
2022 OPERATING BUDGET OUTLOOK AND INSTRUCTIONS

FINANCE COMMITTEE BRIEFING

MAY 24, 2020



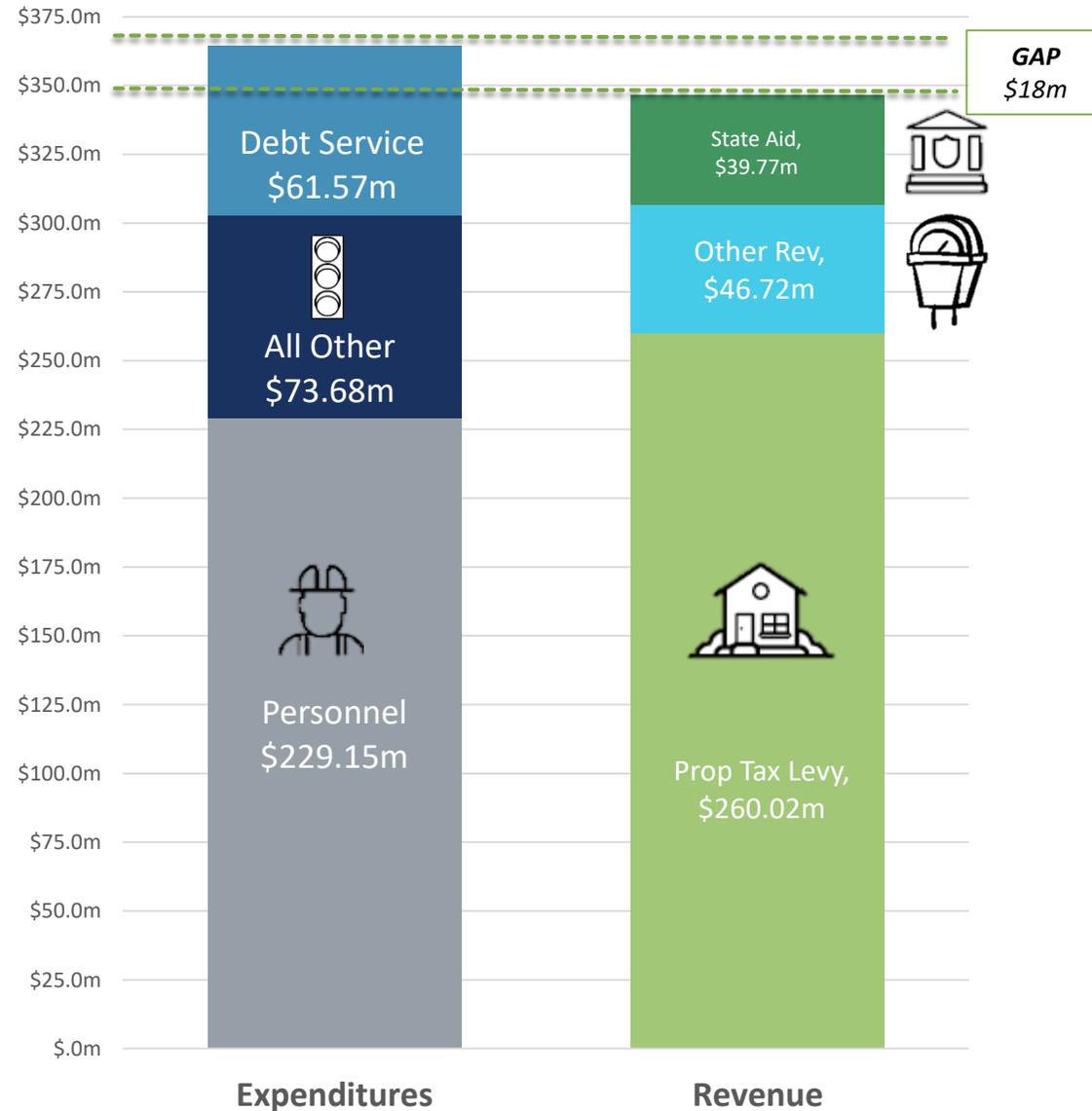
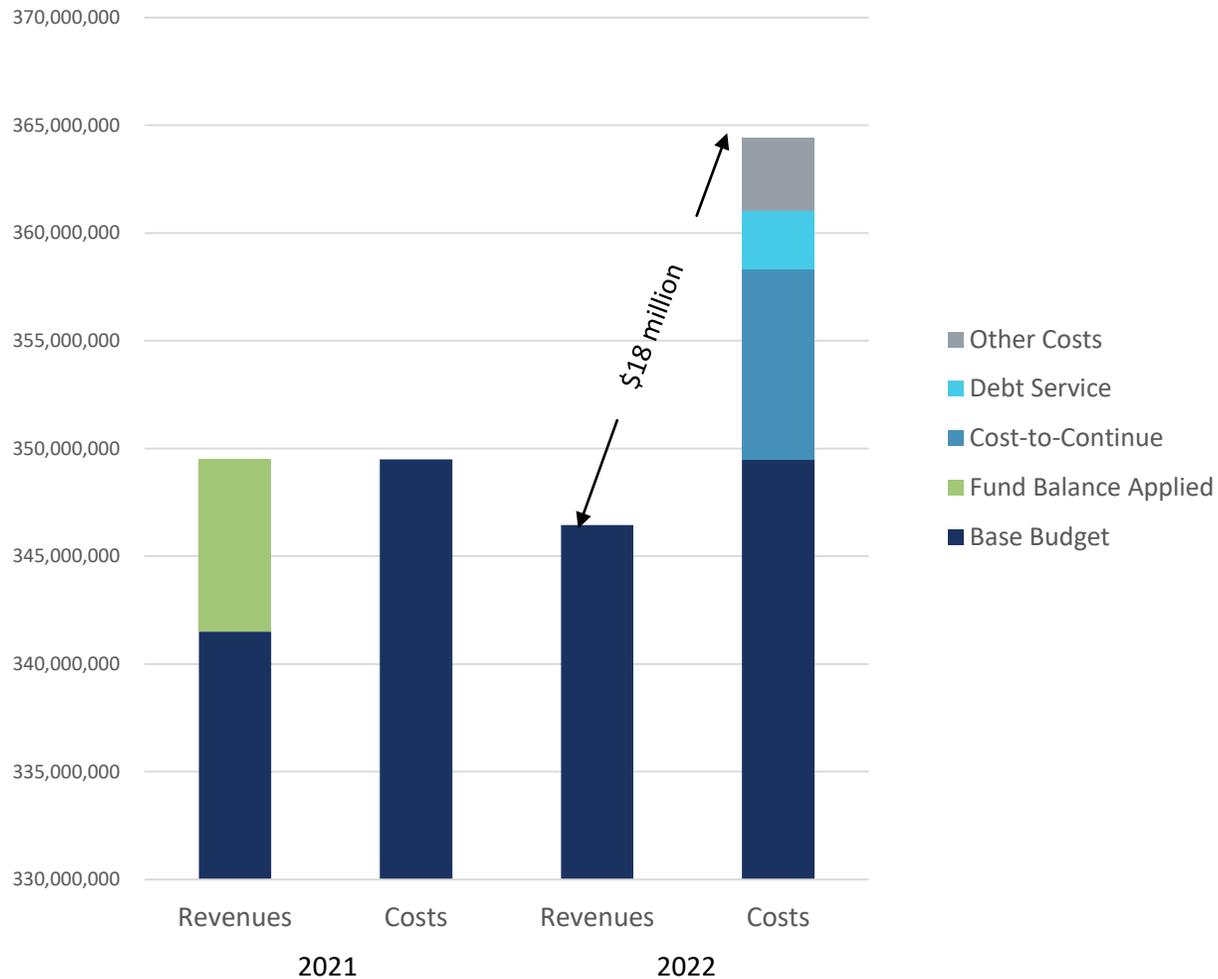


2022 OPERATING BUDGET OUTLOOK

FINANCE COMMITTEE



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

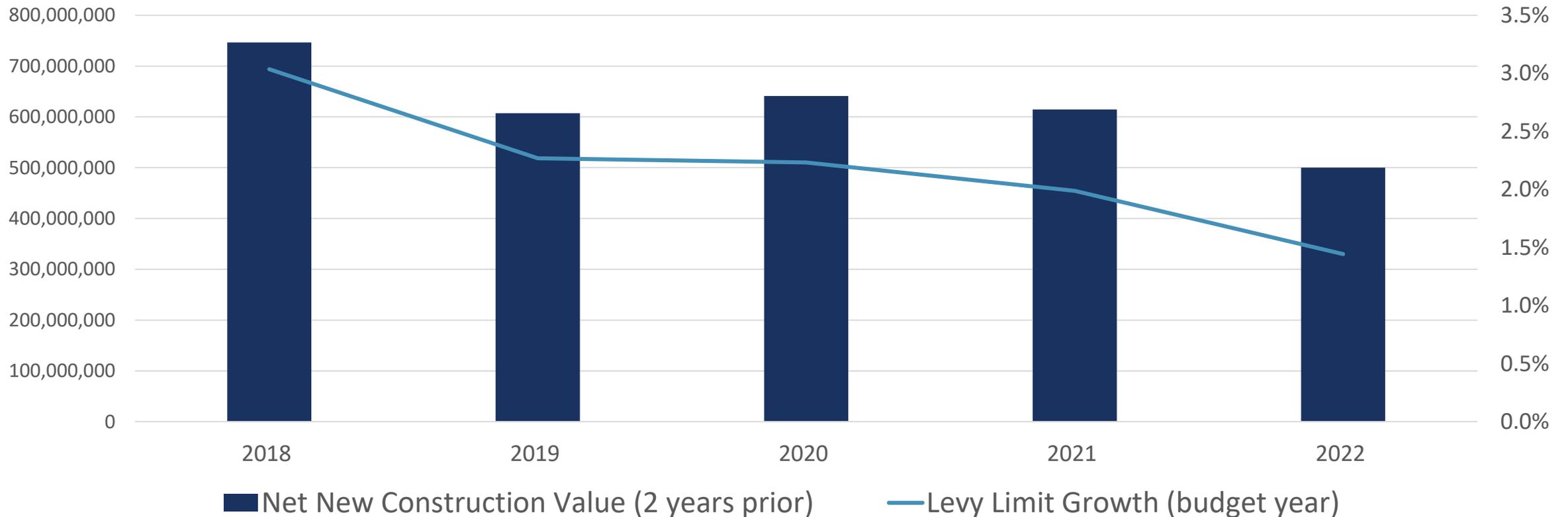
General Fund Debt Service

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

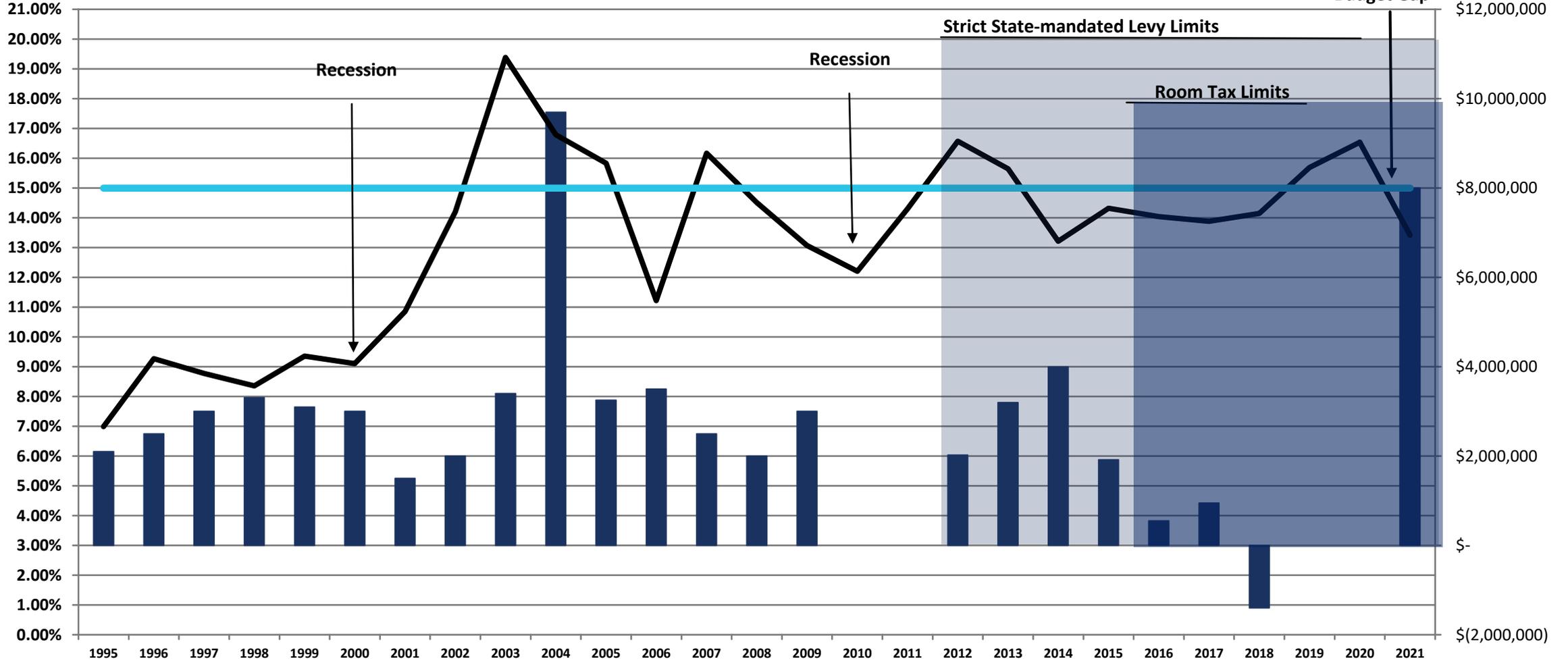


General Fund Unassigned Balance

(as of January 1)
1995 to 2021 Actual

COVID-19
Economic
Damage and On-
going Structural
Budget Gap

- 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

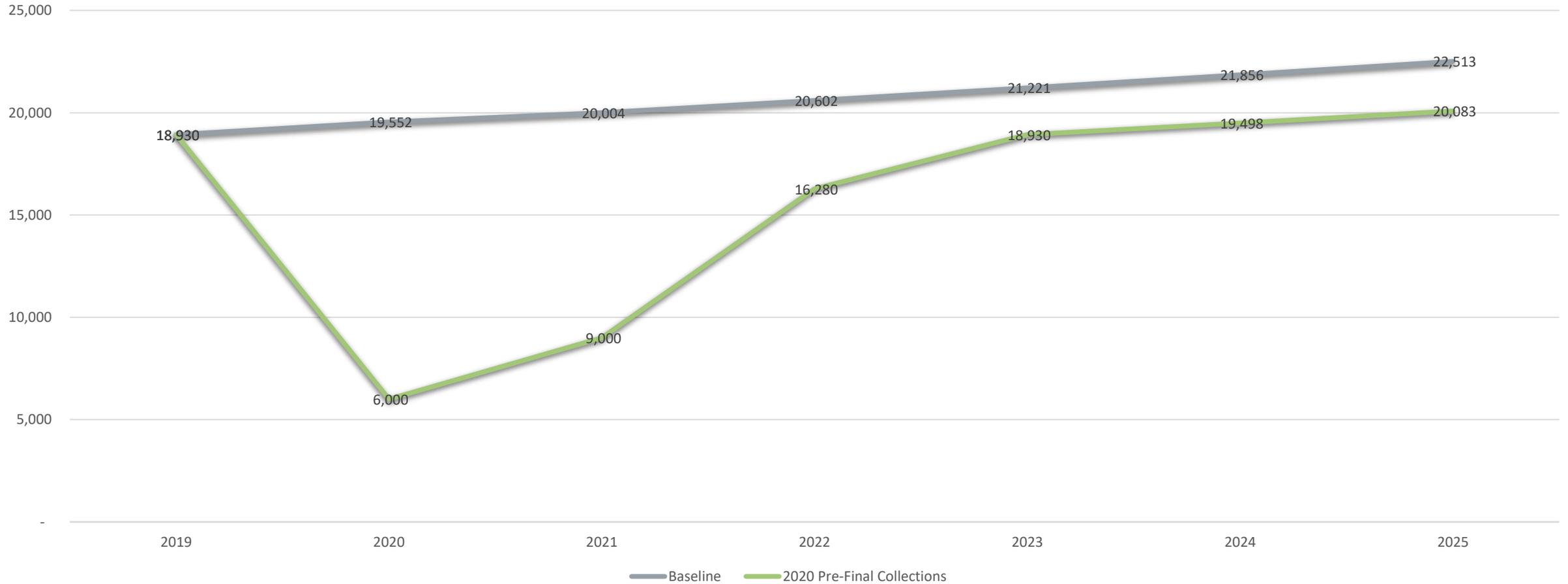
2021 PROJECTIONS

- 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





MAYOR'S MESSAGE AND OPERATING BUDGET INSTRUCTIONS



BUDGET GUIDANCE: BASE PROPOSALS

- Agencies will receive budget targets consistent with the cost to continue current services
- Agencies can reallocate funding across services so long as the overall agency amount is in line with the budget target

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 on-going 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
 - Agencies should first consider reallocating base resources within and among services before proposing budget increases
 - 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)?

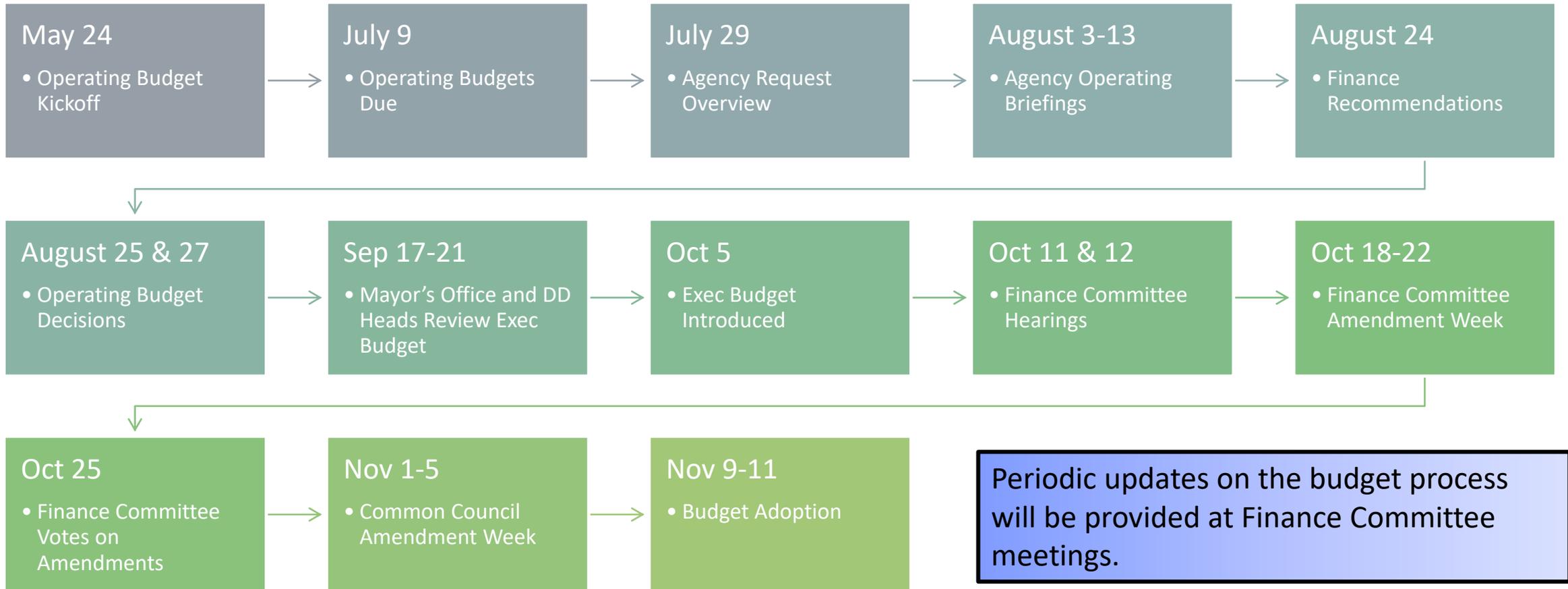
BUDGET GUIDANCE: ENTERPRISE AGENCIES

- 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: 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 to potentially save beyond the silos of each agency. Offer ideas of ways improving coordination to help drive down costs.
- Proposals that result in shifting costs to another funding source must be sustainable on an ongoing basis
- Apply what we have learned from the pandemic response -- 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.

OPERATING BUDGET: KEY DATES



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