



## Legislation Details (With Text)

<b>File #:</b>	67094	<b>Version:</b>	1	<b>Name:</b>	Transfer funds within agency budgets
<b>Type:</b>	Resolution	<b>Status:</b>		<b>Status:</b>	Passed
<b>File created:</b>	8/24/2021	<b>In control:</b>		<b>In control:</b>	Finance Department
<b>On agenda:</b>	9/21/2021	<b>Final action:</b>		<b>Final action:</b>	9/21/2021
<b>Enactment date:</b>	9/24/2021	<b>Enactment #:</b>		<b>Enactment #:</b>	RES-21-00650
<b>Title:</b>	SUBSTITUTE BY TITLE ONLY Amending the 2021 Adopted Operating Budget to transfer funds within agency budgets based on projected spending through the 2nd Quarter of 2021.; authorizing a distribution from the residual incremental tax revenues of Tax Increment District 25; transferring federal American Rescue Plan Act (ARPA) funds to the General Fund and Monona Terrace; and addressing a deficit in the Room Tax Fund				
<b>Sponsors:</b>	Satya V. Rhodes-Conway, Yannette Figueroa Cole				
<b>Indexes:</b>					
<b>Code sections:</b>					
<b>Attachments:</b>	1. 2021 Mid Year Resolution Overview - FC.pdf				

Date	Ver.	Action By	Action	Result
9/21/2021	1	COMMON COUNCIL	Adopt Unanimously	Pass
9/13/2021	1	FINANCE COMMITTEE	RECOMMEND TO COUNCIL TO ADOPT (15 VOTES REQUIRED) - REPORT OF OFFICER	Pass
8/31/2021	1	COMMON COUNCIL	Referred	
8/24/2021	1	Finance Department	Referred for Introduction	

### Fiscal Note

The proposed resolution amends the 2021 Adopted Operating Budget in order to make technical adjustments within various agency budgets. In certain instances, the Adopted Operating Budget includes funding for expenditures centrally with the anticipation of transferring those funds to agency budgets throughout the year when actual spending patterns are known. This is the case for both sick leave escrow and carry forward encumbrances. The amounts proposed in the midyear appropriation adjustment are based on actual expenditures through the first half of 2021. All of the proposed adjustments through this resolution are net neutral within the General Fund and have no impact on the Expenditure Restraint Program.

### Sick Leave Escrow

Fire:	\$671,000
Direct Appropriations:	(\$671,000)

The 2021 Adopted Operating Budget includes \$2.77m for sick leave escrow payments made from the General Fund. Through the 2<sup>nd</sup> Quarter, \$2.5m has been paid out by General Fund agencies. The resolution recommends transferring funds only to the Fire department, where the sick leave escrow amount is contributing to a deficit in the agency's overall budget.

### Carry Forward Encumbrances

Assessor	\$3,500
Community Development:	\$11,400
Economic Development:	\$36,200

Finance:	\$26,900
Fire:	\$3,100
Human Resources:	\$8,600
Information Technology:	\$700
Library:	\$28,500
Parks:	\$16,700
Planning:	\$69,400
Police:	\$26,000
Traffic Engineering:	\$5,500
Direct Appropriations:	(\$236,500)

The 2021 Adopted Operating Budget includes \$236,500 for encumbrances associated with contracts that span multiple years. The total amount carried forward from 2020 totals \$236,500. The resolution transfers centrally budgeted funds to agency budgets for carry forward encumbrances.

### ***Intra-Agency Transfers***

Fleet Services requests a transfer across major spending categories. The resolution transfers \$455,000 from supplies to purchased services. The increased purchased services budget is for unanticipated vehicle repairs and maintenance.

Golf requests an amendment to add \$300,000 in charges for service associated with an anticipated increase in revenues due to higher usage of fee-based services and facilities. Additionally, the resolution requests increasing the Golf budget by adding \$30,000 to supplies and \$270,000 in purchased services to support additional credit card and utility costs associated with the anticipated increase in revenue.

The Streets Divisions requests an increase of \$440,000 in fund balance applied and an increase of \$440,000 in interdepartmental charges for Stormwater Utility-supported leaf collection and street sweeping services. This amendment will allow the utility to accurately reflect vehicle maintenance charges.

The Community Development Authority (CDA) requests a transfer across major spending categories. The resolution transfers \$234,000 from supplies to purchased services. The increase in purchased services budget is for building improvement and repairs.

The CDA requests to add \$2,310,102 to CDA Housing - Housing Vouchers. This increase will be added to intergovernmental revenues and purchased services and will allow CDA to allocate enough budget to make all of its housing assistance payments based on HUD projections. In addition, the increase accounts for the addition of mainstream and emergency housing vouchers.

The Information Technology Department requests to transfer \$50,000 from the Enterprise Financial System capital project to the Tax System Replacement capital project to cover the requested enhancements to the tax system software. The vendor, Tyler Technologies, is the same vendor for the enterprise financial system and tax system.

### ***Tax Increment District (TID) 25***

The resolution authorizes a distribution of up to \$16.5 million to the affected taxing jurisdictions (city, county, Madison school district and Madison College) in 2021 from surplus incremental revenues in TID 25. TID 25 has paid all costs and has been closed by Council resolution. The anticipated total surplus is \$30 million after the last year of increment is collected in 2022. The City's share of this initial distribution of the surplus is expected to be up to \$5.9 million. The total anticipated city share of the surplus is \$10 million

The resolution authorizes the transfer of the city share of the initial distribution of the TID 25 surplus from the TID 25 special revenue fund to the following funds:

Room Tax Fund -- \$2.4 million  
Monona Terrace enterprise fund -- \$1.5 million  
General Fund - up to \$2.0 million

### ***American Rescue Plan Act (ARPA)***

The resolution authorizes the transfer of \$5.9 million of ARPA funding from the City's Grants Fund to the following funds:

General Fund -- \$3.9 million  
Monona Terrace enterprise fund -- \$2.0 million

This will allocate \$5.9 million of the \$6.9 million identified in the ARPA plan for government services/revenue replacement from the first half of the \$47.2 million of ARPA local government funding allocated to the City. The remaining \$1.0 million is planned to be appropriated in the 2021 Year-End Appropriation based on 3<sup>rd</sup> quarter agency projections. This resolution will be considered by the Council in December 2021.

Specific costs equal to the amounts transferred in this resolution will be identified as supported by ARPA funding, consistent with US Treasury rules for use of these funds and associated reporting requirements.

### ***Room Tax Fund / Monona Terrace Enterprise Fund / General Fund Impacts***

#### Room Tax Fund

The Room Tax Fund is anticipated to finish 2021 with a deficit of \$5.1 million. This includes a \$1.8 million deficit at the end of 2020, despite a 50 percent reduction in appropriations from the Room Tax Fund, including Monona Terrace, Overture Center, Destination Madison, and City Tourism programs (e.g., Sister Cities, music events, art installations), as well the retention of 100 percent of room tax revenues in the Room Tax Fund (usually the maximum allowable 30 percent of room tax revenues are transferred to the General Fund). Room tax revenues in 2021 are anticipated to be \$4.4 million below estimates used in developing the 2021 Room Tax Fund budget. Room Tax Fund appropriations (Monona Terrace, Overture Center, Destination Madison, City Tourism) in 2021 remain 30 percent below pre-pandemic levels.

This resolution addresses this anticipated deficit by retaining 100 percent of room tax revenues in the Room Tax Fund (estimated fiscal effect on the Room Tax Fund balance is \$2.7 million) and transferring \$2.4 million from the TID 25 special revenue fund.

#### Monona Terrace Enterprise Fund

The Monona Terrace enterprise fund has been heavily impacted by the effects of the public health response to the pandemic on conferences, conventions and other group activities. Monona Terrace reserves have been completely depleted and the enterprise fund is anticipated to have a reduction in cash balance of \$4 million by the end of 2021.

This resolution addresses \$3.5 million of this shortfall by transferring \$1.5 million from the TID 25 special revenue fund and \$2.0 million of ARPA funding from the Grants Fund. It is anticipated that this transfer will allow Monona Terrace to retain a positive cash balance at the end of 2021. A cash deficit in the Monona Terrace enterprise fund at the end of a year could require a transfer from the General Fund balance.

#### General Fund

The 2021 adopted operating budget applied \$8 million from the General Fund balance to avoid significant cuts to city services. The 2<sup>nd</sup> quarter projection anticipates that revenues, including the \$8 million from fund balance, will be slightly more than anticipated expenditures at the end of 2021. This application of \$8 million from fund balance reduced its share of the General Fund budget to 13.4 percent, which is below the 15 percent policy goal.

This resolution reduces revenues to the General Fund by \$4 million compared to the adopted budget by retaining 100 percent of room tax revenues in the Room Tax Fund rather than making a transfer of 30 percent of those revenues to the General Fund. The resolution offsets this reduction in revenues by transferring \$3.9 million from the ARPA funding in the City's Grants Fund to the General Fund.

In order to begin restoring the General Fund balance for the \$8 million applied to balance the 2021 adopted operating budget, the resolution transfers \$2.0 million from the TID 25 special revenue fund to the General Fund. Restoring the General Fund balance toward the policy goal of 15 percent of the General Fund budget is a key element of prudent financial management, as well as retaining the City's top bond rating and associated lowest possible interest costs on city debt.

This resolution does not change total General Fund appropriations compared to the 2021 adopted operating budget and, therefore, has no impact on the City's limit under the state Expenditure Restraint Program.

#### Title

SUBSTITUTE BY TITLE ONLY Amending the 2021 Adopted Operating Budget to transfer funds within agency budgets based on projected spending through the 2nd Quarter of 2021-; authorizing a distribution from the residual incremental tax revenues of Tax Increment District 25; transferring federal American Rescue Plan Act (ARPA) funds to the General Fund and Monona Terrace; and addressing a deficit in the Room Tax Fund

#### Body

WHEREAS, the 2021 Adopted Operating Budget includes \$2,770,000 within Direct Appropriation for sick leave escrow payments associated with payments made by the City for health insurance benefits upon the retirement of employees; and,

WHEREAS, the 2021 Adopted Operating Budget includes \$236,500 within Direct Appropriations for encumbrances that carried forward from 2021; and,

WHEREAS, these funds are budgeted centrally and expenditures are incurred within agency budgets, the resolution authorizes transferring appropriation to various agency budgets based on actual spending through the first half of 2021; and,

WHEREAS, Fleet Services requires an amendment to transfer appropriation across major spending categories; and,

WHEREAS, Golf requires an amendment to increase charges for service, supplies, and purchased services related to increased revenues and associated costs; and,

WHEREAS, the Streets Division's Stormwater Utility-supported services requires an amendment to increase fund balance applied and interdepartmental charges to accurately reflect vehicle maintenance charges; and,

WHEREAS, the Community Development Agency (CDA) requires an amendment to transfer appropriation across major spending categories; and,

WHEREAS, the CDA requires an amendment to increase intergovernmental revenues and purchased services in order to allocate housing assistance payments in accordance with HUD's projection and the addition of housing vouchers; and

WHEREAS, Information Technology requires an amendment to transfer budget from from the Enterprise Financial System capital project to the Tax System Replacement capital project to cover the requested enhancements to the tax system software; and

WHEREAS, Tax Increment District (TID) 25, created in 1995, has paid all project costs and has been extended for one year with associated tax increment to be used for affordable housing; and,

WHEREAS, TID 25 is expected to have a surplus of \$30 million that will be distributed proportionally to all taxing jurisdictions based on relative share of the property tax base, with the city's share of that surplus totaling approximately \$10 million; and,

WHEREAS, the Madison Metropolitan School District has requested that the surplus be distributed over a two year period to avoid negative impacts on state school aid amounts received by the district; and,

WHEREAS, the city has been allocated \$47.2 million from the Coronavirus State and Local Fiscal Relief Fund (CSLFRF) of the American Rescue Plan Act (ARPA) to address the negative economic effects of the pandemic and to replace lost revenues to maintain government services, with the first half of that funding received by the city in May 2021 and the other half of the funding to be received in 2022; and,

WHEREAS, the revenue loss methodology under the US Treasury rules established to implement the CSLFRF shows that the city lost \$44 million in revenue compared to amounts that would have been collected but for the pandemic, which includes room tax revenues and Monona Terrace conference and convention center event revenues; and,

WHEREAS, the adopted 2021 operating budget allocates an unprecedented \$8 million from the city's General Fund balance ("rainy day fund") to avoid deep spending cuts to essential city services due to revenue shortfalls associated with the economic effects of the global pandemic;

WHEREAS, the Common Council approved a plan for allocating ARPA funding (RES-21-00487 (File No. 65935), adopted July 6, 2021), that included \$22.8 million for community investments, with the remaining \$24.4 million to address revenue shortfalls to maintain government services; and,

WHEREAS, the Room Tax Fund receives the proceeds of the city's 10% transient occupancy tax ("room tax"); and,

WHEREAS, under state law up to 30% of room tax revenues may be transferred to the city's General Fund, and the remaining 70% must be allocated by the city's Room Tax Commission for purposes related to tourism marketing and tangible municipal development related to transient occupancy room nights; and,

WHEREAS, the allocations of the Room Tax Commission include funding to Monona Terrace, Overture Center, Destination Madison, and city arts and tourism programs, including Sister Cities, Dane Dances, downtown art program and others; and,

WHEREAS, allocations to these programs and organizations were reduced by 50 percent in 2020 due to a 70 percent drop in room tax collections due to the public health restrictions in response to the global pandemic and the associated dramatic impact on the leisure and hospitality industry; and,

WHEREAS, Monona Terrace has exhausted its reserves and is expected to have a deficit of over \$4 million by the end of 2021; Overture Center had no event revenues in 2020 and reduced its staff by 60 percent; and Destination Madison laid off and furloughed much of its staff; and,

WHEREAS, in the 2020 year-end appropriation resolution (RES-20-00812), the Common Council acted to avoid deeper cuts to Room Tax Commission programs by retaining all room tax revenue in the Room Tax Fund rather than transfer 30 percent of room tax revenues to the General Fund; and,

WHEREAS, the 2021 allocations from the room tax were made in September 2020 and were based on forecasts of \$13.4 million in room tax collections in 2021; and,

WHEREAS, updated forecasts that reflect the longer duration of public health restrictions have reduced the estimated room tax revenues to \$9 million in 2021; and,

WHEREAS, room tax allocations to Monona Terrace, Overture Center, Destination Madison and city arts and tourism programs remain 30% below 2019 levels; and,

WHEREAS, the Room Tax Fund finished 2020 with a \$1.8 million deficit and is expected to finish 2021 with a deficit of over \$5 million;

NOW THEREFORE BE IT RESOLVED, that the Common Council amends the 2021 Adopted Operating Budget to transfer \$671,000 from Direct Appropriations to the Fire Department for actual sick leave escrow payments made through the first half of 2021:

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Operating Budget to transfer \$236,500 from Direct Appropriations to the following agency budgets for encumbrances that were carried forward from 2020:

Assessor	\$3,500
Community Development:	\$11,400
Economic Development:	\$36,200
Finance:	\$26,900
Fire:	\$3,100
Human Resources:	\$8,600
Information Technology:	\$700
Library:	\$28,500
Parks:	\$16,700
Planning:	\$69,400
Police:	\$26,000
Traffic Engineering:	\$5,500
Direct Appropriations:	(\$236,500)

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Operating Budget to transfer \$455,000 from supplies to purchased services within the Fleet Services budget for unanticipated vehicle repairs and maintenance; and,

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Operating Budget for Golf to add \$300,000 in charges for service, \$30,000 in supplies, and \$270,000 purchased services to support additional credit card and utility costs with additional anticipated revenue; and

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Operating Budget for the Streets Division's Stormwater Utility-supported leaf collection and street sweeping services to add \$440,000 in fund balance applied and \$440,000 for interdepartmental charges to accurately reflect vehicle maintenance charges; and

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Operating budget for CDA Housing - Public Housing to transfer \$234,000 from supplies to purchased services for building improvement and repairs; and

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Operating budget for CDA Housing - Housing Vouchers to add \$2,310,102 to intergovernmental revenues and purchased services in order to allocate enough budget for CDA Housing to make all of its 2021 housing assistance payments in accordance with HUD's projection and the addition of mainstream and emergency vouchers; and

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Capital Budget for Information Technology to transfer \$50,000 from the Enterprise Financial System capital project to the Tax System Replacement capital project to cover the requested enhancements to the tax system; and

BE IT FURTHER RESOLVED, that the Common Council authorizes a 2021 distribution to all the contributing taxing jurisdictions of up to \$16.5 million from the surplus of TID 25; the city's share of that distribution is estimated to be up to \$5.9 million, as determined by the Finance Director; and

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Operating Budget to transfer up to \$5.9 million from the city's share of the initial distribution of the TID 25 surplus to the following funds, as determined by the Finance Director:

- Room Tax Fund -- \$2.4 million
- Monona Terrace enterprise fund -- \$1.5 million
- General Fund - up to \$2.0 million; and

BE IT FURTHER RESOLVED, that the Common Council amends the 2021 Adopted Operating Budget to transfer \$5.9 million of ARPA funds deposited in the city's Grants Fund to the following funds:

- General Fund -- \$3.9 million
- Monona Terrace enterprise fund -- \$2.0 million; and

BE IT FINALLY RESOLVED, that the Common Council amends the 2021 Adopted Operating Budget to retain 100 percent of room tax revenues in the Room Tax Fund in 2021.