



Office of the Mayor

Satya Rhodes-Conway, Mayor
City-County Building, Room 403
210 Martin Luther King, Jr. Blvd.
Madison, WI 53703
Phone: (608) 266-4611 | Fax: (608) 267-8671
mayor@cityofmadison.com
cityofmadison.com

Date: May 24, 2021
To: Department and Division Heads
From: Mayor Satya Rhodes-Conway
Subject: 2022 Operating Budget: Agency Guidance

What a remarkable year it has been. Not since the influenza pandemic of 1918 has our city faced a public health crisis of this magnitude, necessitating major changes in work policy, procedures, and alternative forms of service delivery.

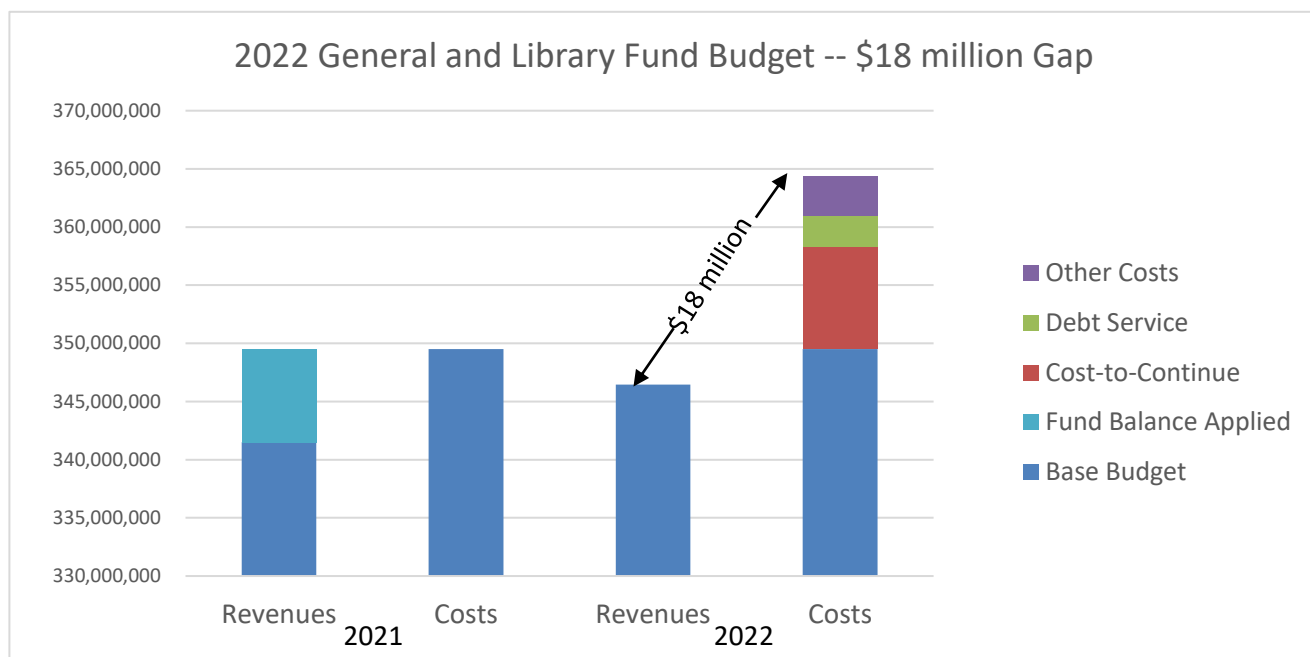
City services were transformed rapidly and dramatically at the onset of the pandemic. We found ways to help our residents—remaking multiple city facilities to serve those without secure housing, maintaining public access and accountability through virtual meetings, keeping our city safe through masking, distancing and cleanliness protocols, and reimagining the public space to support our economy and our small businesses. As policymakers and public servants we have gained nimbleness and resiliency, skills that will serve us well as we face the challenges ahead.

As we announce the end to our public health orders due to remarkably high vaccination rates and highly effective vaccines, we enter a new phase of the recovery with anticipation. But we are also cognizant that this past year brought into stark relief the incredible interconnectedness of our world and the dramatic racial, gender, social, and economic inequalities in our society. We have seen that public health and well-being have different implications depending on the type of work we perform, our economic status, and our race. Madison is challenged to do more to bridge economic and racial divides and make sure all city services, not just the emergency services related to our pandemic response, are delivered in a responsive and equitable fashion.

It is with these lessons learned that we embark on building back our city better than before. Even though we will receive one-time federal assistance through the American Rescue Plan Act, we continue to face significant budget challenges that will constrain our operations and policy choices and require new innovations.

Today our focus is on starting the process for developing the 2022 operating budget. We made a number of fundamental changes in how we provide services in the 2021 budget. We must continue on that path in the 2022 budget.

As demonstrated in the chart below, we face a budget gap of \$18 million. Over one-half of this gap is due to one-time measures used to balance the 2021 budget—\$8 million from our rainy day fund, \$1.2 million in one-time compensation reductions, temporary delays in filling vacant positions, and other short-term strategies. In other words, because we addressed so much of last year's budget gap with temporary measures, we must readdress that gap plus the additional gap arising each year from our structural deficit challenge.



It seems hard to believe, but the dissolution of the Town of Madison and the resulting incorporation of much of its population and land area into the City of Madison, first codified nearly 20 years ago, will occur in less than 18 months on October 31, 2022. City agencies have carefully documented the estimated cost of providing services to our new neighbors—upwards of \$4.0 million in annual operating costs on an ongoing basis beginning in 2022. This compares with an estimated \$2.3 million in town revenue set to begin in 2023. The \$18 million budget gap reflects some of the costs in preparation for serving those portions of the town and its residents that will soon be a part of the city.

The Finance Department estimates that in order to continue our current service levels and incorporate the Town of Madison attachment, General and Library fund expenditures will increase by \$15 million, or 4.3%. By comparison, because of state mandated limits on property taxes and the economic effects of the pandemic, revenues are estimated to increase by 1.5%.

State law limits our options to increase revenues. As such, to balance a deficit of this magnitude, we will have to employ a number of cost reduction strategies, most of which will need to be on-going.

We need to ask ourselves serious questions about whether or not we should be in the business of providing certain services. We need to ask ourselves what changes we made during the pandemic should become permanent. I am calling on all of you to do what families in our community do every day—focus on the essentials. As you review your services and develop your operating budgets for 2022, you should continue to focus on considerations of racial equity, social justice, and sustainability and seek to answer the outreach and process questions posed in developing your 2022 capital budget proposals.

To that end, I have established the following guidance for operating budget requests:

Base Proposals

- Agencies will receive budget targets consistent with the cost-to-continue funding levels.

- Agencies can reallocate funding across services so long as the overall agency amount is in line with the budget target.
- Agencies will prepare one proposal for each of their services within their budget.

Enterprise Agencies

- All Enterprise Fund Agencies will submit operating budget plans consistent with current revenue projections for 2022.
 - Agencies projecting revenue shortfalls for 2022 will need to present a base budget that includes expenditure reductions to meet available revenue.
 - Rate increases should be carefully analyzed in the context of equity and resident ability to pay; expenditures should be prioritized wherever possible.
- Enterprise Agencies not receiving a General Fund subsidy do not need to submit a budget reduction scenario.

Reduction Targets

- All General & Library Fund agencies will present 5% reduction proposals.
 - Proposed reductions need to be ongoing and should be not one-time.
 - Be creative in developing proposals to reduce costs of your service delivery. If you have ideas that might save money but do not fit in the confines of the budget proposal process bring those ideas to your Budget Analyst so we can explore them further.
 - Prioritize your services and consider ending services of limited value or effectiveness.
- Public Health is exempt from submitting a reduction scenario.

Other Guidance

- Keep racial equity and social justice at the forefront of everything we do—use the new equity questions included in the capital budget process to guide the development of your operating budget proposals.
- Consider how reducing our impact on the environment could also save money.
- Think about ways we can potentially save beyond the silos of your agency. Bring forward your ideas of ways to improve our coordination to help improve efficiency and reduce costs.
- No new revenues that result from charging other agencies should be proposed; other types of revenue proposals will be considered.
- Proposals that result in shifting costs to another funding source must be sustainable on an ongoing basis.
- Novel ways to combine services and other innovative ideas are strongly encouraged.
- Agencies should not include any Town of Madison-related costs in their budget requests. Costs associated with the Town attachment will be prioritized and included in the 2022 Executive Operating Budget.
- Supplemental requests may be submitted for urgent needs. These are limited to one request per agency. Where possible, include ways increases can be scaled or phased in over time.

Rising to this challenge is not something any one of us can do on our own. We have learned much over the past year and worked together and supported one another to accomplish a great deal as #TeamCity. Our teams must continue to innovate and prioritize. I look forward to your ideas to balance our budget and build back better.

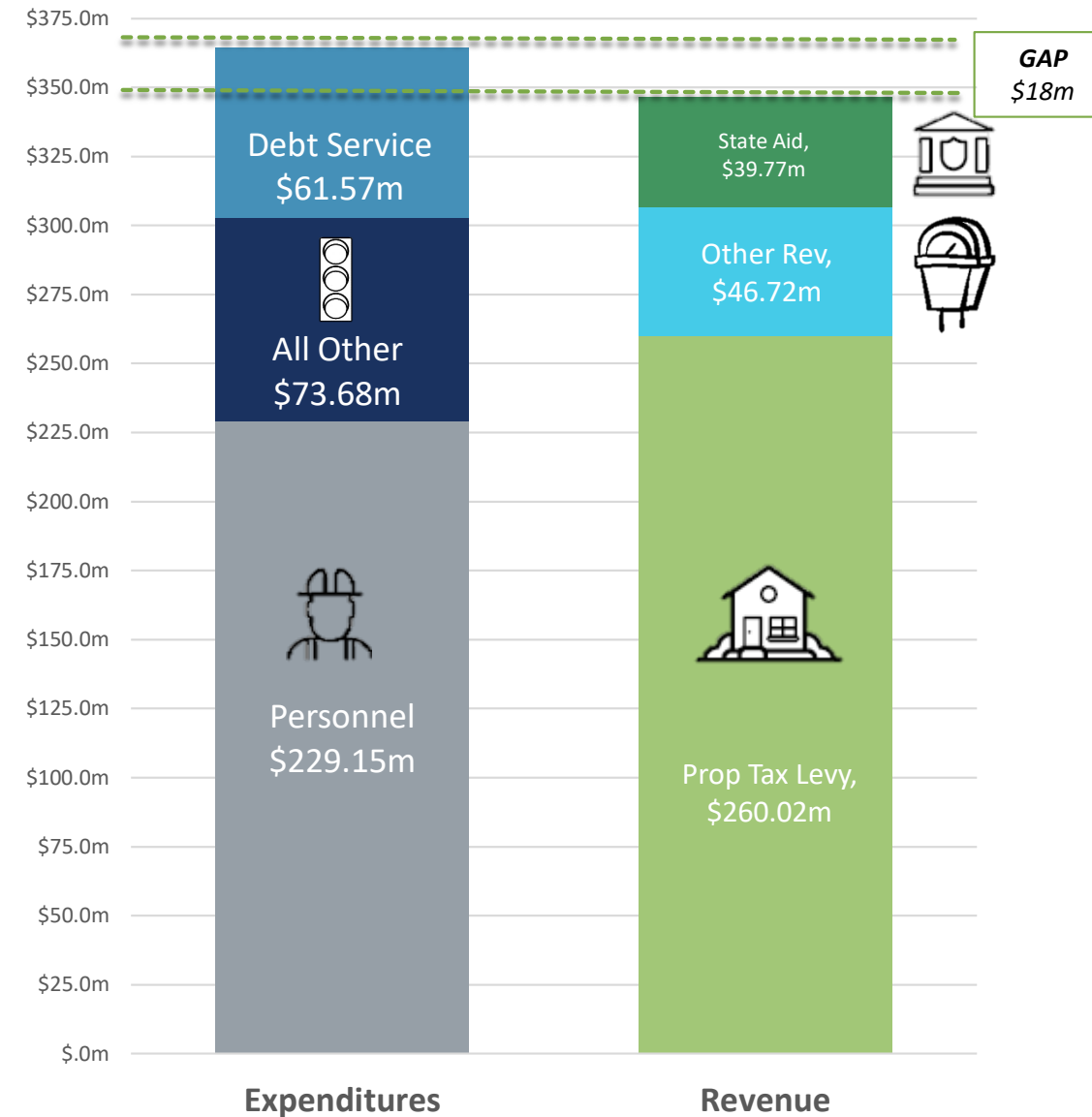
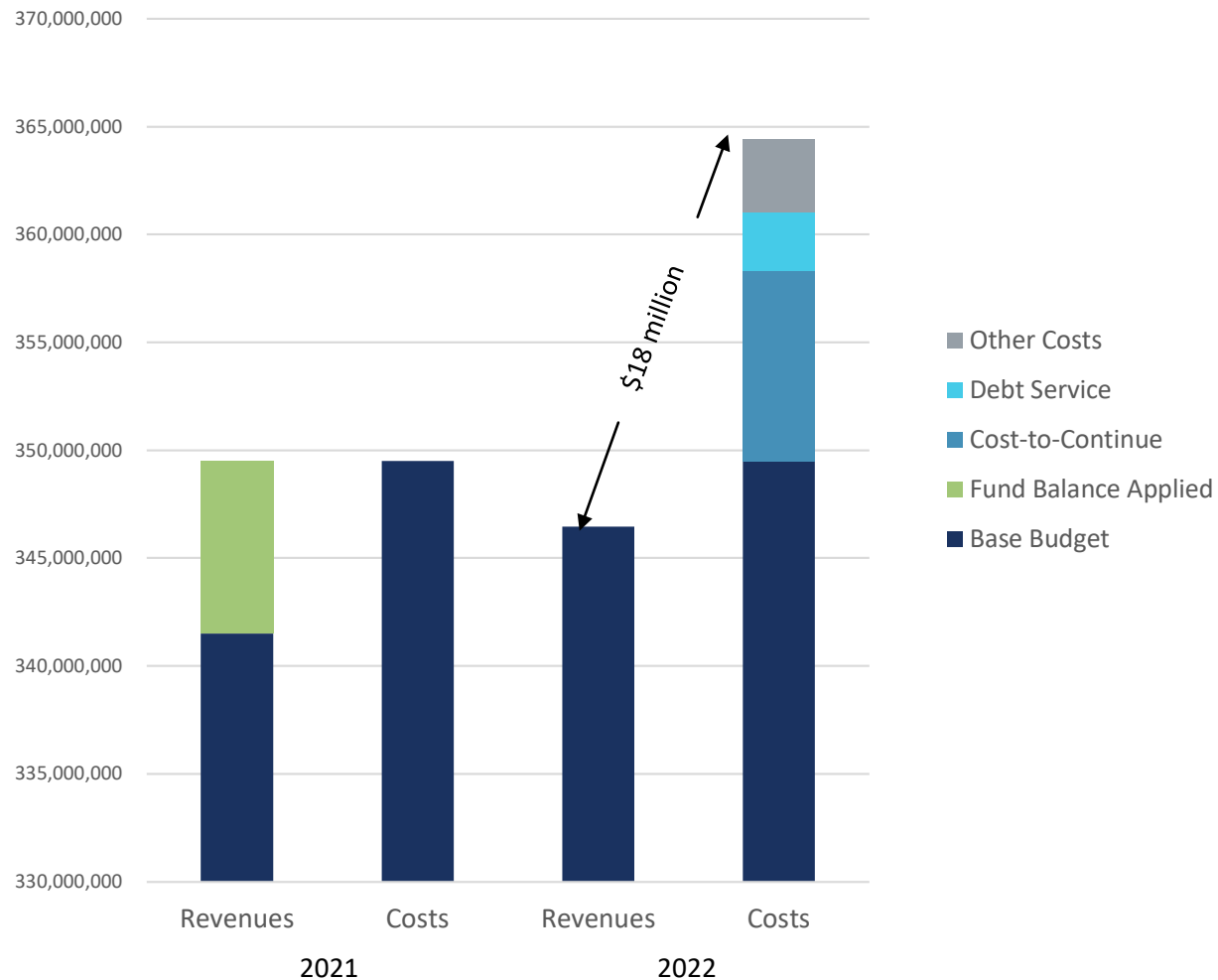
2022 OPERATING BUDGET KICKOFF

DEPARTMENT DIVISION HEADS MEETING

MAY 24, 2020



Understanding the 2022 Budget Gap



Revenues and Fund Balance -\$3.1m (-0.9%)

Applied Fund Balance: -\$8.0m

Property Tax Levy: +\$4.1m

- Projected overall increase of \$4.1m -- \$1.7m for increased debt service & \$2.4m from Net New Construction

Local Revenue: +\$1.1m

- Projected overall increase of \$1.1m driven by expected parking violation revenue

State Aid: -\$0.3m

- Projected overall decrease of \$300k based on re-estimates of state aid



Expenditures +14.9m (+4.3%)

Personnel: +\$7.9m

- Planned step & longevity increases for City employees
- Employee compensation

Debt Service: +2.7m

- Assumes borrowing will similar to 2020 borrowing levels based on capital activity currently underway

Town of Madison: +1.3m

Other: +\$3.0m

- Regular cost to continue adjustments
- Increased annual maintenance and subscription costs for IT systems
- Continued funding for Community Agency Contracts and Grants

2022 OUTLOOK: PROJECTION ASSUMPTIONS

The projected gap includes a series of assumptions that could change throughout the budget planning process:

REVENUE

Property Tax Levy

Projection: \$4.1m Increase

- Projected increase based on two factors not finalized until late summer:
 - Debt Service (\$1.7m)
 - Net New Construction (1.5% -- \$2.4m)

State Aid & Local Revenues

Projection: \$848k Increase

- Final notification regarding State Aid amounts released by program over the summer – dependent on action by State Legislature
- Other revenue assumptions may be changed based on status of economic recovery

EXPENDITURES

Health Insurance & WRS

Projection: \$297k Increase

- Final rates are set by ETF in later summer
- Projected increase is based on prior trends regarding the annual increase
- Modest increase due to change in Police and Fire health insurance contribution

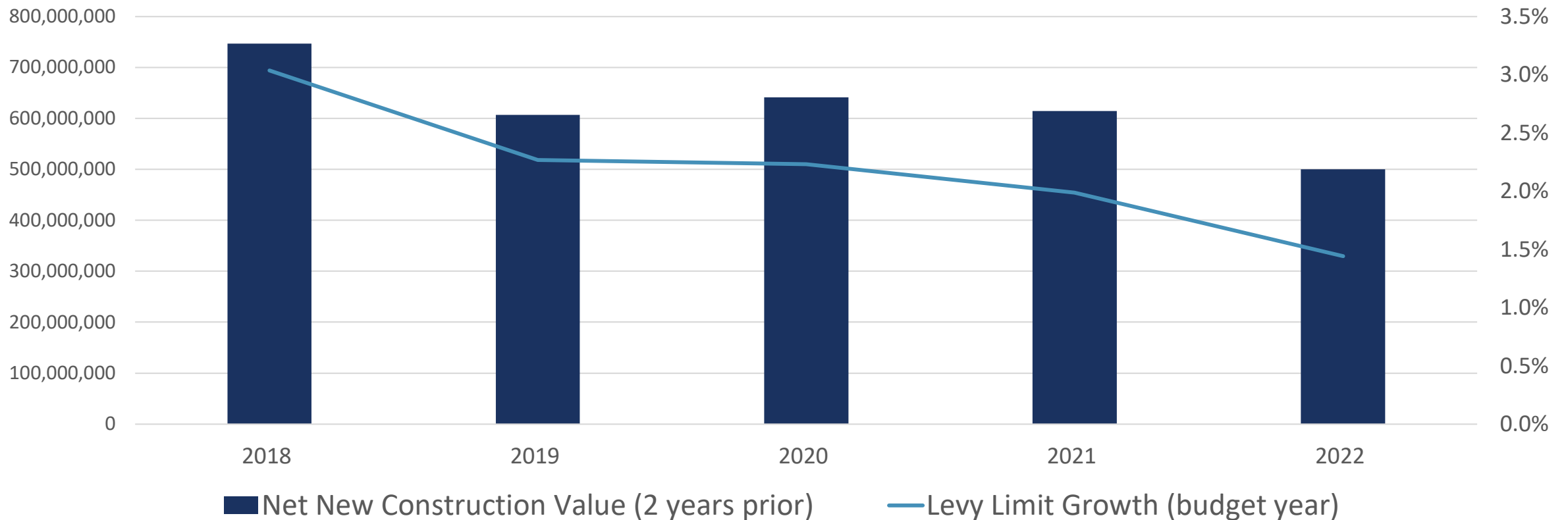
General Fund Debt Service

Projection: \$2.7m Increase

- Final amount will be based on September 2021 borrowing-will be based on amount of capital work completed this year
- Reduction in debt service will decrease the allowable levy increase

ALLOWABLE PROPERTY TAX LEVY – UP \$4.1 MILLION (*\$2.4M – NET NEW CONSTRUCTION; \$1.7M DEBT SERVICE*)

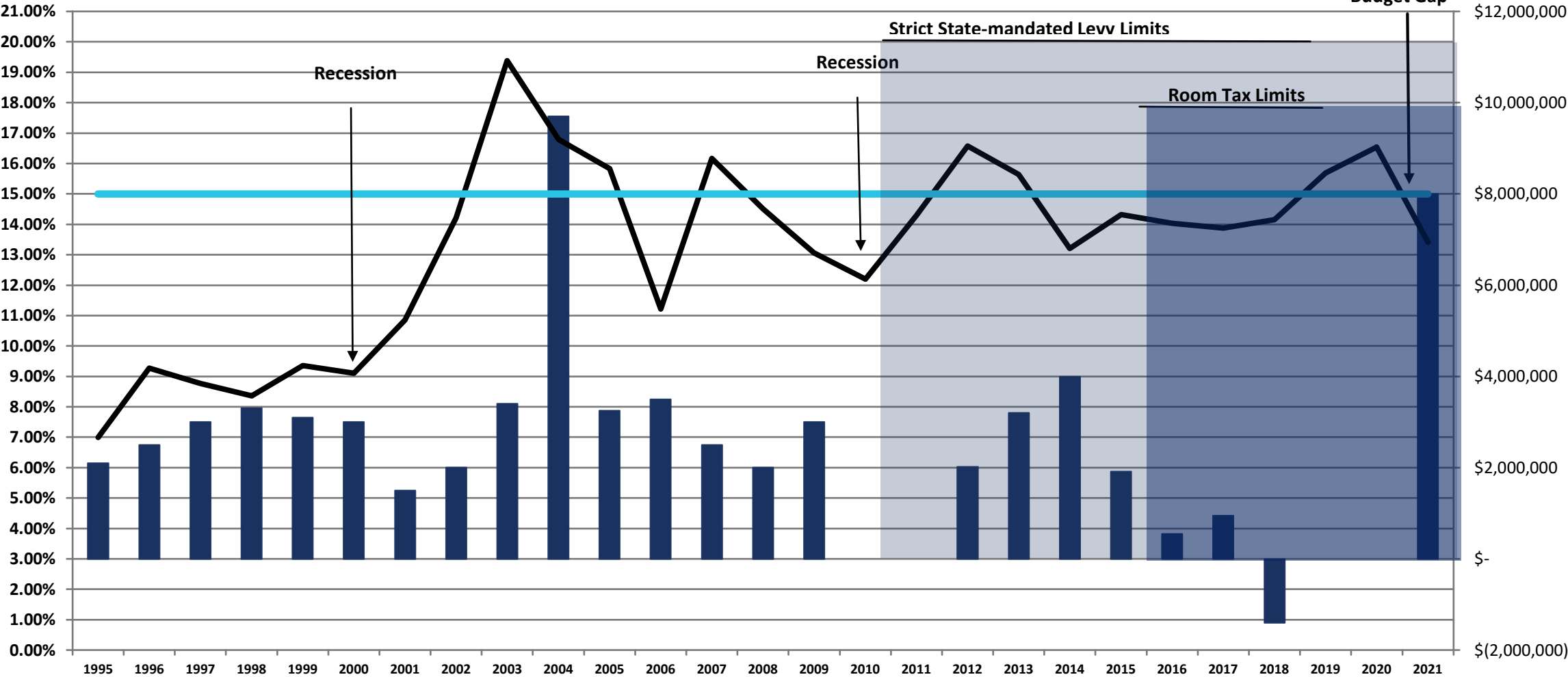
Declining Levy Limit Growth
2022 down 25% from 2021



General Fund Unassigned Balance

(as of January 1)
1995 to 2021 Actual

- Surplus Applied to Budget
- Unreserved Undesignated Fund Balance %
- Target Unreserved Undesignated Fund Balance



2020 BALANCES

- General Fund Unassigned Balance

- Remained steady prior to reservation for fund balance applied in 2021 budget -- \$52.3m – 16.3% of 2021 budget; reservation reduces balance to \$44.3m – 13.8% of 2021 budget.
- FED for Metro subsidy (\$8.6m)
- Routes to Recovery (\$4.8m)

- Parking Utility

- \$22m --\$10m below pre-pandemic estimates
- Expenditures exceeded revenues by \$7.7m; usually have \$2.5m surplus

- Monona Terrace

- \$1.5m – down \$2m during 2020

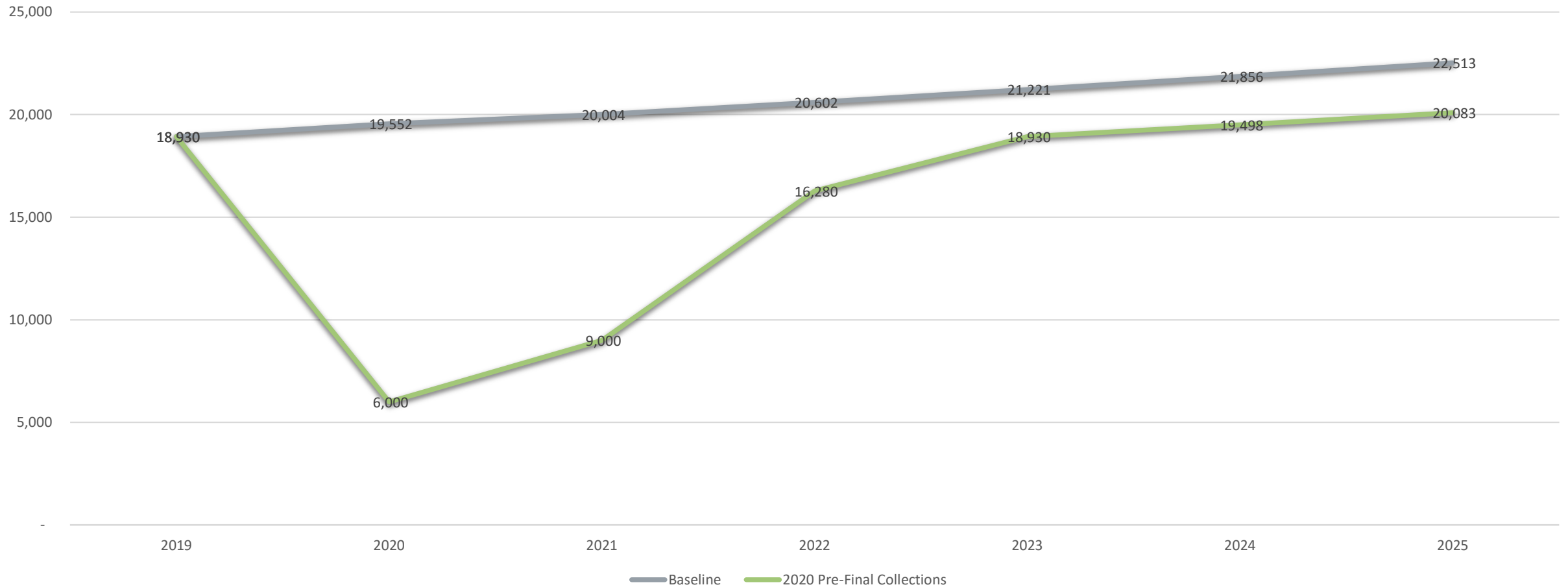
2021 PROJECTIONS

- General Fund -- \$4.8m deficit plus \$8.0m budgeted fund balance applied; \$40m fund balance / 11.7% of 2022 budget
 - \$0.5m – Deferral of furloughs
 - \$1.7m – Police salary surplus / Fire OT deficit
 - \$2.6m – Revenue shortfall
- Parking Utility -- \$7.8m shortfall; \$14m fund balance
- Monona Terrace -- \$3.7m shortfall; \$2.1m cash deficit (falls back to General Fund; shortfall largely due to reduced Room Tax subsidy)
- Room Tax -- \$4.4m shortfall and cash deficit (falls back to General Fund)
- ***OVERALL GENERAL FUND RISK -- \$20.4M – 37% OF 2020 FUND BALANCE***

Room Tax -- \$25 million revenue loss through 2024

30% is transferred to General Fund -- \$7.5 million through 2024

Room Tax Forecast -- 2019 to 2025





BUILDING YOUR BUDGET



BUDGET GUIDANCE: BASE PROPOSALS

- Agencies will receive budget targets consistent with the Cost to Continue amount
 - Target memos will be sent to agencies by end of day on May 25th
- Agencies can reallocate funding across services so long as the overall agency amount is in line with the budget target
- Agencies will prepare one proposal for each service within their budget
- Systems (MUNIS and Sharepoint) will be open to agency users by end of day May 25th

BUDGET GUIDANCE: ENTERPRISE AGENCIES

- All Enterprise Fund Agencies will submit operating budget plans consistent with current revenue projections for 2022
- Agencies projecting revenue shortfalls for 2022 will need to present a base budget that includes expenditure reductions to meet available revenue
- Rate increases should be carefully reviewed in the context of equity and resident ability to pay.

BUDGET GUIDANCE: REDUCTION PROPOSALS

- All General and Library Fund agencies are again being asked to include 5.0% reduction proposals for each service
 - Proposed reductions need to be ongoing, not just one-time for 2022, in order to partially address the City's perennial structural deficit
 - Increasing agency revenue or charging other City agencies is likely not a viable option
 - Proposals that result in shifting costs to another funding source must be sustainable on an ongoing basis.
- Public Health is exempt from submitting a reduction scenario.

BUDGET GUIDANCE: INCREASE PROPOSALS

- One supplemental request for the entire agency may be submitted for critical needs and service delivery
 - Please include the request in the most relevant service
 - Agencies should first consider reallocating base resources within and among services before proposing budget increases
 - Agencies should not include Town of Madison requests in this section
 - Where possible, include ways increases can be scaled or phased in over time
 - Describe the implications of any increase over the next five years
 - Identify if this increase is ongoing and if additional increases to funding or personnel would be needed to support this increase
 - Does the proposed increase affect workload for any administrative or internal service agencies (e.g., IT, Finance, HR, Fleet)?

BUDGET GUIDANCE: OTHER PROVISIONS

- Keep racial equity and social justice at the forefront of everything we do – the new equity questions should guide the development of operating budget proposals.
- Think about ways we can potentially save beyond the silos of your agency. Bring forward your ideas of ways improving our coordination can help to drive down costs.
- Proposals that result in shifting costs to another funding source must be sustainable on an ongoing basis
- Novel ways to combine services and other innovative ideas are strongly encouraged
- Agencies should not include any Town of Madison-related costs in their budget requests. Costs associated with the Town attachment will be prioritized and included in the 2022 Executive Operating Budget.

PROPOSAL COMPONENTS

Transmittal Memo

- Purpose: Memo drafted from Agency Head to Finance Director outlining overall goals & priorities for 2022
- Submission Method: Sharepoint-Upload to Agency Materials Folder
- Format: Should be completed using the provided template

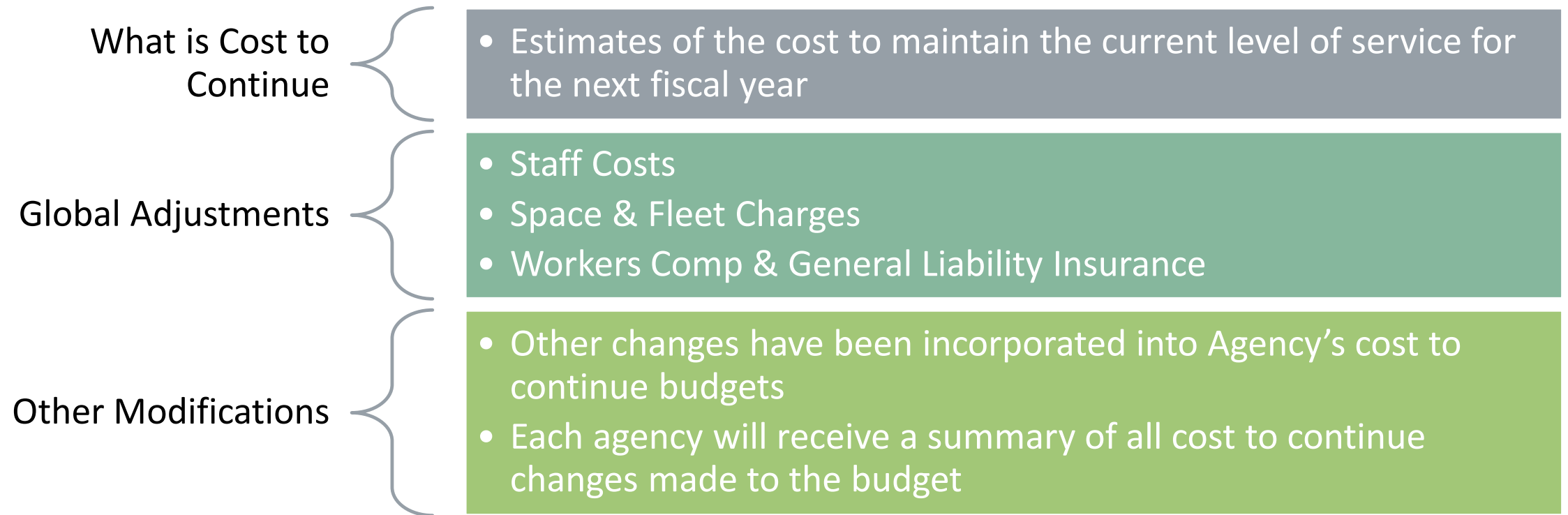
Service Proposals

- Purpose: Explain the operational impacts of the changes proposed in your line item budget
- Submission Method: Sharepoint-1 Proposal/Service
- Format: Sharepoint Service Proposal Form

Line Item Budget

- Purpose: Show the agency's plan for where (SERVICE) and how (MAJOR-OBJECT) the budget will be spent in 2022
- Submission Method: MUNIS Central Budget

COST TO CONTINUE ADJUSTMENTS



- CONTINUED IN 2022: Cost to Continue is Level 1 of the planning process; distinguishes global adjustments versus changes made by agencies in their budget requests
- During Finance Recommendations additional global adjustments will be made to agency budgets based on updated information (i.e. WRS, Health Insurance, etc.)

BUDGETING POSITIONS

- All personnel costs are budgeted using the salary & benefit projection
- Payroll allocations drive how staffing costs are reflected in the line-item budget; all allocations in the Cost to Continue budget are consistent with the 2021 Adopted Budget
- Process for changing allocations:
 - Complete Position Allocation Change Request Form
 - Requested changes must be accommodated within your budget target
 - Submit completed forms to Budget Analyst via email
 - Updated allocations may take 3 business days to be reflected in budget

SERVICE BUDGET PROPOSALS

1. Budget Information

- a. Budget tables in Sharepoint show the service's budget by fund, major, & allocated FTE. Agencies will update this table with their proposal amounts (i.e., 2022 Request).
- b. Priority: How does the service connect to a Citywide Element?
- c. Activities Performed by the Service: What does the service do?
- d. Service Budget Changes: Explain the changes being proposed in the line item budget

2. Racial Equity and Social Justice (NEW for 2022)

- Proposal will answer a series of questions to articulate and prioritize racial equity and social just in the City's budget and operations

3. Reduction Proposal

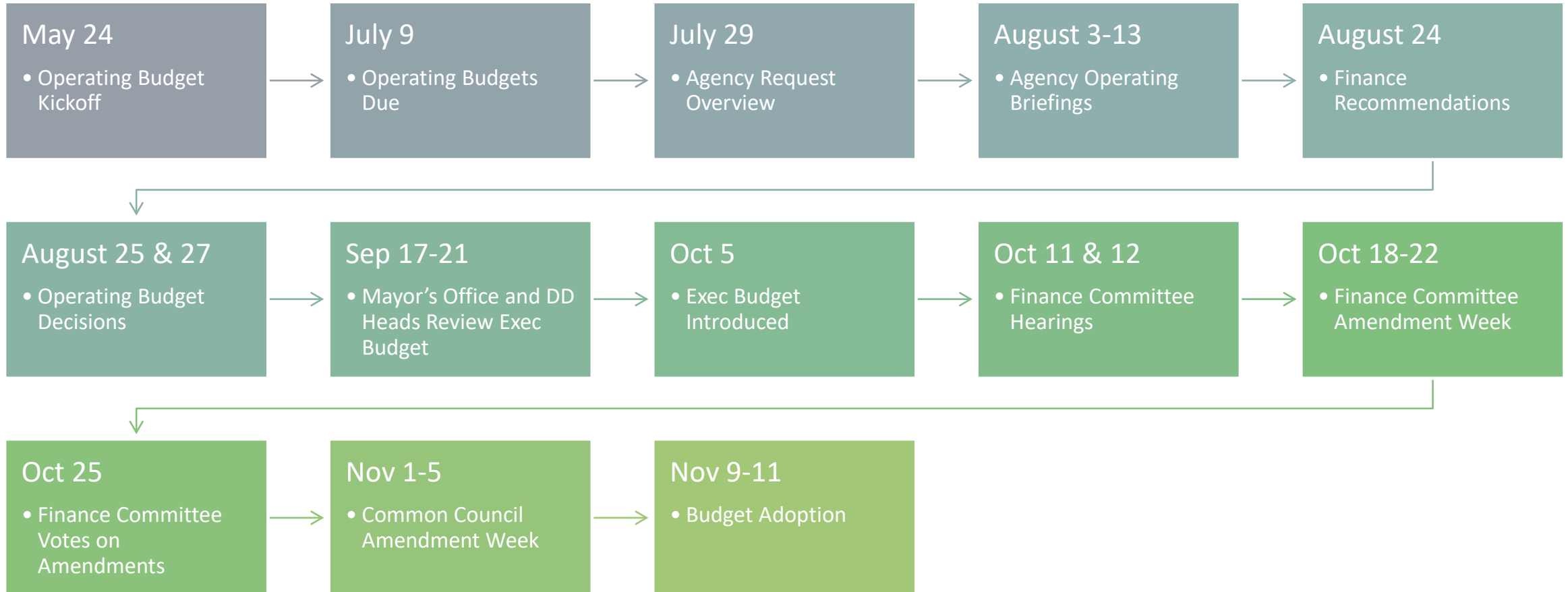
- Proposals will explain how the reduction would be operationalized (by activity), AND how the reduction would be reflected in the budget

4. Increase Proposal


- Proposals will describe the increase and amount, how it will be funded, the long-term implications of the increase, and the effect on other City agencies

- Sharepoint permissions are based on the user list from 2021 budget
- Contact your Budget Analyst to add additional users

OPERATING BUDGET: KEY DATES



EVERYTHING LIVES ON SHAREPOINT, CONSULT THE BUDGET INSTRUCTIONS FIRST AND THEN YOUR BUDGET ANALYST

 Budget > Operating

Budget

This Site: Budget

Recently Modified

Operating

Capital 2017

Reports

Capital Test

How To Use This Library

Libraries


Capital Budget Requests

Agency Capital Materials

Operating Budget

Recycle Bin

All Site Content



2022 Operating Budget

- Operating budget service proposals are due by COB on **Friday, July 9**.
- Agencies must submit one form for each service.
- NEW FOR 2022: Agencies can revise their 2021 forms instead of creating new service proposals for every services. To revise an existing form, click [here](#) and navigate to the agency and service.
- To begin a new budget form click here: [Service Budget Proposal](#). Hit "Submit" to save forms in progress or complete.

Operating Budget Materials:

- Mayor's Message
- Budget Instructions
- Kickoff Presentation
- [Position Allocation Change Request Form](#)
- [Position Allocation Report](#)
- [Transmittal Memo Template](#)
- [Imagine Madison - Citywide Elements & Strategies](#)
- [Budget Analyst Assignments](#)

BUDGET ANALYST PORTFOLIOS

Christine Koh, Budget and Program Evaluation Manager, CKoh@cityofmadison.com

Budget Analyst Assignments-Effective June 2020

Analyst & Contact Information

Betsy (Elizabeth) York
EYork@cityofmadison.com

Steph (Stephanie) Mabrey
SMabrey@cityofmadison.com

Brent Sloat
BSloat@cityofmadison.com

Ryan Pennington
Rpennington@cityofmadison.com

Agency Portfolio

Fire
Police
Public Health
Municipal Court
Debt
Library
Mayor
Common Council
Misc Appropriations
Workers Comp/Insurance
Finance/Treasurer

Assessor
Clerk
Engineering
Sewer
Stormwater
Landfill
Water
Fleet
Streets
Parks/Golf (Impact Fees)

PCED Office of the Director
CDD
EDD (TIF)
Planning
CDA
Building Inspection
Monona Terrace
Room Tax
IT

Metro
TE
Parking
Transportation
General Fund Revenue
HR
EAP
DCR
Attorney