
OPERATING BUDGET OUTLOOK: 2020 1ST QUARTER & 2021 PRELIMINARY OUTLOOK

PRESENTATION TO FINANCE COMMITTEE

MAY 12, 2020



GENERAL FUND BALANCE

2019 Performance (\$53 million balance/ 16.5% of budget)

Revenues exceeded budget by \$2.7 million

Room Tax up \$240,000

Water Utility/PILOT down \$562,000

State aid down \$677,000

Licenses and Permits down \$344,000

Fines and Forfeitures down \$447,000

Charges for Services up \$1.2 million

Investment Income up \$1.4 million

Expenditures under budget by \$4 million

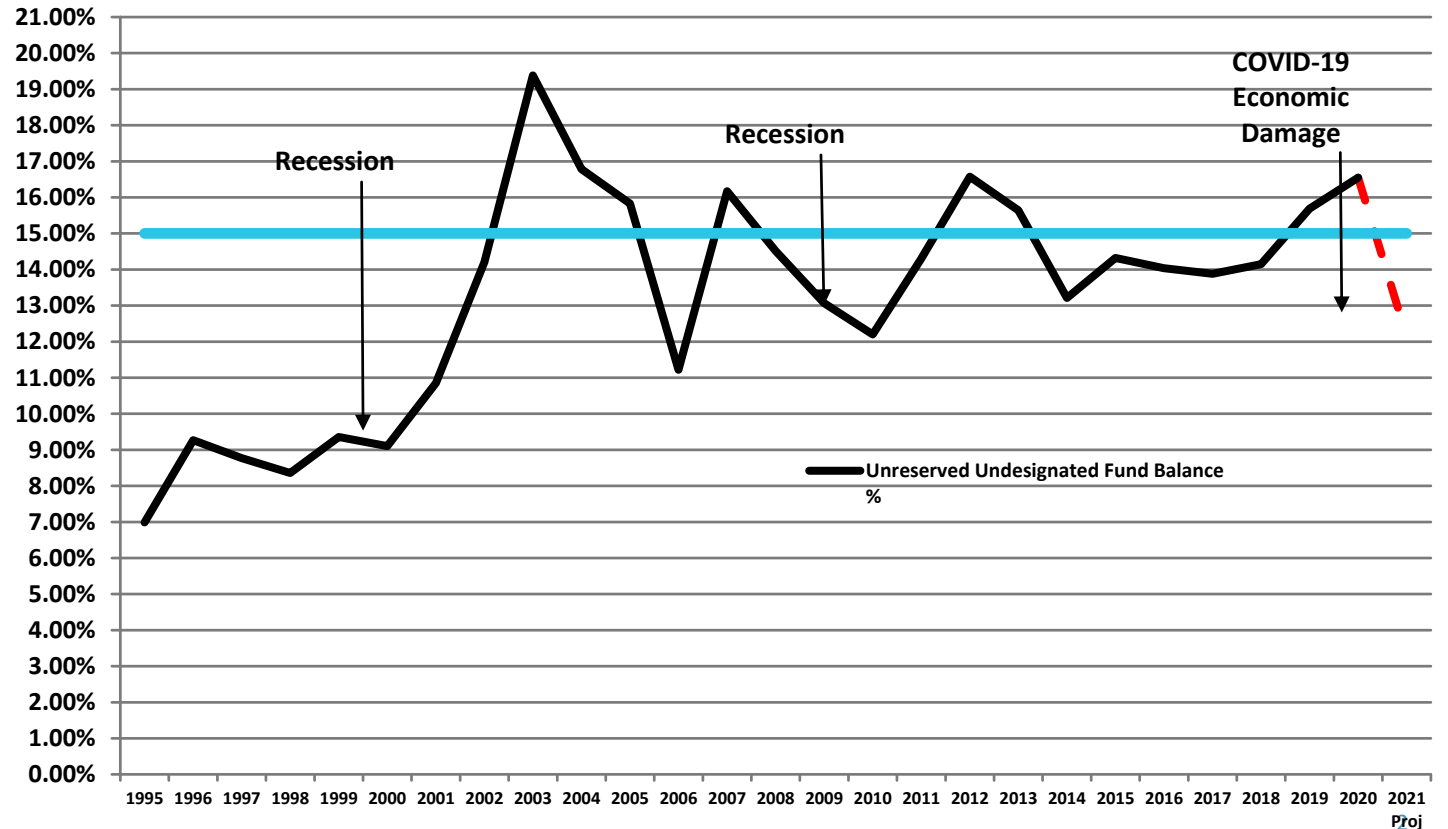
Admin –under by \$606,000

Public Safety and Health – under by \$1.5 million

Public Works – under by \$2.3 million

PCED – under by \$600,000

Miscellaneous – over by \$1 million



1ST QUARTER SUMMARY

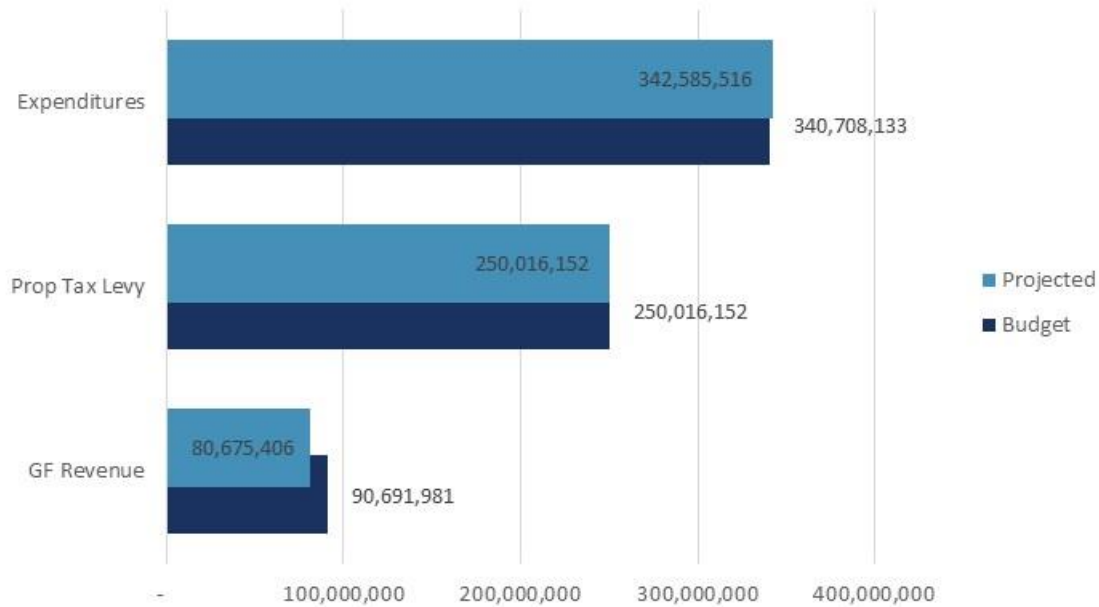
General & Library Fund Summary					
	<u>Orig Bdgt</u>	<u>Revised Budget</u>	<u>1st Q Actual</u>	<u>Projection</u>	<u>Diff</u>
GF Revenue	(90,691,981)	(90,691,981)	(19,102,991)	(80,675,406)	(10,016,575)
Prop Tax Levy	<u>(250,016,152)</u>	<u>(250,016,152)</u>	<u>(160,780,584)</u>	<u>(250,016,152)</u>	<u>-</u>
Total Revenue	(340,708,133)	(340,708,133)	(179,883,575)	(330,691,558)	(10,016,575)
Expenditures	<u>340,708,133</u>	<u>340,708,133</u>	<u>115,428,881</u>	<u>342,585,516</u>	<u>(1,877,383)</u>
TOTAL	(0)	(0)	(64,454,694)	11,893,958	(11,893,959)
<i>Other Funds Projection</i>					<i>(18,873,862)</i>
TOTAL-ALL FUNDS				\$	(30,767,820)

Key Assumptions

- Data based on 1st Quarter actuals (January-March) including 7 payroll periods
- Revenue impacts of COVID lag in the actual data; the projected amounts reflect revenue assumptions that take into account April actual amounts

1ST QUARTER OVERVIEW: GENERAL VS. OTHER FUND IMPACTS

1stQ Projection: General & Library Funds



General & Library Fund Projection=\$11.9m Deficit

The projected deficit in the General Fund is primarily driven by revenue loss

- Expenditures: Projected Deficit=\$1.8m
- Prop Tax Levy: No Deficit
- GF Revenue: Projected Deficit=\$10.0m

Other Fund Summary		Projected Surplus/Deficit
1250 - ROOM TAX COMM		(4,061,488)
2100 - WATER UTILITY		(3,180,803)
2110 - SEWER UTILITY		(124,460)
2120 - STORMWATER UTILITY		1,459,460
2130 - PARKING UTILITY		(5,358,473)
2140 - CONVENTION CENTER		(3,582,974)
2150 - METRO TRANSIT		(3,416,917)
2160 - GOLF COURSES		(901,762)
2200 - FLEET SERVICES		276,482
5100 - CDA		(170,660)
6100 - PUBLIC HEALTH MADISON DANE		187,732
		(18,873,862)

Other Funds Projection=\$18.8m Deficit

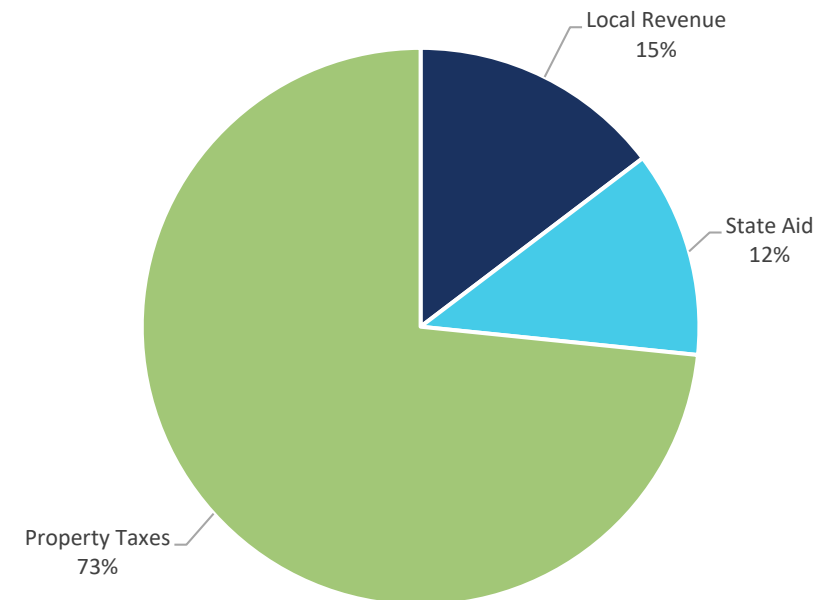
- Red: May require General Fund Subsidy
- Yellow: Deficit will be funded by expenditure reductions and/or use of Reserves
- Green: No Projected Deficit

GENERAL FUND REVENUE

Total Budgeted Revenue=\$340.7m

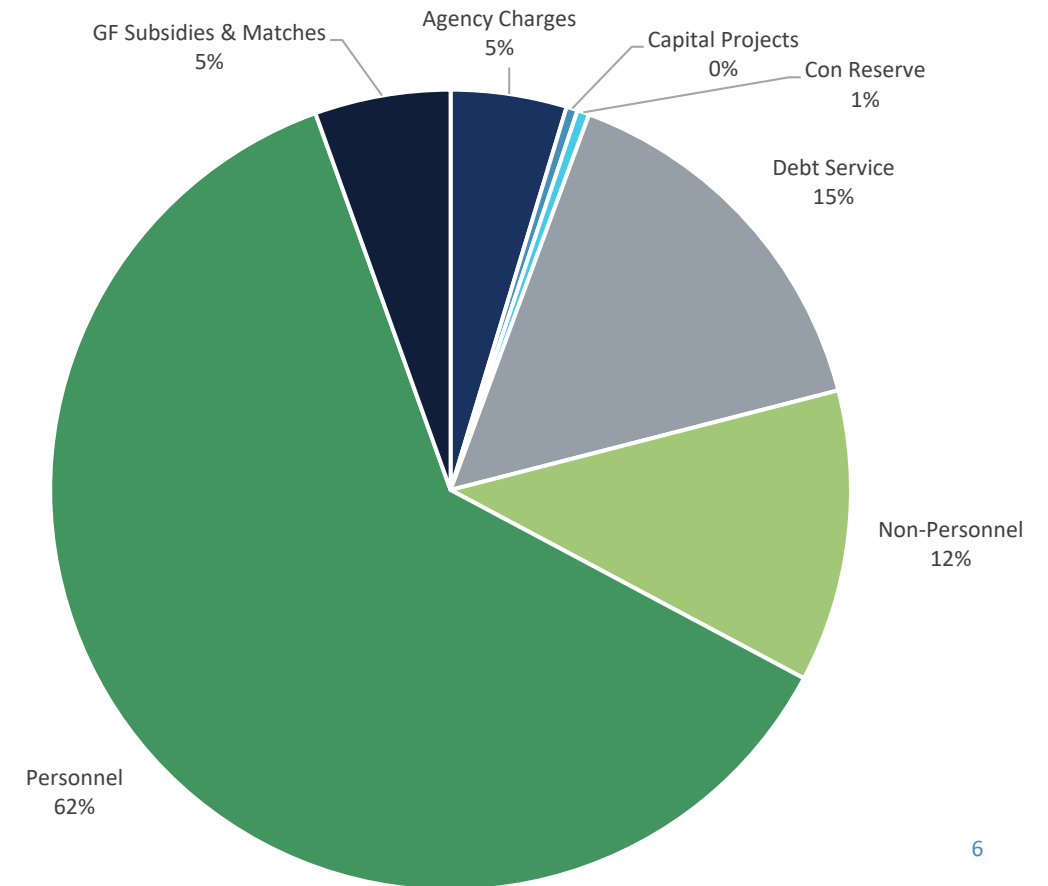
- 73% (or \$250.0m) of General Fund revenue comes from the property tax. 1st Quarter projections assume this full amount will be realized (tax bills sent-collections underway)
- 12% (or \$40.7m) of General Fund revenue comes from various State Aid programs-At this time there are no projected cuts to State Aid in 2020
- 15% (or \$49.9m) comes from other sources of revenue more susceptible to Stay at Home orders
 - Total Projected Revenue loss from these sources=\$10.0m
 - Ambulance Conveyance Fees: \$1.2m deficit (Down 15%)
 - Licenses and Permits: \$1.5m deficit (Down 21%)
 - Fines (traffic and parking): \$1.5 million (Down 25%)
 - Room Tax: \$3.0m deficit (Down 50%)
 - Interest Revenue: \$2.25m deficit (Down 56%)

General Fund Budget by Funding Source



GENERAL FUND EXPENDITURES

- 62% of General Fund expenditures are for Personnel Costs
 - Within agency budgets, personnel expenditures account for 60-90% of expenditures
- 12% of the total budget is for non-personnel spending and is the most discretionary
 - CDD Community Agency Contracts account for 24% (or \$10.0m) of non-personnel spending in the General & Library funds
- The 2020 Contingent Reserve is \$1.7m, representing 1% of total budgeted expenditures



1ST Q PROJECTION: SUMMARY BY AGENCY (GENERAL & LIBRARY FUNDS)

Clerk's Office

- Projection: \$357k Deficit
- Assumptions:
 - Absentee voting trends will be consistent with patterns in the April election. Based on these assumptions printing, postage, and election supplies will be over budget by \$450k (offset partially by savings from election wages)

Fire Department

- Projection: \$2.1m Deficit
 - (\$1.6m w/o Sick Leave Escrow)
- Assumptions:
 - Deficit driven by double-filled positions & exceeding salary savings
 - Lost Revenue from COVID=\$200k
 - Overtime deficit=\$175k

Police Department

- Projection=\$1.3m Deficit
 - \$560k w/o sick leave escrow
- Assumptions:
 - Lost Rev from COVID=\$285k
 - Includes \$110k from lost MMSD revenue for SROs- assumes this program will resume in the fall
 - Regular overtime projected to be over budget by \$150k due to major cases, COVID, & holiday pay

Parks Division

- Projection: \$826k Deficit
- Assumptions:
 - Goodman Pool opens as anticipated
 - \$623k in lost revenue from charges for services
 - Loss of Room Tax funding for Olbrich Gardens (\$325k)

2020 1ST QUARTER: OTHER FUNDS SUMMARY

Water Utility

- Projection=\$3.2M Deficit
- Assumptions:
 - Based on current meter data, overall usage is down by 7%-Projection assumes 7% reduction will continue for remainder of year
 - Outlook has improved due to updated debt payment information (new numbers not reflected here)
 - Projection assumes no rate increase in 2020

Metro

- Projection=\$3.4m Deficit
- Assumptions
 - Does not include use of CARES funding
 - Projected revenues assume fares remain free until June 30, 2020 followed by reduced ridership for the 3rd and 4th Quarters.
 - \$600k in lost revenue from partner communities
 - 6 vacant positions filled in July

Monona Terrace

- Projection=\$3.6m Deficit
- Assumptions:
 - Facility will reopen in August with all currently scheduled events
 - Will receive 50% of budgeted Room Tax

Golf

- Projection=\$900k Deficit
- Assumptions:
 - Loss of one month revenue, minimal food and beverage sales, and minimal golf cart rentals.

Parking Utility

- Projection=\$5.4m Deficit
- Assumptions:
 - Monthly revenues will be 10-40% of prior year actual through October. In the 4th Quarter revenue will be between 50-75% of prior years.

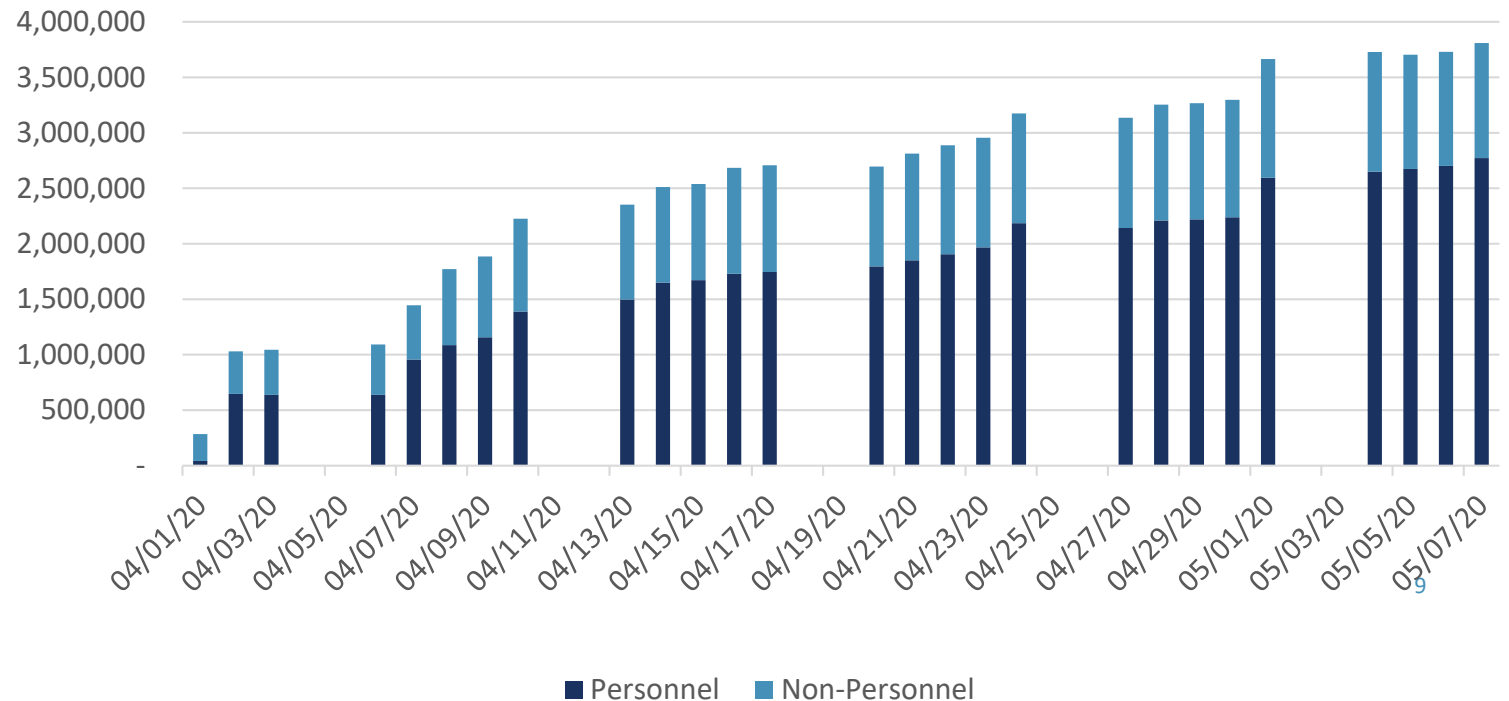
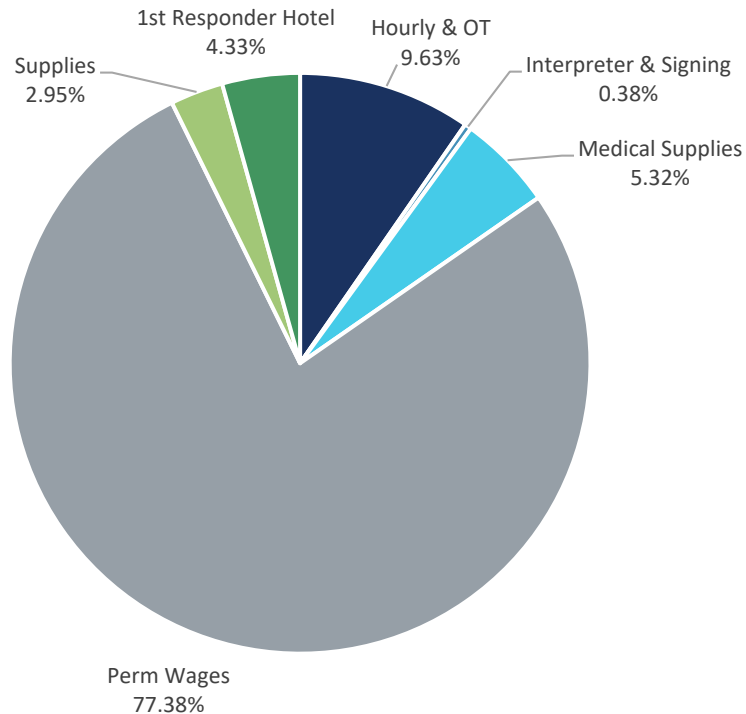
Fleet

- Projection=\$276k Surplus
- Assumptions:
 - 25% reduction in fuel due to low prices and reduced utilization associated with COVID

COVID COSTS

TOTAL COVID RESPONSE COSTS=\$3.4m (as of May 6th)

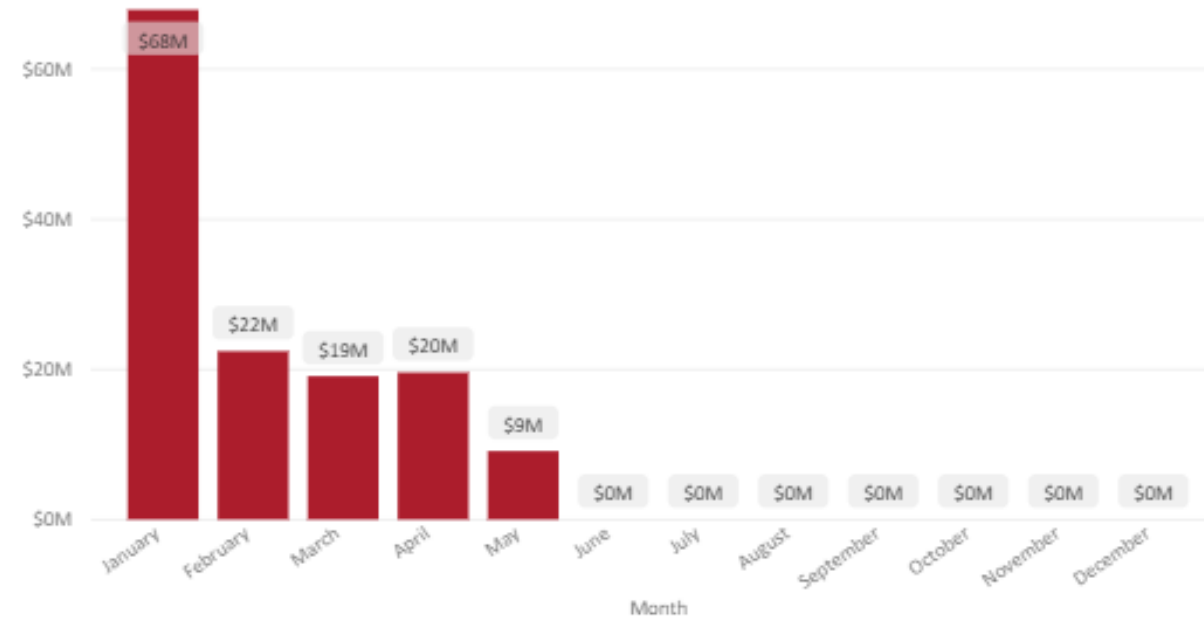
- 77% of costs are from permanent staff costs (likely not eligible for FEMA reimbursement)
- Remaining Costs w/o Perm Wages=\$760k
- Daily Spending=\$37k (w/o perm wages)
- Major expenditures have included: potential respite hotel for 1st responders, citywide supply purchasing, and medical supplies
- Does not include additional capital spending: telework tools (\$100k), disinfectant light (\$80k)



COVID COSTS: COMPARISONS TO PRIOR YEAR SPENDING

- While there have significant expenditures not anticipated in the 2020 budget; monthly spending is consistent with prior year trends
 - April expenditures in the General & Library funds were \$20.0m compared to \$19.0m in March
 - April expenditures were down compared to the same period in 2019 (Gen & Library funds only)
- Supply spending was up significantly in April compared to prior periods & years

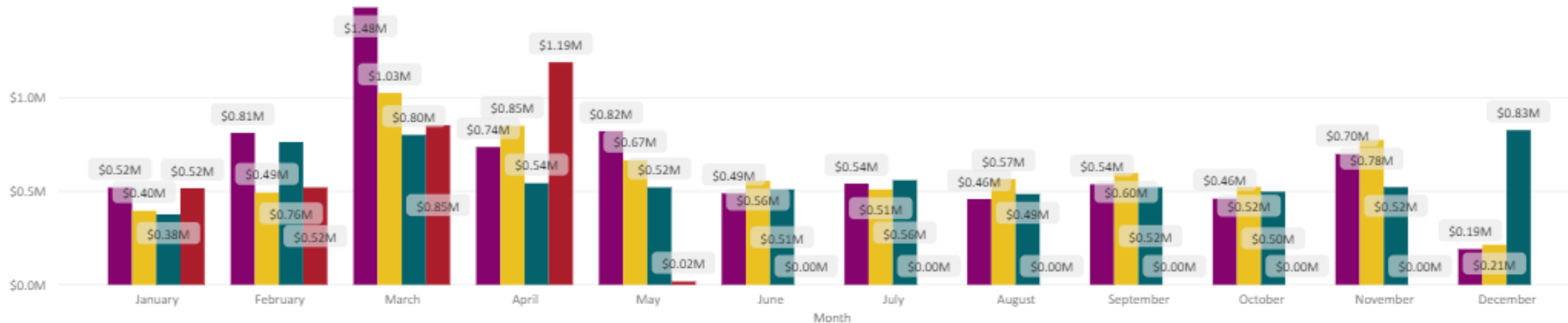
GF & Library: Monthly Spending (2020)



Actual Expenditures by Month

2017 2018 2019 2020

Supply Spending by Year & Month





2020 OPERATING BUDGET: ADMINISTRATIVE GUIDANCE



ADMINISTRATIVE ACTIONS

Immediate Hiring Freeze on All Positions, with some exceptions for essential services

- *Potential Savings=\$1.5m*
- Recommended guidance for filling positions:
 - Any positions newly created in the 2020 budget and not yet filled are on hold indefinitely.
 - Filling positions that do not result in backfill overtime should be suspended.
 - Before filling positions that may result in backfill overtime, agencies should consider service delivery changes that can accommodate providing the service with fewer positions.
 - Requests subject to Mayoral approval.

Seasonal/Hourly Staffing

- *Potential Savings=\$1.2-\$2.5m*
- Seasonal staffing requests need to be submitted to the Mayor's Office for approval.
- Wherever possible, activities performed by seasonal hourly staff should be performed by redeployed City staff.
- Hourly hiring for activities that will be impacted by reduced service levels should be not pursued.

Halt all non-essential supplies and purchased services spending.

- *Potential Savings=\$500-\$1.0m*
- Focus spending on COVID response and any associated work environment changes.
- Management and consulting contracts require Mayor's Office approval.
- P-card transactions will be closely monitored and agency heads asked for justification of non-essential expenditures.

OPTIONS FOR BALANCING 2020

The path to balancing the remaining projected shortfall for 2020 will involve some combination of the following:

1. More aggressive slowing of seasonal hiring & consultant contracts (current assumptions only reflect 25% savings)
2. Use of General Fund Balance
 - Fund Balance @ 2019 year end= \$53 million (16.5% of budget)
 - Every \$4.5m appropriation from fund balance reduces the percentage by 1%
 - Major drop in fund balance will require future year appropriations to restore it back to 15% target.
3. Scaling down General Fund subsidy for Metro Transit due to CARES Act Stimulus Funding
 - Total CARES Act Stimulus Funding for Metro=\$24.5 Million

1ST QUARTER OUTLOOK AFTER ADMINISTRATIVE ACTIONS

Projected Deficit	\$30,000,000
Water Utility-Updated debt service costs/Expenditure Control	3,100,000
Parking Utility-Use of Reserves	5,400,000
<i>Remaining Gap</i>	<i>21,500,000</i>
Projected Savings from Administrative Actions	1,500,000
Hourly Wages (Assumes 25% Saving)	1,200,000
Management Contracts (Assumes 25% Savings)	170,000
1st Q Remaining Shortfall	\$18,630,000

ADDITIONAL SAVINGS OPTION -- FURLOUGHS

- Another option to generate savings for 2020 is implementation of a furlough program to reduce fixed costs associated with maintaining the City's workforce
 - ***NO DECISION HAS BEEN MADE REGARDING THE POTENTIAL OF PURSUING THIS OPTION***
- The daily rate for all permanent positions is \$800,000 (without benefits)
- The goal of a furlough program will be to reduce the overall cost of the City's payroll while avoiding layoffs
- Potential programs could be weighted by salary to minimize impacts on lowest paid City employees

Projected Cost Savings

- 4-6 Day Furlough Program: \$4.0m Savings
- 5-7 Day Furlough Program: \$5.0m Savings

Targeted hours reduction (using DWD's Workshare Program) may be implemented sooner in certain units (e.g., Monona Terrace, Parking Utility, Library). Under CARES Act, Workshare is 100% federal funded through 2020; employees can apply for UI (including \$600 weekly add-on through 7/31/2020); requires a reduction of between 10% and 60% of normal hours in lieu of layoffs.



2021 OPERATING BUDGET OUTLOOK

2021 COST TO CONTINUE: PRELIMINARY OUTLOOK- GENERAL & LIBRARY FUNDS

Gen Fund Revenue:
-11.0%

Property Tax
+3.2%

GF Expenditures:
+6.75%

2020 Adopted Budget	\$340,708,133
2021 Projected Costs	373,708,133
Projected Expenditure Increase	23,000,000
Projected Reduction in General Fund Revenues	10,000,000
Gap before Levy Increase	\$33,000,000
Allowable Levy Growth	-8,000,000
Gap	\$25,000,000

Overall Outlook=\$25m Deficit

- GF Revenue is projected to **DECLINE** by 7.8% while expenditures projected to **INCREASE** by 6.75%
- Projection assumes net new construction is similar to prior years and the levy limit is maxed out

GENERAL FUND REVENUE ASSUMPTIONS

Best Case (down \$5 million):

Most own-source charges, permits and fee revenues return to 2020 adopted budget levels.

State aid reduced 5% from 2020 levels by Governor/Legislature in response to state budget shortfalls.

Room tax revenues increase 65% from 2020 re-estimated levels (\$1m/18% below 2019 actual)

Investment earnings remain at reduced level due to low interest rate environment (63% below 2020 adopted budget).

Worst Case (down \$10 million)

Most own-source charges, permits and fee revenues recover slowly from 2020 re-estimate.

State aid reduced 10% from 2020 levels by Governor/Legislature in response to state budget shortfalls.

Room tax revenues increase 50% from 2020 re-estimated levels (\$1.5m/25% below 2019 actual)

Investment earnings remain at reduced level due to low interest rate environment (63% below 2020 adopted budget).

GENERAL FUND EXPENDITURE ASSUMPTIONS

Employee Compensation

- Projections assumed contract increases for Police and Fire and projected increase for Teamsters (based on current status of bargaining)
- Assumes no additional pay increase for General Municipal Employees

Employee Benefits:

- Health insurance increase will be consistent with 3-year trend
- WRS Contributions: Overall contributions will be up 5%

Non-Personnel Adjustments

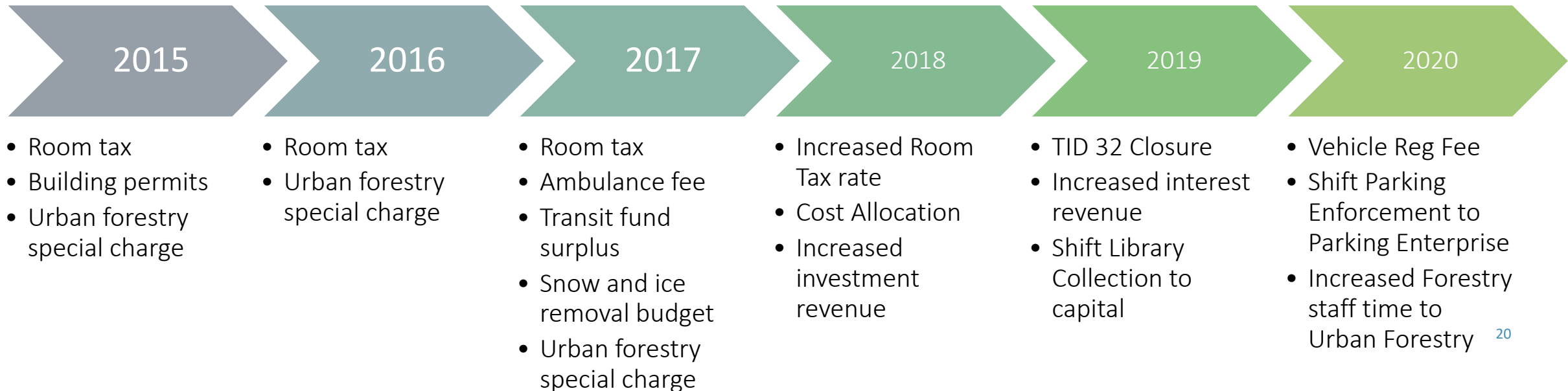
- Nakoosa Trail Fleet Costs: \$1.9m
- Town of Madison Attachment Costs: \$1.0m
- Misc Cost to Continue Contract Cost Adjustments: \$750k

Building Cost to Continue

- Cost to Continue is a projection of how much it will cost to provide the same level of service for the upcoming year
- Cost to Continue amounts were determined by working with agencies to make these adjustments
- These amounts will be used to inform agency budget targets for THE JUNE 1ST BUDGET KICKOFF

HOW IS THIS DIFFERENT FROM PRIOR YEARS

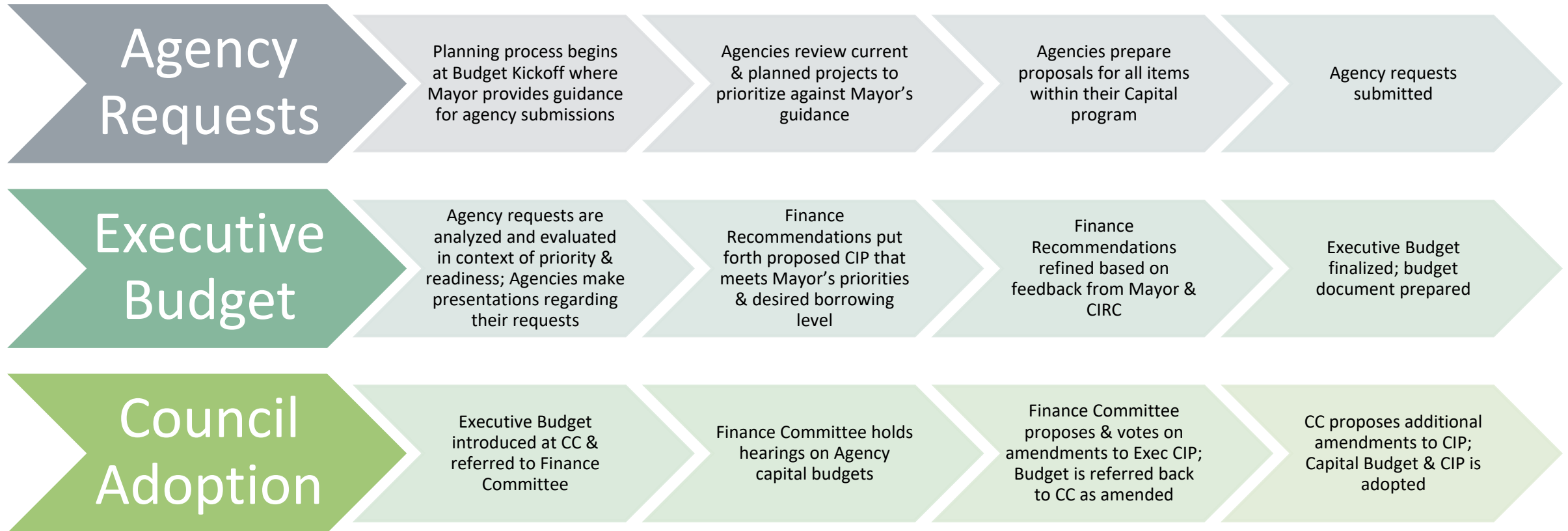
- Over the past 5 years, the General Fund budget has primarily been balanced by realizing new revenue or transferring costs to other funding sources rather than reducing expenditures
 - In 2021, expenditures are projected to continue growing at the same rate while revenue will stay flat
 - Balancing the budget will have to be almost entirely accomplished by identifying expenditure cuts





2021 BUDGET: AGENCY REQUESTS

BUDGET PLANNING PROCESS: OVERVIEW



PROPOSAL COMPONENTS

Transmittal Memo

- Purpose: Memo drafted from Agency Head to Finance Director outlining overall goals & priorities of the agency's capital program
- Submission Method: Sharepoint-Upload to Agency Materials Folder
- Format: Drafted on Agency letterhead in memo format

2020 Cap Project Status

- Purpose: Indicate the number of 2020 capital items that have been impacted by COVID-19
- Submission Method: Template located in Agency Materials Folder in Sharepoint-Completed version should be uploaded into the Agency Materials Folder
- Format: Excel Template

Proposals

- Purpose: Request funding for capital spending & outline how the funds will be spent for each capital project & program
- Submission Method: Sharepoint-1 Proposal per project/program
- Format: Sharepoint Proposal Form

CAPITAL BUDGET GUIDANCE: AGENCY BUDGET TARGETS

1. All agencies are encouraged to find ways to decrease spending in the 2021 Capital Budget that will not unduly impact our ability to provide essential services.
2. Agency requests should be prioritized. The overview memo should discuss the criteria used to establish the prioritized list.
3. Agency requests for existing projects should be consistent with the adopted 2020 Capital Improvement Plan. Increases from existing funding levels and deviations from project schedules must be justified and clearly explained in the proposal tools.

New Projects

- Requests for new projects may be submitted, but must be conceptualized to the point that a complete budget proposal can be submitted.

Horizon List Projects

- Agencies will be allowed to submit budget requests for projects currently on the Horizon List so long as they can demonstrate the 'Issues to be Addressed' have been resolved and a complete budget submission can be developed.

Program Budgets

- Program budgets should continue into 2026 and can be adjusted by up to 5% to account for inflationary construction costs.

OPERATING BUDGET REQUESTS

- Operating Budget Kickoff is scheduled for June 1st
 - Final requests are due July 10th
- Agencies will submit service level budget submissions in line with Mayor's budgetary guidance
- Reduction percentage targets will likely be much higher than previous years
- Full presentation on this topic will be included at June 8th Finance Committee meeting