

OPERATING BUDGET OUTLOOK: 2020 2ND QUARTER PROJECTION ANALYSIS

PRESENTATION TO FINANCE COMMITTEE

AUG 10, 2020



2ND QUARTER SUMMARY

General & Library Fund Summary					
		1st Quarter		2nd Quarter	
	Revised Budget	Projection	Diff	Projection	Diff
GF Revenue	(90,691,981)	(80,675,406)	(10,016,575)	(80,820,453)	(9,871,528)
Prop Tax Levy	(250,016,152)	(250,016,152)	-	(250,016,152)	-
Total Revenue	(340,708,133)	(330,691,558)	(10,016,575)	(330,836,605)	(9,871,528)
Expenditures	340,708,133	342,585,516	(1,877,383)	341,961,044	(1,252,912)
TOTAL	(340,708,133)	11,893,958	(11,893,959)	11,124,439	(11,124,440)
<i>Library</i>					1,161,685
TOTAL-Less Library Savings					(12,286,125)
<i>Other Funds Projection</i>			(12,120,597)		
TOTAL-ALL FUNDS			\$ (23,245,036)		

Key Assumptions

- Data based on actuals through June 30th including 12 payroll periods

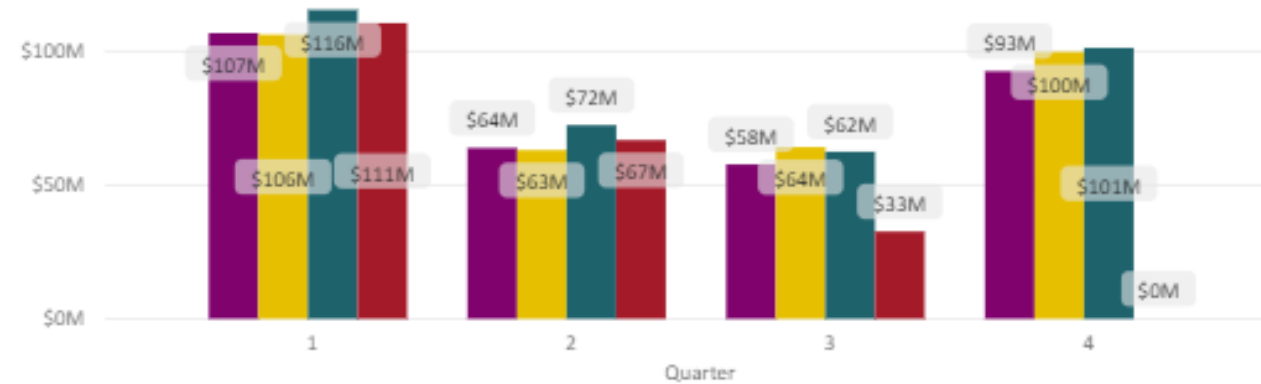
Major Changes

- The General & Library fund projected shortfall decreased by \$770k from the 1st Quarter
 - The shortfall does not include CARES Act, FEMA, or Routes to Recovery Funding; These sources are projected to have a \$13.5 million positive net impact on the 2020 General Fund budget
- The All Funds projected deficit has decreased by \$7.5m between the 1st and 2nd Quarters. The overall improved outlook is driven by expenditure reductions implemented by the Room Tax Commission along with improved outlooks for the Water, Sewer, and Stormwater utilities.

2020 SPENDING COMPARED TO PRIOR YEARS

- Quarterly spending in the General and Library funds has been generally consistent with prior years through the 1st half of the year.
- Supply spending was at its highest point in April, before dipping down in May, and then trending up in June and July

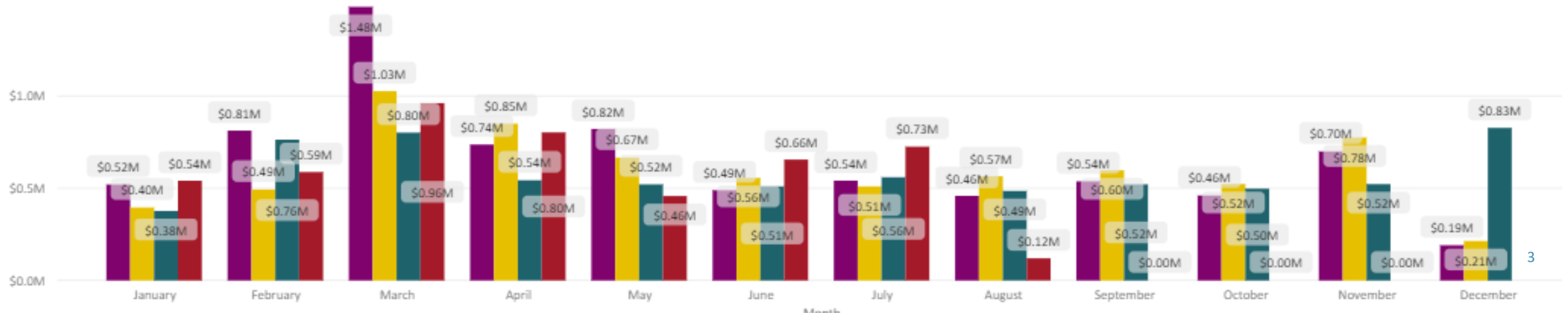
Quarterly Spending (2017-2020 2nd Q)



Actual Expenditures by Month

2017 2018 2019 2020

Supply Spending by Year & Month



2020 2ND QUARTER: MAJOR CHANGES

Clerk's Office: Projection=\$1.4m Deficit (\$1.3m increase from 1st Quarter)

- The projected deficit is driven by projected costs of administering elections during the COVID pandemic. The final cost of the April election was \$640k, compared to \$500k assumed in the 1st Quarter projection.
- The August and November elections are projected to cost \$1.0 million per election, or \$2.0m total. The 2020 Adopted Budget included \$1.1m to administer both elections. There is potential the November election will cost more to administer than August election, but specific cost breakdowns are not currently available.
- The Clerk's Office was recently awarded two grants totaling \$1.4m that will be used to offset the projected deficit.

2020 2ND QUARTER: MAJOR CHANGES

Fire Department: Projection=\$1.0m Deficit (\$1.1m decrease from the 1st Quarter)

Revenue is projected \$178,000 lower than 1st quarter.

- Fire Permits are lower due to year-to-date trends (\$37,000). Permits are related to building and the general state of the economy.
- Special Duty and Reimbursement of Expense are projected lower (\$107,000) based on the reduction in anticipated events. At the time of the 1st Quarter projection, the impact of the virus on summer events was not known. The 2nd Quarter projection reflects these events being cancelled and no additional events anticipated for the remainder of 2020.

Expenses are projected \$1,270,000 lower than first quarter.

- Permanent Salaries are projected \$393,000 less than 1st Quarter due to additional vacancies and the elimination of the recruit class.
- Overtime has been reduced (\$295,000) largely due to fewer events and a reduction in overtime for elevator inspections. The 1st Quarter projection anticipated a need for overtime to complete the backlog of inspections that built up during the early stages of the shut-down. The department now anticipates completing all inspections without significant overtime. Benefits are correspondingly lower (\$163,000).
- Supplies and Services are \$419,000 lower than the 1st quarter projection due to the purchasing freeze, more data than the first quarter, and no recruit class. The largest savings are in building improvements (purchasing freeze), travel (COVID), and savings related to the cancellation of the recruit class (uniforms, MATC training, and medical services).

2020 2ND QUARTER: MAJOR CHANGES

Police Department: \$2.4m Deficit (\$1.1m increase since 1st Quarter)

Unrest Response Costs through 2nd Quarter=\$1.5m

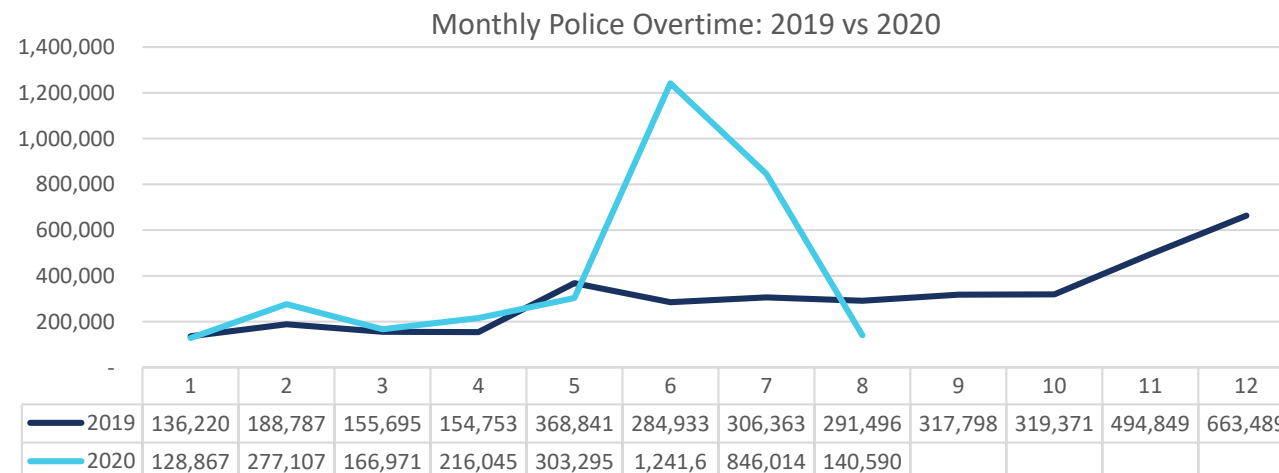
- Response costs have been for mutual aid and overtime
- 2020 monthly overtime trends were generally consistent with 2019 before spiking in June.
- Overtime earned through the first half of the year has doubled from 2019 to 2020 (2019=\$1.6m vs 2020=\$3.2m)

Assumptions:

- Freakfest will go forward similar to last year,
- MPD will have a smaller presence at UW football games resulting in estimated revenue of 75% of 2019; and,
- There will be at least 1 additional major event (homicide, etc.) that may happen in the second half of the year.

Revenue

- The projection also assumes the lost revenue resulting from canceling the SRO contract with MMSD. The 2020 Budget included \$360k in revenue for this contract, we received \$118k for work performed during the 1st Quarter, resulting in a \$242k deficit.
- The 2nd Quarter projection assumes an additional \$380k deficit due to loss revenue from other sources including special duty & police services.



The 2020 Period 8 amount (August) includes only 1 pay period, compared to 2 in 2019

2020 2ND QUARTER: MAJOR CHANGES

Streets Division: \$263k Deficit (\$620k increase since 1st Quarter)

- At the 1st Quarter the Streets Division was projecting an overall surplus, based on 2nd Quarter assumptions the Division will have a \$620k deficit in 2020. The change is driven by updated assumptions pertaining to how staff time is being allocated across the General, Stormwater, and Urban Forestry funds.
- The 1st Quarter projection assumed Streets would reach full staffing during the summer months (fill 6 vacant positions) and filling all hourly positions. The Streets Division is currently holding 9 permanent positions vacant and has filled 4 of 17 hourly positions.
- The 2nd Quarter projection continues the assumption for three additional general plow events in the 4th Quarter. In 2019 there was one general plow event during the 4th Quarter. The projection assumes an additional salt purchase will also be made in the 4th Quarter, there is potential that purchase can be deferred to 2021.

2020 2ND QUARTER: MAJOR CHANGES

Library: \$1.2m Surplus (\$860k increase from 1st Quarter)

- The 1st Quarter projection assumed the Libraries would reopen at some point in the 2nd Quarter. This assumption has been updated to reflect the Libraries remaining essentially closed, except for curbside pick-ups and computing appointments, for the rest of the year. This has resulted in a reduction in expenses of \$800,000 from the 1st Quarter.
- While printing service revenue and revenue from fines are projected under budget \$280,000, the MPLF (Library Foundation) has committed to additional donations of approximately the same amount, leaving the overall projection for revenue essentially consistent with the 1st quarter.
- Personnel savings increased by \$800,000 driven by holding 10.6 positions vacant and savings on hourly staffing.

2020 2ND QUARTER: MAJOR CHANGES

Parks: \$130k Deficit (\$695k decrease from 1st Quarter)

- The 1st Quarter projection assumed a \$623k loss in charge for service revenue. Based on 2nd Quarter assumptions, this revenue loss has increased to \$790k primarily resulting from a high number of event cancellations.
- Lost revenue is partially offset by additional salary savings. Savings from personnel costs increased from \$100k in the 1st Quarter to \$890k in the 2nd Quarter. The major change can be attributed to the use of redeployed staff reducing the need for hourly employees (total hourly savings=\$380k).

2020 2ND QUARTER: MAJOR CHANGES

Community Development Division: \$56k Surplus (\$260k decrease from 1st Quarter)

- CDD's overall projected surplus decreased due to assumptions in Community Agency Contracts. The 2nd Quarter projection assumes the full budgeted amount for these contracts will be spent.
- In both the 1st and 2nd Quarters, Childcare Tuition Assistance was projected to have a \$100k surplus. Changes and/or expansion of this program will reduce CDD's overall projected surplus likely resulting in an overall agency deficit.

ENTERPRISE AGENCIES

Other Fund Summary					
		1st Quarter	2nd Quarter	Change	
1250 - ROOM TAX COMM		(4,061,488)	340,703	4,402,191	↗
2100 - WATER UTILITY		(3,180,803)	630,109	3,810,912	↗
2110 - SEWER UTILITY		(124,460)	657,817	782,277	↗
2120 - STORMWATER UTILITY		1,459,460	672,257	(787,203)	↘
2130 - PARKING UTILITY		(5,358,473)	(6,560,857)	(1,202,383)	↘
2140 - CONVENTION CENTER		(3,582,974)	(2,308,482)	1,274,492	↗
2150 - METRO TRANSIT		(3,416,917)	(5,386,235)	(1,969,318)	↘
2160 - GOLF COURSES		(901,762)	(358,461)	543,301	↗
2200 - FLEET SERVICES		276,482	196,776	(79,706)	↘
5100 - CDA		(170,660)	(0)	170,660	↗
6100 - PUBLIC HEALTH MADISON DANE		187,732	(4,224)	(191,956)	↘
		(18,873,862)	(12,120,597)	6,753,265	

Major Changes

- The All Funds projected deficit has decreased by \$7.5m between the 1st and 2nd Quarters.
- The improved outlook for Room Tax is driven by expenditure reductions approved by the Room Tax Comm
- The improved outlook in the Water Utility is driven by the recently implemented rate case
- The Parking Utility and Metro deficits are due to utilization levels lower than anticipated in the 1st Quarter

2020 2ND QUARTER: MAJOR CHANGES-OTHER FUNDS

Water Utility

- Projection=\$5630k Surplus (\$3.8m Increase from 1st Quarter)
- Assumptions:
 - During the 2nd Quarter the Water Utility received approval to begin implementing a 9% rate increase. The rate increase took effect in first week of August, the 2nd Quarter projection assumes a 6% increase for August and 8.9% increase for the remainder of 2020.
 - The 1st Quarter did not include an assumption for increased revenue from rates.

Metro

- Projection=\$5.4m Deficit (\$1.9m Increase from 1st Quarter)
- Assumptions
 - The most significant change from Q1 projections is lower estimates for charge revenues. In Q1, farebox revenue estimates were assumed to return to 2019 levels by July. Actuals from Q2 and temporary fare-free service now drive lower estimates for revenue. While Q1 estimated \$9.3m in charge revenues, Q2 estimates \$6.4m.
 - This projection does not include the use of CARES Act funding in 2020.

Parking Utility

- Projection=\$6.5m Deficit (\$1.2m Increase from 1st Quarter)
- Assumptions:
 - Projected revenue losses resulting from COVID increased by \$1.0m from a projected \$7.2m loss in the 1st Quarter to an \$8.2m projected loss in the 2nd Quarter. The 1st Quarter projection assumed monthly revenue would return to 30% of prior trends in the summer months, based on actual data monthly revenue has only rebounded to 17%. The projection assumes revenues will remain under 50% of prior trends through the remainder of 2020.
 - The Parking Utility currently has 28 employees on a workshare program that is scheduled to end on September 1st.

2020 2ND QUARTER: MAJOR CHANGES-OTHER FUNDS

Monona Terrace

- Projection=\$2.3m Deficit (\$1.3m Increase from 1st Quarter)
- Assumptions:
 - 2nd Quarter projections include the 50% reduction adopted by the Room Tax Commission in June. A portion of Monona Terrace's Room Tax reduction (\$795k) will be implemented by reducing funding for 2020 capital expenditures.
 - The 2nd Quarter projection assumes a September opening date (pushed back from August in the 1st Quarter projection). There are currently 75 paying events booked through the remainder of 2020.
 - Monona Terrace currently has 15 employees (out of 54.75) that are on a workshare program for at least one day/week. The projection assumes these employees will remain on workshare through early December.

Room Tax

- Projection=\$340k Surplus (\$4.4m Increase from 1st Quarter)
- Assumptions:
 - The Room Tax Commission recently adopted what equated to 50% of expenditure reductions. The 1st Quarter projection did not reflect any expenditure reductions.