



# Overview of the 2022 Operating Budget

Note: this presentation was updated after the Finance Committee meeting to correct the ARPA allocation on slides 3 and 6. These updates are noted with underlined text.

Presentation to the Finance Committee  
Monday, October 11<sup>th</sup> at 4:30pm

# Agenda

1. Highlights of the Executive Operating Budget
  - Closing the Budget Gap
  - Revenue and Expense Summaries
  - Priority Areas
2. Agency Budgets
  - Centrally budgeted agencies; Common Council; Mayor's Office; Office of the Independent Monitor
3. Timeline and Schedule of Agency Briefings

# Executive Operating Budget = \$358,622,967

## General and Library Fund Expenses

- \$9.1 million (2.6%) increase from 2021 Adopted Budget
- Includes \$13.1 million in American Rescue Plan Act (ARPA) funds to balance the budget
- Includes \$1.5 million from new Sorting Special Charge
- Includes investments in i) Town of Madison, ii) Violence Prevention and Public Safety, iii) Affordable Housing, and iv) Diversifying the City Workforce
- Slightly more than 1% increase in levy – small growth in net new construction and debt service
- Significant ERP room due to low increase in levy/spending and large CPI increase (3%)
- \$260,000 of levy limit remains for Council amendments.

CPI = Consumer Price Index

ERP = Expenditure Restraint Program

# Balancing the 2022 Operating Budget

At the onset of the planning process, the City was projecting a \$18.0 million gap between General/Library Fund expenditures and revenues for 2022. The Executive Budget addressed the projected shortfall through the following actions:

## **Expenditure Reductions (\$1.4 million)**

- \$975k personnel reductions
- \$376k non-personnel
- Includes one-time items (e.g. delay filling vacant positions) and ongoing reductions (e.g. reallocating time to capital)

## **Revenue Adjustments (\$1.7 million)**

- \$187k Fire Dept. Elevator Inspections
- \$1.5m Sorting Special Charge to cover a portion of increased recycling costs; Anticipated cost for average household is \$3/month

## **One-Time Funds (\$13.1 million)**

- Utilize American Rescue Plan Act (ARPA) allocation for government services/ revenue replacement to fill remaining gap

*Note: Adjustments due to position allocations, changes in benefits rates, lower than anticipated debt service, and other technical changes also contribute to closing the budget gap. These adjustments are not reflected in the above actions.*

# Use of One-Time Funds

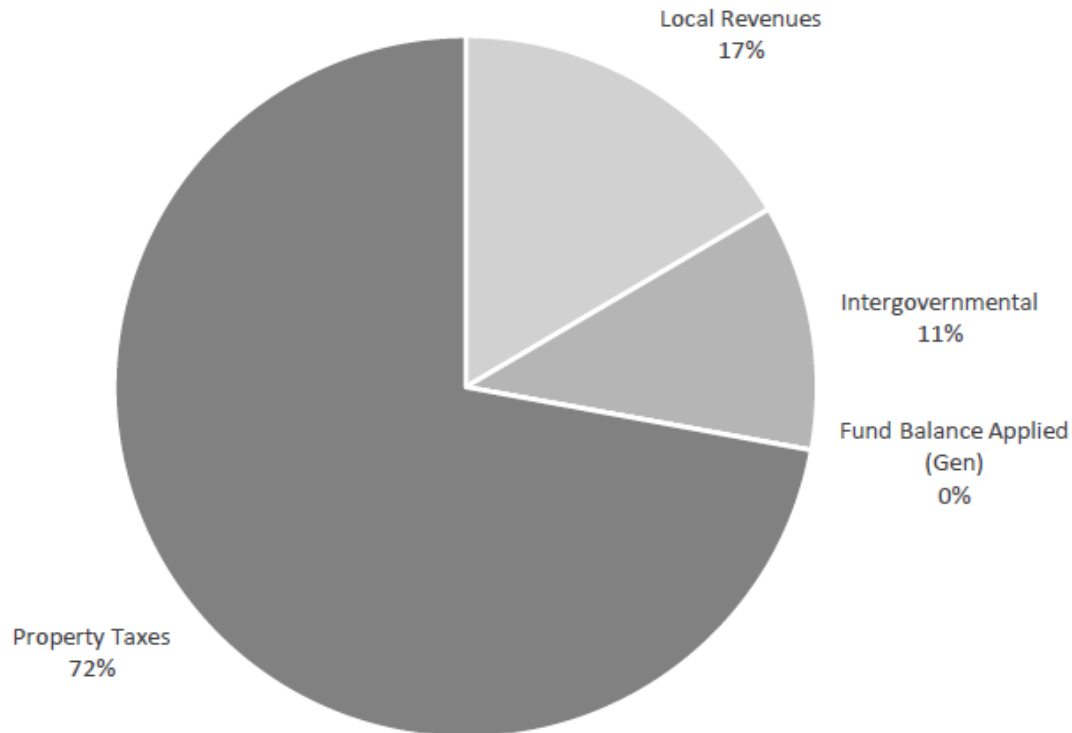
- 2021: \$8.0 million in Fund Balance
  - City is restoring a portion of fund balance in 2021 with proceeds from TID 25; remainder to be restored in 2023
- 2022: \$13.1 million in American Rescue Plan Act (ARPA) funds
  - \$24.4 million in ARPA for government services and revenue replacement
  - \$6.9 million to be utilized in 2021; budget proposes splitting the remainder across 2022 and 2023
- 2023: Anticipating a budget gap of \$18 million to \$20 million
  - Utilized remaining ARPA funds and TID 25 proceeds to close gap
  - Evaluate service levels and develop long range plan for structural deficit

Use of Fund Balance, ARPA, and TID 25 by Year (in millions)			
	General Fund Balance	ARPA	TID 25
Balance	-8.0	24.4	10.5
2021 Mid Year Appropriation	1.5	-5.9	-5.4
2021 Year-End Appropriation	1.0	-1.0	0.0
	-5.5	17.5	5.1
2022 Budget	0.0	-13.1	0.0
	-5.5	4.4	5.1
2023 Budget	5.5	-4.4	-5.1
	0.0	0.0	0.0

Projected Budget Gap, 2021-2023 (in millions)			
	2021	2022	2023
One-time Measures			
Fund Balance	\$8.0		
ARPA / TID 25		\$13.1	\$5 to \$10
Budget Gap	\$16.5	\$18.0	\$20.0
Net	\$8.5	\$4.9	\$10 to \$15

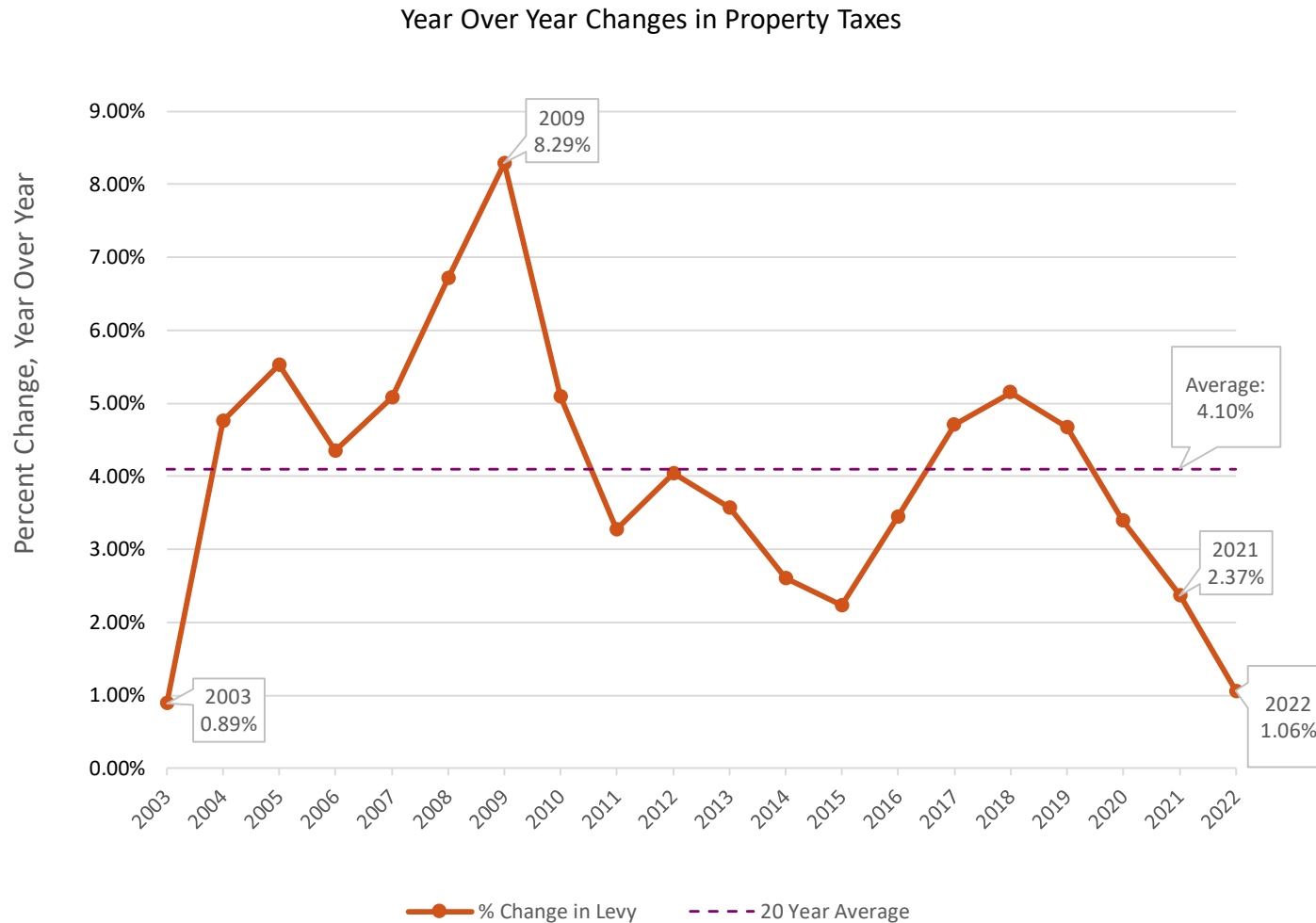
# General Fund Revenue Summary

General Fund Budget by Funding Source



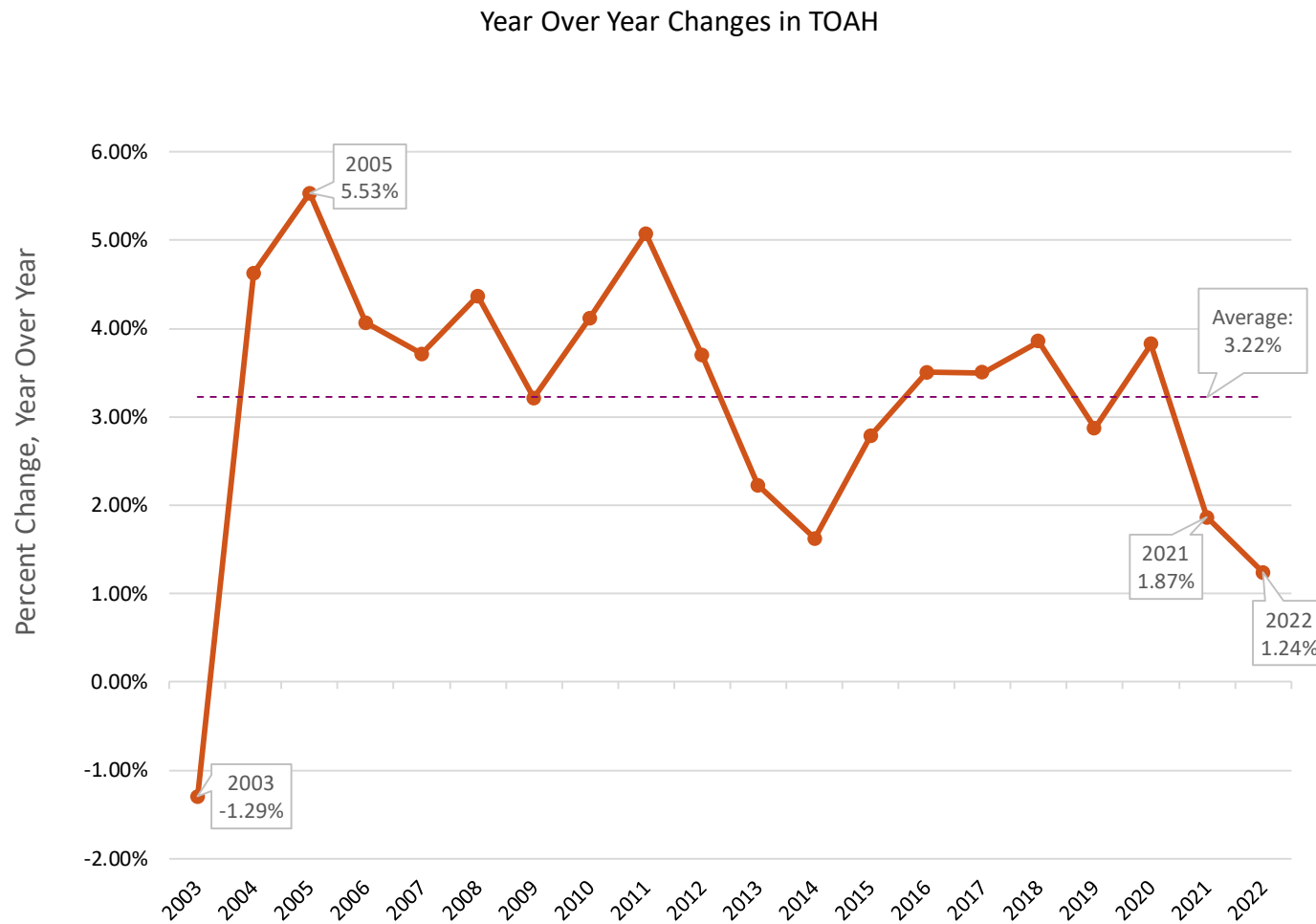
- **Property Taxes:** Primary source of revenue for the operating budget; Accounts for 72% of total (\$258.7m)
- **Local Revenues:** Includes payments in lieu of taxes; fines and forfeitures; licenses and permits; ARPA funds for revenue replacement; and other local taxes; Accounts for 17% of total (\$59.3m)
- **Intergovernmental Revenues:** Includes state aid; Accounts for 11% of total (\$40.6m)

# 1.06% Increase in Property Taxes: Lowest increase in 20 years



- 2022 is the lowest increase in property taxes since 2003
- Increase of 1.06% is well below the 20-year average increase of 4.1%

# 1.24% Increase in Taxes on the Average Value Home (TOAH): **Lowest increase in 20 years**



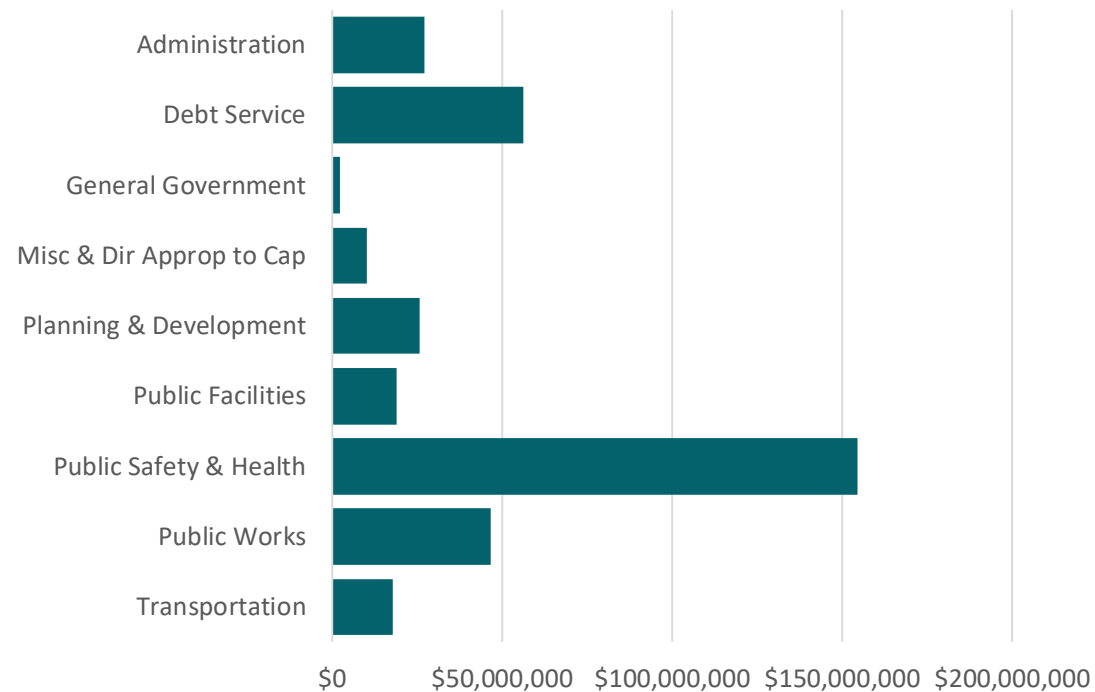
- Average value home is assessed at \$335,200
- Increase of \$10,000 from 2021, reflecting continued trend in strong valuations
- Taxes on the average value home will increase 1.24%, or \$33.90.



# Expenditure Overview

## 2022 Executive Budget by Function

(General and Library Funds)



## Agencies by Function:

- Public Safety & Health account for largest share of budget (\$154.5 million; 43.1%)
- Debt service is the second largest function (\$56.1 million; 15.6%)
- Debt service and miscellaneous and direct appropriations to capital are centrally budgeted functions that address city-wide expenses, including 2022 reserves for compensation increases and Town of Madison expenses

## Expenditure Type:

- Personnel costs account for largest share of operating budget (\$228.6 million, 63.8%)

# Priority Areas

- **Town of Madison: \$1.4 million in funding to support equitable services**
  - Additional positions in Assessor, Police, and Streets
  - Centrally budgeted transition costs
  - Non-personnel costs for tax bills, parks maintenance, planning & communications, and police
- **Affordable Housing: \$6.6 million to continue and expand affordable housing programs**
  - In addition to \$21.6 million allocated in the 2022 executive capital budget
  - Includes \$1 million in ARPA funds to reduce barriers to renting and \$2 million in ARPA funds to support operations associated with homelessness services
- **Violence Prevention and Public Safety: Investments across multiple agencies to support holistic violence prevention (VP) efforts and advance innovation and accountability in public safety**
  - \$1 million in ARPA funds for Public Health VP initiatives
  - \$1.6 million for CDD youth employment programs
  - \$600k to continue cross-agency CARES program
  - Full funding for Office of Independent Monitor
  - MPD Reform and Innovation Initiatives
- **Diversifying Workforce: Investing in trainee programs in Engineering, Parks, and Streets to recruit and train diverse candidates**
  - New position in both the operating and capital budgets

# Agency Budgets:

Centrally Budgeted Funds, Common Council, Mayor, Office of the Independent Monitor

# Centrally Budgeted Funds

## Debt Service

- **\$56,108,324** = Total General Obligation Debt Service (\$47,597,931 in principal and \$8,510,393 in interest).
- **Reoffering Premium:** The budget reflects \$8.3 million of reoffering premium received from the 2021 debt issuance.
  - Under Wisconsin Statutes, reoffering premium amounts must be used to pay debt service.
  - The \$8.3 million of 2021 premium is allocated in the Debt Service Schedule to pay General Fund debt service in 2022.
- **Direct Appropriation for Capital Projects:** The 2022 Executive Operating Budget appropriates \$915,000 from the general fund for capital projects.
  - Under MGO 4.17, whenever an amount is applied in general debt reserves to reduce general fund debt service, an equal amount must be directly appropriated in the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds of all members during approval of the budget, votes to do otherwise.
  - The 2022 Executive Operating Budget appropriation of \$915,000 is \$7.4 million less than the amount applied in general debt reserves to reduce general fund debt service.
  - As such, approval of the lower direct appropriation amount for capital projects requires a separate two-thirds vote of the Council during adoption of the 2022 operating budget.

# Centrally Budgeted Funds

## Direct Appropriations

- Increases the Contingent Reserve to 0.5% of budgeted expenditures in accordance with City policy. Funding budgeted here may be reallocated to various agencies throughout the year to fund unanticipated expenses or revenue shortfalls. Use of this funds requires Common Council approval. (Increase: \$95,000)
- Eliminates a furlough program for general municipal employees that was included in the 2021 Adopted Budget. (Increase: \$1,200,000)
- Includes a 1% cost of living adjustment (COLA) for general municipal employees. (Increase: \$1,500,000)
- Funds the removal of the residency requirement that reduces longevity increases by one (1) percent for those employees in Compensation Group 18 who do not reside in the City of Madison. This will require a change to the MGO 3.54(16)(a). (Increase: \$75,000)
- Increases Compensated Absence Escrow to reflect current trends. (Increase: \$480,000)

## Insurance

- Includes a projected rate decrease for agencies based on anticipated claims. The decrease has been allocated to agency budgets. (Reduction: \$100,000)

## Workers Compensation

- Includes a projected rate increase of \$100,000 based on anticipated claims. The increase has been allocated to agency budgets. (Increase: \$100,000)

# Common Council

## Major Changes

- Increases hourly wages to reflect a pay raise for Alders in mid-April 2022 in accordance with Madison General Ordinances Subchapter 3C, Section 3.50. (Ongoing increase: \$8,350)
- Increases hourly wages to fund an Internship in the Council Office for three months. (Ongoing increase: \$10,500)

# Mayor's Office

## Major Changes

- Includes a pay raise for the Mayor in accordance with Madison General Ordinances Subchapter 3C, Section 3.50. (Increase: \$5,100).

## Reductions

- Includes reductions of \$58,000 (or 5%) from the Mayor's Office cost to continue to executive budget. These reductions reflect personnel costs charged to the capital budget for administering the Sustainability Improvements project and were included in the Mayor's Office requested budget (Ongoing reduction: \$58,000).

# Office of the Independent Monitor

## Major Changes

- Includes an increase to bring the budget for stipends in line with the ordinance (Increase: \$3,000) and an increase for child care reimbursement for Board members while attending meetings (Increase: \$5,000).



# Timeline and Schedule for Agency Briefings

# Where to find the Operating Budget

The executive capital budget and executive summary were published [online](https://www.cityofmadison.com/finance/budget/2022/operating) (<https://www.cityofmadison.com/finance/budget/2022/operating>) on 10/5/21.

**Agency Request:** Proposals submitted by agencies; includes detailed responses to racial equity and social justice questions

**Executive Summary:** Overview and summary of major changes

**Summaries & Special Fund Statements:** City tax rate computation, revenue and expenditure overview, general obligation debt service summary, special fund statements, and additional summaries

**Agency Budgets:** Details funding for each agency; each agency section includes an overview, expenditure by service, and position table

## 2022 Operating Budget

Executive Budget  
Agency Requests

### Executive Budget

[FULL EXECUTIVE OPERATING BUDGET PDF](#)

[Executive Budget: Summary PDF](#)

### Vision and Mission Statement

[Madison's Mission & Vision PDF](#)

[Executive Budget User's Guide & Financial Policies PDF](#)

[Glossary PDF](#)

### Summaries

[City Tax Rate Computation PDF](#)

[General Fund Funding Source by Major Category PDF](#)

[General Fund Revenues PDF](#)

[Expenditure Summaries PDF](#)

[General Obligation Debt Service Summary PDF](#)

[Statement of Indebtedness and Debt Service PDF](#)

### Special Fund Statements

[Room Tax Fund PDF](#)

[Special Assessment Revolving Fund PDF](#)

[Insurance Fund PDF](#)

[Workers Compensation Fund PDF](#)

### Agency Operating Budgets

[Assessor PDF](#)

[Attorney PDF](#)

**Guide & Glossary:** Resources on how to read and interpret the budget

# Detailed Timeline for 2022 Budget Hearings

## Capital

## Operating

1.	Mayor Introduces Executive Budget	<ul style="list-style-type: none"> <li>• August 31, 2021</li> </ul>	<ul style="list-style-type: none"> <li>• October 5, 2021</li> </ul>
2.	Finance Committee (FC) Hearings	<p><i>Agencies present budget; alders have opportunity to ask questions</i></p> <ul style="list-style-type: none"> <li>• September 13 &amp; 14</li> <li>• October 11 &amp; 12</li> </ul>	
3.	FC Amendment Week	<p><i>Alders submit requests to budget analysts; analysts review and publish amendments</i></p> <ul style="list-style-type: none"> <li>• September 20 – 22</li> <li>• Alders submit by Weds., Sept. 22 at 12pm</li> <li>• Analysts publish by Fri., Sept 24 at 12pm</li> <li>• October 18 – 22</li> <li>• Alders submit by Weds., Oct. 20 at 12pm</li> <li>• Analysts publish by Fri., Oct 22 at 12pm</li> </ul>	
4.	FC Vote on Amendments	<p><i>Amendments are taken up in the order presented; can sometimes be taken out of order</i></p> <ul style="list-style-type: none"> <li>• September 27</li> <li>• October 25</li> </ul>	
5.	City Council Amendments	<p><i>City Council has the opportunity to propose amendments to capital and operating budgets</i></p> <ul style="list-style-type: none"> <li>• November 1 – 5</li> <li>• Alders submit by Weds., Nov. 3 at 12pm</li> <li>• Analysts publish by Fri., Nov 5 at 12pm</li> </ul>	
6.	City Council Adoption	<p>Three CC meetings to vote on amendments and adopt budget</p> <ul style="list-style-type: none"> <li>• November 9, 10 &amp; 11</li> </ul>	

# Agency Briefing Schedule

Monday, October 11th 4:30pm -- Virtual Meeting		Tuesday, October 12th 4:30pm -- Virtual Meeting	
Overview			
<b><u>AGENCY</u></b>	<b><u>Pg #</u></b>	<b><u>AGENCY</u></b>	<b><u>Pg #</u></b>
<b><i>General Government</i></b>		<b><i>Administration</i></b>	
Municipal Court	230	Attorney	31
<b><i>Public Health &amp; Safety</i></b>		Civil Rights	65
Public Health	290	Clerk	71
Fire	140	Employee Assistance Program	111
Police	280	Finance	129
<b><i>Public Spaces</i></b>		Human Resources	164
Library	192	IT	172
Monona Terrace	222	<b><i>Public Works</i></b>	
Room Tax Commission	306	Engineering (including utilities)	117
<b><i>Administration</i></b>		Fleet Services	148
Assessor	25	Parks (including golf)	253
<b><i>Transportation</i></b>		Streets	329
Metro	212	Water Utility	361
Parking Utility	241	<b><i>PCED</i></b>	
Traffic Engineering	342	Building Inspection	39
Transportation	356	CDA Housing Operations	49
		CDA Redevelopment	58
		Community Development	83
		Economic Development	103
		PCED Office of the Director	266
		Planning	272

# Agency Briefing Format

- Agencies will present 1-3 slides with highlights from their operating budget, including major changes from the prior year
- Presentation will be approximately 5 minutes, followed by questions from the Finance Committee
- After the briefings, alders can submit amendments to the budget team
  - Budget staff and agency portfolios are included in the [Budget Employeeenet page](#).