



Office of the Mayor

David J. Cieslewicz

Room 403
210 Martin Luther King, Jr. Boulevard
Madison, Wisconsin 53703-3345
(Phone) 608 266 4611
(TTY) 608 266 4443
(FAX) 608 267 8671

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TO: City Department/ Division Heads

FR: Mayor Dave Cieslewicz

RE: 2011 Operating Budget Guidelines

It will come as no surprise to any of you that we continue to face an extraordinarily difficult fiscal environment for our operating budget this year. While we know recovery will come, it will not be overnight, and we will once again need to face the realities of the current economic climate in this year's operating budget.

Our current estimate is that a simple cost to continue budget would result in an unacceptable 10% increase on taxes on the average home.

Madison has fared the down economy well, but it has not been easy. Compared to our 2009 adopted budget, non-levy general fund revenues were down almost \$2.5 million last year. This was driven by decreases in investment income, room tax and building permits. In addition, we saw decreases in ambulance fees and parking tickets, and state aids remain at an all time low. Unfortunately, we are seeing some of the same conditions continue for 2010, and none are likely to improve in 2011.

To add to our difficulties, lagging home sales and historically slow construction have resulted in a decrease in residential assessments of 1.7%. Driven by decreases in commercial property, overall assessments came in at a decrease of 3.3%. While this remains better than most places in the country, it is a dramatic decrease for Madison.

Of course, as always, we will deal with these challenges. As in recent years, our goal will be to protect basic services and to maintain our current service levels wherever we can. This is not the year for new spending or new positions.

We will follow the same process as last year. I will ask you to submit your operating budgets based on an adjusted base given to you by the Comptroller. Then I will ask you to submit suggested cuts equal to 6% of your adjusted base. Given that we face many of the same challenges, this is the same cut plan that I asked for last year.

Just as last year, this will be our process:

1. The Comptroller's Office will work with you to establish an adjusted base budget for your agency.
2. Your adjusted base will serve as your budget ceiling. You may not submit a budget that exceeds your adjusted base amount.

3. Any new positions or programs must be funded by cuts in other parts of your budget or through new revenues from sources other than the City's property tax levy.
4. In addition to your adjusted base budget, I am asking you to submit a list of potential cuts up to an amount equal to 6% of your adjusted base. You should arrange these cuts in order from those that would have the least impact on the services you provide down to the ones with the most impact. My goal will be to find ways to keep your adjusted base budget intact. Your cut plan gives us a menu of options should cuts become necessary.
5. Budget submissions are due to the Comptroller by Monday, August 9.
6. The executive budget will continue to be tied to the outcomes identified in the Madison Measures program. Andrew Statz will be working with you to incorporate these goals into your budget submission. Other staff in my office will work with you as well during development of your budgets.

Budgeting is never easy, and the continued challenges of our current economic climate will not improve our circumstances this year. But I know we have an excellent group of managers and frontline staff. We have met challenges before, and I am confident that, working together, we can meet them again. My hope is that soon, we will see much brighter days.