

Operating Budget Overview and Policies

What is included in the Operating Budget?

The City of Madison's Operating Budget is a planning and financial document that pays for daily services for City residents. The Operating Budget appropriates funding to City Agencies to pay for expenses, including but not limited to staff salaries, funding community-based organizations that deliver services on behalf of the City, and other costs such as supplies and equipment. Services included in the operating budget include library and park programs, job training and childcare services, garbage and recycling collection, and public health and public safety.

Financial and Budget Management Policies

To maintain a long-term balanced budget, the City of Madison will avoid using one-time revenue sources to fund ongoing operating expenses.

Consistent with recommended financial and budget management practices, the City of Madison has a goal of maintaining an unassigned general fund balance on December 31st equal to or greater than 15 percent of subsequent year's budgeted general fund appropriations. Excess balances will be used for one-time expenditures and actions will be taken to increase the balance if it falls below the 15 percent goal.

The City will also seek to avoid appropriations outside of its regular budget process other than to respond to emergency situations (as expressed by the Mayor and Common Council through resolution) or to address mid-year and year-end budget sufficiency and expenditure restraint program requirements.

The expenditures within each department for the various major objects of expenditure and capital projects shall not exceed the amounts specified in the budget. The Finance Director is authorized to approve all intradepartmental transfers of unencumbered balances of up to \$50,000, and the Mayor is authorized to approve interdepartmental transfers of up to \$50,000.

Guidelines for Agency Operating Budgets

Base Budget: Agency operating budgets start with a "cost to continue" projection, which is the cost to provide the same level of services in the upcoming year. This projection accounts for factors such as planned salary adjustments (step and longevity increases), changes to interdepartmental billings and cost allocations, updated insurance and workers' compensation expenses, and other agency specific adjustments. From this base budget, agencies were allowed to reallocate funding across services so long as the overall amount was consistent with the budget target.

Reduction Scenarios: As part of the budget request process, all General and Library Fund agencies were required to take a 1% reduction in their base budget. An analysis of actual spending between 2019 and 2022 showed that agencies have consistently underspent their budget by 2%-4%. The 1% reduction allows the City to recognize savings from these expenditure trends, and results in a total expenditure decrease of \$3.0 million.

In addition, the budget increases savings by assuming a higher personnel vacancy rate. Historically, the City budget has included a 2% "salary savings" rate to reflect turnover and vacancies, with a flat rate for all agencies. The 2024 budget introduces a tiered structure for salary savings, with variable rates based on the number of full time equivalent (FTE) positions in an agency. The average salary savings for the City has increased to 3% of permanent wages, resulting in a savings of \$2.4 million. As with the 1% reduction, the new salary savings rates were based on an analysis of historic trends, and agencies should be able to manage the reduction by slight delays in hiring without affecting agency operations.

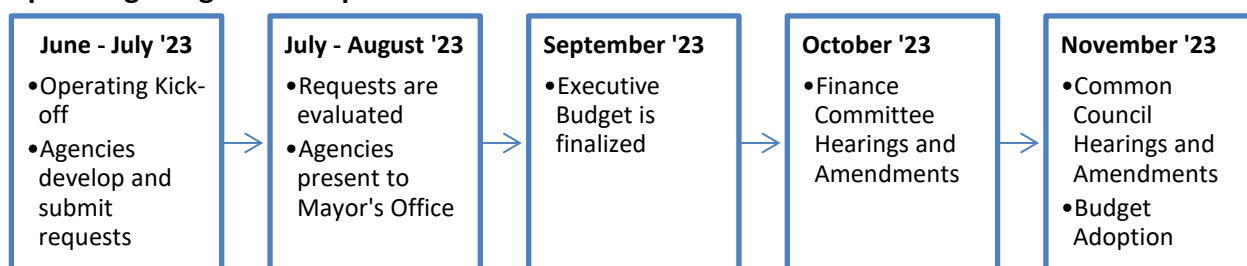
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Supplemental Requests: Agencies were permitted to submit one supplemental request to address citywide priorities or urgent needs. Before submitting a supplemental request, agencies were asked to examine whether the needs could be addressed through reallocations within the base budget or by implementing operational efficiencies. Supplemental proposals were carefully considered for impact. Requests that were included in the Adopted Budget are described in the highlights for each agency.

Racial Equity and Social Justice: As part of their operating request, agencies were required to articulate: (1) how proposed changes in their budget would align with their 2023-2024 Department Equity Action Plan, (2) whether the changes would address specific inequities or advance other equity goals, and (3) if the changes were related to a Neighborhood Resource Team (NRT) recommendation. Agency requests were submitted to the Finance Department on July 21, 2023, and can be found here:

<https://www.cityofmadison.com/finance/budget/2024-budget/2024-operating-budget>

Operating Budget Development Timeline



Internal Service Funds

The Adopted Budget includes three Internal Service Funds: Fleet Service, Insurance, and Workers Compensation. An Internal Service Fund is used to account for enterprise-like operations that provide services, on a user fee basis, primarily or exclusively to City agencies. Budgets for the internal service funds are presented in the Agency Operating Budgets section, and fund statements for Insurance and Workers Compensation are included in the Special Fund Statement section.

Enterprise Funds

The operating budget includes revenue and expenditure information pertaining to Madison's enterprise funds including:

- Golf Enterprise
- Monona Terrace
- Parking Utility
- Transit Utility (Metro Transit)
- Sewer Utility
- Stormwater Utility
- Water Utility

With the exception of Monona Terrace and Transit Utility, enterprise funds do not receive a subsidy from local sources. Monona Terrace receives a subsidy through the Room Tax Fund as authorized by the Room Tax Commission. The Transit Utility also receives a General Fund subsidy outlined in the proposed budget for Metro Transit. Savings resulting from lower than anticipated expenses and revenues generated in excess of budgeted levels are maintained in the individual enterprise operating funds. This policy affords enterprise managers the opportunity to utilize positive budget variances to benefit future year operations. It also builds capacity to respond to future budget shortfalls from enterprise resources, without affecting General Fund expenditure levels.

American Rescue Plan Act (ARPA)

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The City of Madison received \$47.2 million of federal funding through the State and Local Recovery Funds component of the American Rescue Plan Act (ARPA) to recover from the negative public health and economic impacts caused by the COVID-19 pandemic. The City adopted a plan in July 2021 ([Legistar 65935](#)) to use ARPA funds to address critical community issues, support an equitable recovery, and continue to provide government services. Funding for projects was appropriated in 2021 and 2022. Information on the original allocations and proposed changes for the 2024 budget are detailed below.

For more information on ARPA, go to www.cityofmadison.com/arpa.

ORIGINAL ARPA ALLOCATIONS – OPERATING BUDGET (RES-21-00487)

Agency	Project	Amount
2021 Appropriations		
COMMUNITY DEVELOPMENT	Connection to Basic Needs	\$ 150,000
COMMUNITY DEVELOPMENT	Emergency Rental Assistance program operations	\$ 400,000
COMMUNITY DEVELOPMENT	Services to Residents who are Undocumented	\$ 700,000
COMMUNITY DEVELOPMENT	Summer Youth Employment - 2021 Youth Reengagement	\$ 120,000
COMMUNITY DEVELOPMENT	Summer Youth Employment - Summer 2021/ Fall Expansion	\$ 465,000
COMMUNITY DEVELOPMENT	Unsheltered Homeless Support	\$ 2,000,000
ECONOMIC DEVELOPMENT	Public Market Foundation Operating Support	\$ 400,000
ECONOMIC DEVELOPMENT	Downtown Vacant Storefront Art Program	\$ 100,000
ECONOMIC DEVELOPMENT	Neighborhood Business District Support	\$ 300,000
PUBLIC HEALTH	PFAS Education, Outreach and Coordination	\$ 50,000
PUBLIC HEALTH	PHMDC Violence Prevention Initiatives	\$ 160,000
PUBLIC HEALTH	CARES Support and Evaluation	\$ 150,000
2022 Appropriations		
COMMUNITY DEVELOPMENT	Healthy Aging Education and Engagement	\$ 50,000
COMMUNITY DEVELOPMENT	Endowment for Homelessness Operating Funds	\$ 2,000,000
COMMUNITY DEVELOPMENT	Renter's Choice	\$ 1,000,000
COMMUNITY DEVELOPMENT	Summer Youth Employment - Summer 2022	\$ 650,000
COMMUNITY DEVELOPMENT	Unsheltered Homeless Support	\$ 1,500,000
PUBLIC HEALTH	PFAS Education, Outreach and Coordination	\$ 50,000
PUBLIC HEALTH	Violence Prevention Initiatives	\$ 1,040,000

2022 ADOPTED BUDGET

The 2022 Adopted Budget transferred funding across two projects:

- Hotels Converted to Housing (Capital): Reduced by \$1.5 million, bringing the total to \$1 million. This change is reflected in the capital budget.
- Unsheltered Homeless Support (Operating): Increased by \$1.5 million, bringing the total budget to \$3.5 million.

American Rescue Plan Act (ARPA)

2023 ADOPTED BUDGET

Many projects are ongoing, multi-year efforts that have not fully expended their original ARPA allocation. The 2023 Adopted Budget carried forward unspent funding, with the following changes:

- Reallocated \$2 million designated for an Endowment for Homelessness Operating Funds to Unsheltered Homeless Support. The City had received additional information on eligible uses of ARPA funds that suggested an endowment is not an allowable expense. The 2023 Adopted Budget shifted ARPA funds to Unsheltered Homeless Support and added \$2.0 million in General Fund monies to seed the endowment.
- The City's original local ARPA allocation included 3 projects for expanding youth employment and engagement opportunities. The 2023 budget made a technical adjustment to consolidate unspent funds from three separate youth employment and engagement projects into one project and extend youth employment funding into 2023 and 2024.

2024 ADOPTED BUDGET

The 2024 Adopted Budget carries forward unspent ARPA funds for all projects and makes additional reallocations to ensure the City expends all operating project funds by the end of 2024. Reallocations to the Capital Budget are detailed in the Capital Budget Overview and in [Common Council Amendment #1](#).

Community Development Division (CDD)

- Reallocates funding from 4 projects that will not be completed as planned to 1 ongoing and 1 new project.
- The projects that will have funding reduced include:
 - Hotels to Housing (-\$1.0 million): The City and Dane County issued developer RFPs for a hotel conversion project and received no responses, indicating this project is not be feasible in 2024.
 - Renter's Choice (-\$1.0 million): This program was initially proposed to help low-income individuals with various barriers to rental. CDD completed initial research and planning for this program and determined that State law would prohibit the implementation of the program. CDD will continue to use Emergency Rental Assistance (ERA) funding to support individuals with rental support.
 - Emergency Rental Assistance (ERA) Program Operations (-\$329,200) and Consumer Lending (-\$500,000): CDD was able to use other federal funds to meet the demands for ERA staffing and consumer lending.
- The projects that will have funding added include:
 - Unsheltered Homeless Support (\$1.6 million): Operating the temporary shelters at Dairy Drive and Zeier Road costs approximately \$3.5 million annually. Additional ARPA funds will support operations through 2024. This allocation will bring the project total to \$7.1 million.
 - Non-profit Support (\$1.2 million): The Adopted Budget creates a new ARPA project to fund contracts for Neighborhood Center Support (\$946,650) and Southwest Madison Employment Center Operations (\$279,000). CDD has existing contracts with these non-profits, which provide critical services in the community. Utilizing ARPA in 2024 allows the City to preserve General Fund resources for community services in future years.

Economic Development Division (EDD)

- Reallocates \$100,000 from the Downtown Vacant Storefront Art program to the Small Business Equity and Recovery (SBER) program. After outreach by the Economic Development and Planning divisions for the Downtown Vacant Storefront Art program, it was determined there was not sufficient property owner interest to implement the project as planned. Reallocating funds to SBER would allow EDD to continue providing financial assistance, resources, and opportunities for small businesses.

Results Madison

Results Madison is a strategic framework intended to align city services with the outcomes that matter most to Madison residents. This initiative includes three primary components: 1) strategic budgeting, 2) agency data engagements, and 3) change management.

Components of Results Madison



Strategic Budgeting: Strategically allocate funding to services that advance City priorities (e.g. equity, sustainability) and strategic plans (e.g. Imagine Madison)

- Re-engage agencies on proposed Munis Service structure
- Rebuild Chart of Accounts with new Services to better budget for priorities
- Use agency indicators to inform budget decisions; develop budget based on goals/ priorities



Agency Data Engagement: Use data to understand current state of City services; support agencies in effectively using data.

- Update dataset & systems inventories for all agencies
- Develop agency-level Service Indicators (including equity indicators); agencies will complete engagement on a rolling basis
- Develop tools/ trainings/ other supports for data use



Change Management: Lead organization-wide efforts to adapt to new ways of working and support continuous improvement.

- Coordinate and create awareness of city-wide initiatives
- Build on TeamCity change leadership and ADKAR model (awareness, desire, knowledge, ability, and reinforcement)
- Support skill development, training, and work planning

Since 2022, the City has been implementing Results Madison in phases. All City agencies reviewed their budget structure in 2022-2023 and proposed changes to make their budget more transparent and accessible to the public and policymakers. The Finance Department is building out these changes in 2024, with the goal of presenting the 2025 budget in the new chart of accounts structure. The 2025 budget book will look significantly different than the 2024 budget. Most agencies will have additional Services to make it clear what activities they perform and how much each Service costs. Additionally, the presentation of prior year expenditures, current year projections, and next year's budget will be adjusted to reflect these changes. Staff will engage the Finance Committee and Common Council throughout 2024 to provide updates on this process.

In addition, ten (10) agencies have started or completed the data engagement, which is a process to identify service indicators and measure progress on the agency's activities. Service indicators can include input measures, output measures, outcome measures, and equity measures. As part of the data engagement, agencies identify indicators, define how to measure the indicator, explain why the indicator is important, and collect and present data on their indicators. The 2023 Adopted Budget included snapshots of service indicators for the [Streets Division](#) and [Library](#).

The City Data Team is currently working on developing a public-facing, interactive dashboard to present service indicators. The dashboard will be available on the Finance Department [website](#) and will be widely shared when available. In 2024, 8 additional agencies are scheduled to begin the data engagement. All agencies are expected to complete the data engagement and publish service indicators by 2026.

How to Read Agency Operating Budgets

The “Agency Operating Budgets” section includes all agency budgets. Budgets are organized by “Functional Area,” or, groupings of agencies that perform similar work. Within the Functional area, budgets are organized in alphabetical order by agency name. The presentation of each agency’s budget includes 2022 Actuals, 2023 Adopted Budget and projected amounts (based on the mid-year projections), 2024 Agency Request, 2024 Executive Budget, and the 2024 Adopted Budget.

Each agency section includes the following components:

1. **Agency Overview:** High level summary of the agency including mission, overview, and highlights/major changes for the 2024 budget.
2. **Budget Overview:** A summary of the agency’s budget by fund, service, and major category of expenditure. Revenues presented for General Fund agencies only include revenue budgeted within the General Fund; expenditure amounts represent all funds.
3. **Service Overview:** Presentation of the agency’s budget by service. Each service includes the following:
 - a. **Service Description:** High level overview of the service and its objectives.
 - b. **Activities Performed by Service:** Description of activities that make up the service’s body of work.
 - c. **Service Budget:** Presentation of the service’s budget by fund and expenditure type. In cases where services are funded by multiple sources, only revenues from the General Fund are presented.
4. **Position Detail:** Includes the count and salary of full-time equivalent (FTE) positions funded in the Adopted Budget.
 - a. The 2024 Adopted Operating Budget includes the following adjustments for general municipal employees: i) a 4% cost of living adjustment effective January 1, 2024, and ii) a 2% pay increase effective July 7, 2024.
5. **Line Item Detail**
 - a. Outlines line item expenditures within the agency’s primary fund.

TIP: Refer to the Glossary at the end of the budget book for definitions of key budget terms. Common words like “fund,” “major,” and “service” have specific meanings in the budget book.