

2025 YEAR END APPROPRIATION

PRESENTATION TO THE FINANCE COMMITTEE

DECEMBER 1, 2025



2025 PROJECTION: GENERAL FUND

	2025 Adopted Budget			
	Adopted Budget	Revised Budget	Year End Projection	Difference (year end proj. – revised)
General Fund Revenue	-\$114,382,836	-\$116,682,836	-\$125,717,608	-\$9,034,772
Property Taxes	<u>-\$295,925,425</u>	<u>-\$295,925,425</u>	<u>-\$295,925,425</u>	<u>\$0</u>
Total Revenues	-\$410,308,261	-\$412,608,261	-\$421,643,033	-\$9,034,772
Agency Revenues	-\$10,648,343	-\$10,625,343	-\$10,544,905	\$80,438
Expenditures	<u>\$420,956,603</u>	<u>\$423,233,603</u>	<u>\$420,372,722</u>	<u>-\$2,860,881</u>
Total Expenses	\$410,308,260	\$412,608,260	\$409,827,817	-\$2,780,443
Projected (Surplus)/ Deficit			-\$10,621,315	

Note: Summary table reflects the transfers and reallocations proposed in the year-end resolution.

HIGHLIGHTS: SIGNIFICANT REVENUE VARIANCES

Total General Fund revenues are projecting \$9.0 million above revised budget (\$11.3 million above original budget)

- \$8.8 million higher in interest/ mark to market adjustment
- \$1.7 million higher in ambulance billings (Medicaid funding)
- Assumes \$0 use of fund balance (\$3.1 million budgeted)
- Budget is at maximum to qualify for Expenditure Restraint Incentive Program (ERIP), so the resolution cannot appropriate additional revenues

HIGHLIGHTS: SIGNIFICANT EXPENSE VARIANCES IN AGENCIES

Overall, General Fund net expenditures are projected \$2.8 million below revised budget.

- Agency budgets (excluding Direct Appropriations) are projecting to be \$3.4 million under budget, prior to the transfers proposed in the resolution.
 - Two agencies account for majority (58%) of underspending – Information Technology (\$1.3 million) due to timing of multi-year contracts that were fully paid in 2024; and CDD (\$694,000) due to underspending in community agency contracts and higher than anticipated salary savings
 - Overall, significantly less underspending than prior years
 - The 2025 budget included a 3% average salary savings rate and 1% budget cut in all agencies. The 2026 budget reduced the 1% budget cut to 0.75% to give more flexibility as budgets get tighter
 - Will continue monitoring in 2026 to determine how reduced budget cut is impacting agencies

HIGHLIGHTS: DIRECT APPROPRIATIONS

Direct Appropriations includes centrally budgeted funds for contingent reserve, compensated absence escrow (benefit for retirees), and transfers to other funds

- Transfers \$1.2 million for compensated absence escrow for retiree sick leave payouts to agencies where benefits result in a deficit
- Transfers remaining \$3.1 million in comp absence escrow to cover agency deficits
- Transfers \$2.1 million in contingent reserve to cover agency deficits and fund the Shelter Endowment
- Increases Other Grants by \$1.0 million to fund a Shelter Endowment
- Increases Metro Transit subsidy by \$5.7 million to cover deficit based on higher than budgeted expenses and lower than anticipated revenues

KEY TAKEAWAYS FOR 2026

- Agency underspending is projected to be significantly less than prior years
- Prior actions to align budget to actuals, including implementing a 3% salary savings rate (up from 2%) and a 1% budget efficiency are contributing to actuals/ projection being closer to budget
- The 2025 budget is at the ERIP limit so the resolution cannot appropriate new funds to address agency deficits or other priorities like the Shelter Endowment. Instead, the year-end resolution relies on inter-departmental transfers and leveraging agency underspending to cover deficits.
- 2026 budget is also at the maximum ERIP limit, with a \$200,000 margin for adjustments.
 - Adopted budget proactively addresses some key expenditure issues, including increasing the GF subsidy for Metro and reducing the 1% budget efficiency to 0.75% to give agencies more flexibility throughout the year.
 - We will need to closely monitor expenditures and projections throughout the year. If there are any unanticipated needs/ emergencies, there may be more proposed transfers of contingent reserve/ agency underspending through the mid-year and year-end resolutions.

PRIMARY COMPONENTS OF YEAR END RESOLUTION

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|----|---|
| 1. | Transfers From Direct Appropriations and Other Agency Underspending to Cover Deficits |
| 2. | Transfer \$1.0 million for a Shelter Endowment |
| 3. | Intra-Departmental Transfers and other adjustments based on revenue and expense projections |
| 4. | Capital Budget: Increase budget authority & Arbitrage Compliance |

1. TRANSFERS FROM DIRECT APPROPRIATIONS AND OTHER AGENCY UNDERSPENDING TO COVER DEFICITS

Direct Appropriations/ Underspending that will be transferred to agencies with deficits

- **Compensated Absence Escrow: \$4.3 million budgeted**
 - Transfer \$1.2 million from comp absence escrow to agency budgets where this expense is causing a deficit in benefits
 - Transfer remaining \$3.1 million to cover other agency deficits
- **Contingent Reserve: \$2.1 million**
 - Transfer full amount to cover agency deficits and Shelter Endowment
- **Information Technology: \$1.2 million**
 - Transfer out underspending in salaries (\$430,000), benefits (\$120,000), and purchased services (\$650,000) related to higher than anticipated vacancy savings and the timing of multi-year software contracts to cover agency deficits
- **Assessor: \$100,000**
 - Transfer out underspending in salaries related to higher than anticipated vacancy savings

1. TRANSFERS FROM DIRECT APPROPRIATIONS AND OTHER AGENCY UNDERSPENDING TO COVER DEFICITS

Agencies with deficits that will receive additional funding

- **Compensated Absence Escrow:** Transfer to agencies projecting a deficit in benefits due to comp absence escrow costs (Civil Rights, Finance, Fire, HR, Police, Transportation); other agencies will be able to cover their own costs
- **Civil Rights:** Transfer \$176,500 for salaries (\$53,000), benefits (\$45,500), and purchased services (\$78,000)
- **Clerk:** Transfer \$13,100 to salaries. The total Clerk's office personnel budget is projected to be \$119,000 over budget, but the costs will partially be offset with an intra-departmental transfers from non-personnel accounts.
- **Direct Appropriations:** Transfer \$164,000 to pay for revenue sharing agreements with other municipalities. The 2025 budget did not sufficiently account for actual costs.
- **Employee Assistance Program:** Transfer \$37,900 to salaries to cover the cost of a position reclassification that was not accounted for during budget development
- **Fleet charges to General Fund agencies:** Increase inter-departmental charges for Fleet Services in Streets (\$160,000), Fire (\$80,000), and Police (\$75,000)

1. TRANSFERS FROM DIRECT APPROPRIATIONS AND OTHER AGENCY UNDERSPENDING TO COVER DEFICITS

Agencies with deficits that will receive additional funding

- **Metro Transit:** Increase the General Fund subsidy to Metro by \$5,750,507
 - Personnel Costs: Salaries (\$2,053,037) and benefits (\$470,000), primarily related to higher than budgeted overtime costs;
 - Purchased services (\$850,000), primarily related to higher than budgeted costs for electricity, State excise taxes on electric vehicle charging, and paratransit costs
 - Reduce projected revenues by \$2,377,470 to align with current projections for partner revenues and passenger revenues
 - Original budget included \$18.4 million subsidy. Mid-Year Resolution increased subsidy by \$1.4 million. Year-End Resolution increases subsidy by additional \$5.7 million for a total of \$25.6 million.

2. TRANSFER \$1.0 MILLION FOR A SHELTER ENDOWMENT

- City committed \$2.0 million to capitalize an endowment for ongoing shelter operations. This was originally planned to be funded with American Rescue Plan Act funds in 2021. After ARPA rules were finalized, it was determined an endowment was not an eligible use of ARPA, so this shifted to the general fund budget in 2023. Funds were not utilized in 2023 and lapsed into the general fund as assigned fund balance.
- 2025 budget does not have sufficient expenditure capacity to allocate the full amount. Instead, the resolution proposes utilizing underspending in PCED agencies (\$930,000) and contingent reserve (\$70,000) to fund the shelter endowment.
- Resolution transfers \$1 million from PCED underspending and Contingent Reserve to Direct Appropriations Other Grants and authorizes disbursing funds to Shelter Friends of Dane County, Inc. and/or their fiscal operators or agents. It also authorizes signing an agreement/ MOU regarding use of the funds.
- There is a remaining commitment of \$1.0 million that will need to be accommodated in future budgets. ERIP limits will be a factor in timing of future disbursements.

3. INTRA-DEPARTMENTAL TRANSFERS AND OTHER ADJUSTMENTS BASED ON REVENUE AND EXPENSE PROJECTIONS

- **Intra- agency transfers:** Net neutral transfers within agency budgets to address projected deficits in major expenditure categories. Intra-agency transfers are proposed in general fund and non-general fund agencies
- **Fleet Fund transfers and inter-departmental billings:** Increase Fleet budget to cover higher than anticipated expenses/ lower revenues; Increase Fleet inter-departmental billings to offset expense and revenue adjustments (\$425,000); Increase ID charges in user agencies (Fire, Police, Streets, Parking) to offset increased billings
- **Appropriate funds approved through other legislation/ prior year budgets**
 - **CDA Redevelopment Fund:** Appropriate \$4.4 million in TID 46 proceeds that were approved as a grant to CDA through [Legistar File 86170](#) but not reflected in the CDA's budget.
 - **CDBG Fund (Fund 1205):** Reauthorize \$424,100 in federal EHH funds and \$1.8 million in CINH funds that were approved in the 2024 budget and were not carried forward in the 2025 budget
- **Increase budget authority in enterprise funds**
 - Golf: Increase agency revenues and expenses by \$175,000 based on higher than budgeted activity
 - Monona Terrace: Increase agency revenues and expenses by \$365,000 based on higher than budgeted activity
 - Water: Increase agency revenues and expenses by \$220,000 based on higher than budgeted activity

4. CAPITAL BUDGET: INCREASE BUDGET AUTHORITY & ARBITRAGE COMPLIANCE

- **Increase budget authority for various projects:** Increase revenues and expenses for projects in
 - Engineering – Major Streets: Transfer \$472,734 assessment budget from Reconstruction Streets to Pavement Management based on actuals.
 - Library: Appropriate \$550,000 from Library Fund balance to the Imagination Center at Reindahl Park capital project for additional collections start-up costs.
 - Parks: Transfer \$266,700 in proceeds from a land sale from Park Land Acquisition to Park Land Improvements
 - Water: Appropriate \$1,040,000 in expense depreciation and \$260,000 in reserves to increase the budget for the water mains program.
- **Swapping GO Proceeds:** Transfer GO proceeds across multiple projects to comply with arbitrage rules under federal tax law. This change does not increase the appropriation or budget for projects.