transparent."
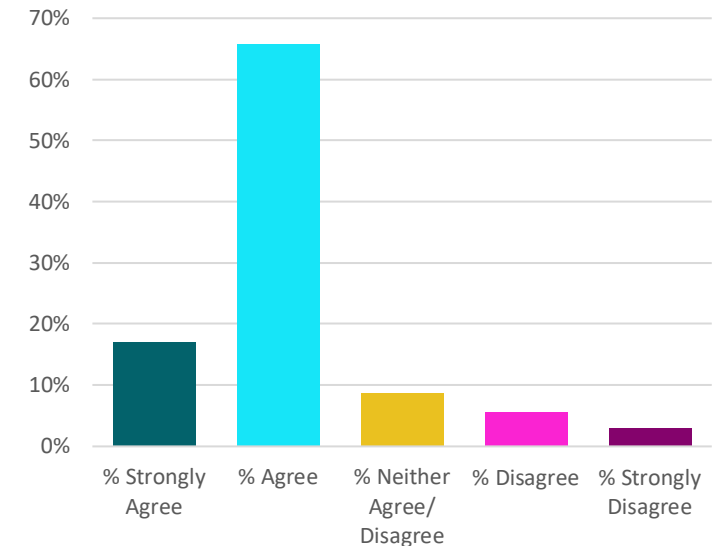

Resource Allocation

63% A/ SA "I believe the operating budget allocates sufficient resources to my agency."


Decision-Making

83% A/SA "In general, I understand the priorities driving resource allocation decisions."

A/ SA = Agree/ Strongly Agree

Mixed Opinions on Reduction Scenarios

If given a choice, would you prefer we implement a uniform cut (i.e. require all agencies to take the same percentage reduction), or require agencies to submit targeted reductions (i.e. propose specific service cuts)?
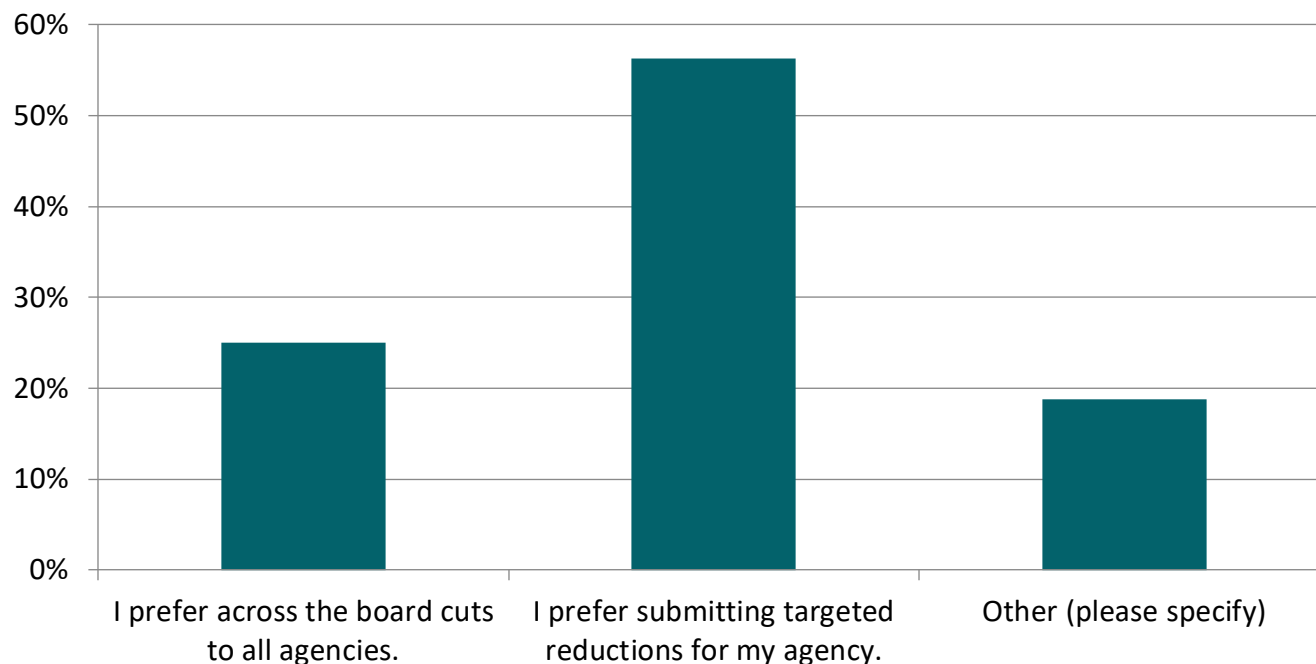
Majority prefer targeted reductions, but comments noted pros/ cons with each strategy.

- "Either are difficult and both have their advantages and disadvantages."
- "Across-the-board reductions to all agencies have a better appearance of fairness, versus targeted cuts[…]"
- "It's unfortunate that budgeting is done as a straight line reduction. Services/ Departments should be evaluated individually, and reduced or increased as such."

Areas for Improvement

- More trainings from Finance – high interest in trainings on Munis modules, budget projections, and overall budget process
- Length of process is challenging – circumstances change between request and adoption; as soon as budget is adopted, we're starting over on the upcoming year
- Need for multi-year budget strategy instead of incremental approaches
- Incentivize and support collaboration across departments
- Need for more analysis and evaluation of services to inform budget

2025 Budget Calendar & Budget Contacts Meetings

Key Dates for 2025 Budget Development

	Capital	Operating
Kick-Off Meeting	Tuesday, March 19 11:00am	Monday, June 17 1:00pm
Agency Requests Due	Friday, April 19	Friday, July 19
Agency Briefings with Mayor's Office	May 8 – 17	August 12 – 14
Executive Budget introduced to Common Council (CC)	Tuesday, September 10	Tuesday, October 8
Finance Committee (FC) Briefings	September 16 – 17	October 14 – 15
FC Amendment Meeting	September 30	October 28
CC Amendment Week	October 29 – November 6	
CC Budget Adoption Meetings	November 12 – 14	

Simplified Calendar View

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Capital	• 3/19: Capital Kick Off	• 4/19: Agency Cap Requests Due	• 5/8 - 17: Agency Briefings		• 7/8: Change requests due	• Develop Budget	• CC Intro and FC Meetings		• Common Council Meetings
Operating	• Begin Year-End Analysis and Cost to Continue	• Develop new payroll allocations and non-personnel allocations based on Results Madison Services		• 6/17: Operating Kick Off	• 7/19: Agency Op Requests Due	• 8/12-14: Agency Briefings	• Develop budget	• CC Intro and FC Meetings	
Projections				• Mid Year Projections & Agency Meetings	• Mid Year Resolution (Intro 7/16; adopt 8/6)			• Year End Projections & Agency Meetings	• Year End Resolution (Intro 11/26, adopt 12/10)

Budget Contacts Meetings & Resources

- Budget contacts meetings will be one forum for sharing information & providing trainings

- Scheduled as needed throughout the year

- Open to all staff involved in budget development; some months may have a specific topic that is more or less relevant to certain staff/ agencies

March 12 @ 10am	**March 12 @ 1pm**	**March 19 @ 11am**
• **Cost to Continue & Overview of 2025 Budget Process** *(Live Virtual Meeting)* • Review of Budget Feedback Survey • Overview of 2025 budget calendar • Cost to Continue Methodology • Results Madison Implementation	• **Cost Allocation Plan Overview** *(Live Virtual Meeting)* • Small group meeting for enterprise agencies and central service agencies that have ID Billings and Charges from cost allocation	• **Capital Budget Kick Off** *(Live Virtual Meeting)* • Mayor's Message • Budget Instructions • Request forms available by end of day; additional training resources on completing submissions will be provided

Preview of future topics

April	May	June 17 @ 1pm
Cost to Continue meetings *(1:1 meeting w/ agencies)*: • Budget analysts meet directly with agencies on Cost to Continue **Results Madison Allocations** *(TBD – Recorded or Live Training)*: • How to update payroll allocations and non-personnel allocations to align with 2025 Results Madison Services	**Monitoring Budget and Actuals for Budget Projections** *(TBD – Recorded or Live Training)*: • Why we do projections & how to effectively use Munis Data • Updated training on Munis Cubes	**Operating Budget Kick Off** *(Live Virtual Meeting)*: • Mayor's Message • Budget Instructions • Request forms available by end of day; additional training resources on completing submissions will be provided **Budget Projection Meetings** *(1:1 meetings with agencies)*: • Budget analysts meet directly with agencies on projections throughout June

Operating Budget Phases and Cost to Continue

Overview of Operating Budget Phases

Cost to Continue	Agency Request	Executive Budget	Council Adoption
March - May	June - July	August - September	October - November

Cost to Continue

- **March 25 – April 12:** Agency staff and budget analysts independently complete C2C files
- **April 15 – 26:** Agency staff and budget analysts meet to discuss and finalize C2C
- **April 29 – May 10:** Budget team compiles agency-level files, develops a citywide C2C, and begins planning for Agency Request phase
- **April 22 – May 10:** Agency staff update payroll allocations based on Results Madison services; begin developing non-personnel allocation changes

Agency Request

- **June 17:** Operating Budget Kickoff
  - Mayor provides guidance for agency submissions
  - Finance provides forms & instructions for requests
- Agencies review current & planned projects to prioritize against Mayor's guidance
- Agencies develop proposals for all items within their Operating services
- **July 19:** Agency requests submitted

Executive Budget

- **August 12 – 14:** Agency briefings with Mayor's office and Management Review Team
- **Mid August – Early September:**
  - Finance analyzes requests & develops initial recommendations to balance budget
  - Mayor & review team meet to develop the executive budget
- **September:** Executive Budget finalized

Council Adoption

- **October 8:** Executive Budget introduced at CC & referred to Finance Committee (FC)
- **Oct. 14 & 15:** FC hearings
- **Oct. 16 – 23:** FC amendment Week
- **Oct. 28:** FC votes on amendments; refers back to CC as amended
- **Oct. 29 – Nov. 6:** CC amendments
- **November 12 – 14:** CC Budget Adoption

Purpose of Cost to Continue (C2C)

What is Cost to Continue?	• Cost to Continue (C2C) is the first step of developing the city's operating budget. It is a baseline estimate of how much it will cost the City to provide the same level of service in the upcoming year. • Agencies develop their C2C estimate by completing an Excel workbook provided by the Finance Department.
Why do we do it?	• **Agency-level:** C2C is a way of systematically identifying projected changes in the budget. It allows agencies to account for unavoidable changes to their base budget. • **Citywide:** The City has a structural deficit, meaning projected expenses are greater than projected revenues, that is not driven by external economic conditions. C2C is used to estimate the budget gap (the amount that expenses exceed revenues), which is necessary for planning.
Who is responsible for completing C2C?	• **Agency Staff:** Department/ Division heads and budget contacts are responsible for completing the agency C2C Excel Worksheet. • **Budget Staff:** Analysts complete an independent analysis of agency budgets and meet with agency staff to review estimates. In addition, analysts account for citywide adjustments (e.g. salary and benefits adjustments).
When is the deadline?	• **March 25 – April 12**: Agencies and Budget Analysts complete C2C worksheets • **April 15 – 26:** Agencies and Budget Analysts meet to discuss and finalize C2C • **April 29 – May 10**: Budget team compiles agency-level files, develops a citywide C2C, and begins planning for Agency Request phase • **April 22 – May 10:** Agencies update payroll allocations and begin planning for new Results Madison Services

C2C Methodology Overview

Agencies and Budget Team complete the C2C workbook to identify changes in agency budgets that are **planned** and **unavoidable**.

- **Agencies only need to identify changes specific to their department.** Citywide changes, like salary increases due to step & longevity, benefits costs, and changes in interdepartmental billing, will be handled centrally by the budget team.

- **C2C is based a snapshot in time.** If there are any changes to your base budget after C2C is completed, we can make technical adjustments in a later phase of budget development.

- **Including an expense in C2C does not guarantee it will be included in your base budget.** The Budget Team will evaluate all agency C2C items to determine whether it is cost to continue or if it should be part of the agency request.

Tips for Completing C2C

☑ DO

- Review your 2024 adopted budget. Does your budget include one-time expenses you don't anticipate in 2025? One-time reductions you anticipate adding back in 2025? Partial year commitments that will be annualized?
- Review how you ended 2023. Were you over/under on specific objects? Do you expect these trends to continue?
- Pay particular attention to revenue, supplies, and services.
- Provide supporting documentation to justify changes to C2C, especially if you are requesting inflation adjustments.

☒ DON'T

- Factor in standard personnel costs, like step and longevity increases or health care costs.
- Adjust centrally budgeted items like Fleet Billing, Insurance, and Workers Comp. Contact your analyst if you're not sure what's centrally budgeted.
- Add in ongoing costs that were fully funded in the 2024 Budget; these expenses will automatically be included in C2C.

C2C Worksheet: Items to Exclude

| List all items that should be EXCLUDED from your 2025 Cost to Continue	
• Does the 2024 budget include one-time expenses that will not continue in 2025?	
Include	**Do Not Include**
• Funding for one-time projects or studies that will be completed in 2024 • Other one-time expenses you do not plan to continue in 2025	• Biennial expenses – these will be captured in "Other Adjustments"
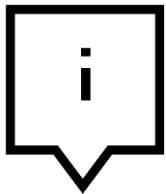
i
- Review the "2024 Budget Highlights" section of your agency's adopted operating budget. This section notes major changes and one-time expenses that should be removed in 2025.
- Review operating budget amendments adopted by Finance Committee and Common Council. Funding added through amendments is noted as one-time or recurring.

C2C Worksheet & Allowable Adjustments: Confirmed Personnel Changes

**Personnel – Confirmed Position Changes**

- Does the 2024 budget include partial year positions that will be annualized in 2025?
- Are there any new positions or reclassifications that were authorized after the budget was adopted?

| Include	Do Not Include
• Permanent positions approved to start mid-2024 • Position changes administratively approved or authorized through Council resolutions (only include position changes that have been adopted or will be adopted by May 1)	• Standard personnel costs, like step and longevity increases or GME cost of living (COLA) increases • Fully funded positions that will be delayed to meet salary savings targets
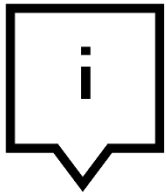
> **i**
> - Finance Committee and Common Council operating budget amendments included multiple position changes – be sure new positions and mid-year positions are included in your form
> - For positions reclassified through resolutions, check Legistar to confirm the status of the resolution and reach out to your HR Analyst

C2C Worksheet & Allowable Adjustments: Proposed Personnel Changes

Personnel – Proposed Position Changes

- Do you have any proposed position studies/ classification changes that are currently being studied by HR or that you plan to submit in 2024?

- Are you planning to propose position studies as part of your 2025 budget request?

Include	Do Not Include
• Positions studies that are in process but have not yet been approved • Position studies that you are planning to submit by year end or include in your budget request • Career ladders *if* the position change results in a higher level than authorized in the budget	• Standard personnel costs, like step and longevity increases or GME cost of living (COLA) increases • Career ladder changes where an employee is underfilling a position (for example, position is approved as an Accountant 2 but underfilled as an Accountant 1)
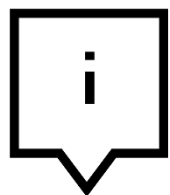
- Check your adopted budget **position page** to see how positions are budgeted.
- **Contact your HR Analyst** early in the planning process.
- Including proposed reclassifications in your C2C **does not guarantee** the change will be approved, but is important for planning purposes.

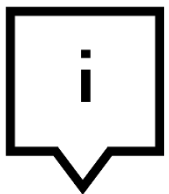# C2C Worksheet & Allowable Adjustments: Contracts

Contractual Items

- Does the 2024 budget include partial year contracts that will be annualized in 2025?
- Are there multiyear contracts for ongoing services that have required cost increases?
- Are there contracts that will expire and are anticipated to go back out to bid in 2025? If yes, what cost assumptions should be used for the new contract?

Include	Do Not Include
• Contractually required increases to multi-year contracts	• Contracts to provide new or expanded services

- Review purchase order and the contract database to compile a list of all current contracts
- Consider compiling a list of contracts as a supplemental file with Cost to Continue

C2C Worksheet & Allowable Adjustments: Other

Other Adjustments

- Does the 2024 budget include any other partial year commitments that will be annualized in 2025?
- Does your agency have biennial costs (e.g. elections, aerial photography) that need to be built in or taken out of your budget?
- Are you anticipating significant impacts on mission-critical supplies or equipment due to inflation?

Include	Do Not Include
- Adjustments for costs other than personnel and contractual items - If you budget for fuel, include the # of gallons you anticipate for 2025. This will allow the budget team to make a central adjustment if prices change significantly later in the year - If you request other inflation adjustments, you must provide justification for your estimates	Across the board increase on supplies/ equipment/ other expenses

C2C Worksheet & Allowable Adjustments: Capital & Grants

Capital Items	
• Are there capital projects with an operating impact that will come online in 2025?	
Include	**Do Not Include**
• Your best estimate of operating costs for 2025 • Ex. software licenses, maintenance costs	

Grant Matches	
• Does the agency's budget include any matching funds for grants?	
Include	**Do Not Include**
• Changes to grant revenues/ expenses for current services • Matching funds for multi-year grants where funding is known	• Anticipated grant funding for new services/ programs, or competitive grants where funding is unknown

# C2C Worksheet & Allowable Adjustments: Revenues

Revenue
- How does the agency's 2023 actual revenues compare to budgeted revenues? If actuals are lower/ higher than budgeted, why?
- Are agency's actual revenues consistent with prior year trends? Are agency's revenue amounts consistent with current rate structures?
- Is there a fee schedule or background assumptions for all budgeted revenue?
- Charges for Service/Licenses & Permits: When was the last time the fees were modified?
- Does your 2024 budget include one-time or partial year revenues that need to be adjusted for 2025?

Include	Do Not Include
• Adjust revenues (up or down) based on recent trends • Annualize revenues budgeted for a partial year	• Adjust interdepartmental billings
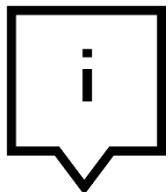
- i
- Use Munis Cubes to analyze your 2023 year-end revenues
- If you're not familiar with Cubes, review our Cubes 101 Training and Recording
- Server = tylerlsn1
- Cube type: GL Revenues and Expense

Results Madison Chart of Accounts Update

Results Madison:
Chart of Accounts Service Redesign

The Results Madison Service Redesign is a project to update each agency's Services in Munis to increase transparency in the budget and facilitate the strategic allocation of resources. The 2025 Budget will be built in the new Service structure.

Timeline

- **Summer 2022 – Summer 2023:** Agencies reviewed existing service structure and proposed changes (add new services, consolidate services, shift activities, no change)

- **Fall 2023 – Spring 2024:** Finance Accounting staff build out new accounts in Munis test environment, meet with agencies to verify changes, and push new org codes in Live

- **End of March 2024:** Finalize all service changes; agencies must confirm new structure by end of month (5 agencies outstanding – accounting/ budget will follow up directly)

- **Spring – Summer 2024:** Setting up payroll allocations, project strings, charge codes

2025 Budget Request

- Agencies will be expected to build their 2025 budget using the new Results Madison services
- **Budget Narrative**
  - Will be required to update/ write new "Service Descriptions" and "Activities Performed by Service"
  - Budget team will provide template as part of request files in June, but agencies can start thinking about this now
- **Payroll Allocations**
  - Will be required to update allocations to reflect new services
  - Timeline discussed in next section
- **Non-Personnel Allocations**
  - Will be required to allocate non-personnel costs to new services
  - Will require additional Central Budget data entry
  - Budget team will provide template; work will begin in April/ May and continue through Request phase

Salary & Benefits Projection Timeline

What is the Salary & Benefits Projection?

- Best estimate of an agency's personnel costs for the upcoming year

- Factors in salary increases (steps & longevity, COLAs), benefits increases, and vacancies

- Basic Steps:

Create copy of current employee records	If vacant, create vacant employee records	Apply projected salary and benefit increases	Push projection in Central Budget, refine as needed
Create a copy of all employee records in a test (not live) environment called the salary and benefit projection.	If a position is vacant, create a vacant employee record that assumes the minimum salary and single health insurance plan.	Apply projected salary increases (steps and longevity, negotiated increases). This will increase the benefit costs for each record.	Push the projection into Central Budget, where it's added to any relevant objects. This can be updated as many times as needed through the process.
This will be done on April 1, 2024. Data is a snapshot in time that reflects the records as of that date.	For filled positions, use existing pay and benefit selections as base assumptions.		

Timeline for 2025 S&B Projection

Date	Budget Team	Agency
April 1	Pull Data – employee record as of 4/1/24 is basis for 2025 budget	
April 2 – 12	Review position control and make corrections to allocations as needed	
April 15 – 19	Prep allocation review worksheet for agencies and send by end of week	
April 22 – May 10	Create vacant employee records and other projection set up	Agencies review current allocations and submit new allocations
May 13 – 17	Review agency allocations	
May 20 – 24	Import allocations; calculate and upload projected salaries	

Questions?