

## Operating Budget Overview and Policies

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### What is included in the Operating Budget?

The City of Madison's Operating Budget is a planning and financial document that pays for daily services for City residents. The Operating Budget appropriates funding to City Agencies to pay for expenses, including but not limited to staff salaries, funding community-based organizations that delivery services on behalf of the City, and other costs such as supplies and equipment. Services included in the operating budget include library and park programs, job training and childcare services, garbage and recycling collection, and public health and public safety.

### Guidelines for Agency Operating Budgets

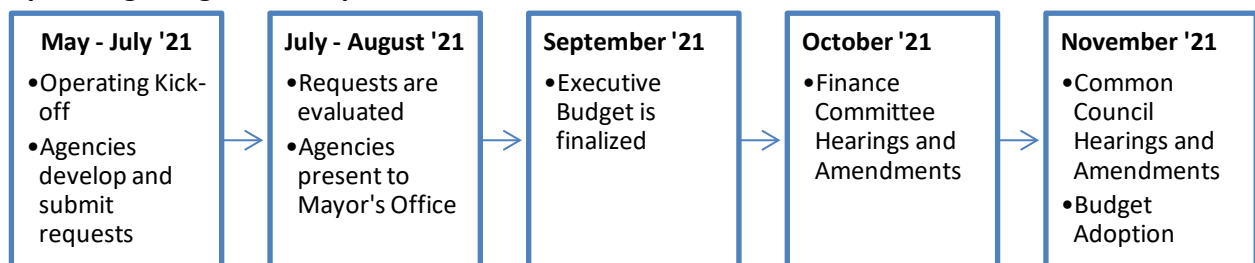
**Base Budget:** Agency operating budgets start with a "cost to continue" projection, which is the cost to provide the same level of services in the upcoming year. This projection accounts for factors such as planned salary adjustments (step and longevity increases), changes to interdepartmental billings and cost allocations, updated insurance and workers' compensation expenses, and other agency specific adjustments. From this base budget, agencies were allowed to reallocate funding across services so long as the overall amount was consistent with the budget target.

**Reduction Scenarios:** In order to address an anticipated deficit of \$18 million in 2022, General and Library Fund agencies were asked to develop 5% reduction scenarios (with the exception of Public Health and Community Development Division). Agencies were encouraged to think creatively about how to reduce costs while prioritizing core services, increase coordination and create efficiencies in service delivery, and offer other innovative approaches to cost savings. All reduction proposals were carefully reviewed by an interdisciplinary team for equity, feasibility and impact on services. Proposed reductions are described in the summaries for each impacted agency (Section 2), and additional details are available in the Executive Summary.

**Supplemental Requests:** Agencies were permitted to submit up to one supplemental request for additional funding to address key priorities and service needs. Agencies were instructed to 1) consider reallocating funds within their base budget before requesting additional funding and 2) include ways to phase in or scale up programs over time, and 3) describe the implications for ongoing increases in the next five years. As with reduction scenarios, supplemental proposals were carefully considered for impact. Proposed supplemental requests are described in the summaries for each impacted agency (Section 2), and additional details are available in the Executive Summary.

**Racial Equity and Social Justice:** In addition to the above guidance, a new section on racial equity and social justice (RESJ) was added to 2022 Operating Request form. All agencies were required to articulate how their services would impact RESJ goals, specifically, "how Black, Indigenous, and People of Color, people living with lower incomes, and people who are otherwise marginalized (because of gender, age, home language, etc.) would be affected by the proposed budget or budget change(s)." Agency requests were submitted to the Finance Department on Tuesday, July 9, 2021, and can be found here: <https://www.cityofmadison.com/finance/budget/2022/operating>

### Operating Budget Development Timeline



## How to Read Agency Budgets

Section 2 includes all agency budgets, which is organized in alphabetical order by Agency name. The presentation of each agency's budget includes 2020 actuals, 2021 adopted budget and projected amounts (based on the 2<sup>nd</sup> quarter projections), and 2022 agency request and executive budget

Each agency section includes the following components:

1. **Agency Overview:** High level summary of the agency including mission, overview, and key highlights for the 2022 budget.
2. **Budget Overview:** A summary of the agency's budget by fund, service, and major category of expenditure. Revenues presented for General Fund agencies only include revenue budgeted within the General Fund; expenditure amounts represent all funds.
3. **Service Overview:** Presentation of the agency's budget by service. Each service includes the following:
  - a. Service Description: High level overview of the service and its objectives
  - b. Major Budget Changes: Description of significant changes at the service level
  - c. Activities Performed by Service: Description of activities that make of the service's body of work
  - d. Service Budget: Presentation of the service's budget by fund and expenditure type. Note, in cases where services are funded by multiple sources, only revenues from the General Fund are presented.
4. **Position Detail:** Includes the count and salary of full-time equivalent (FTE) positions funded included in the Executive Budget.
  - a. Note: The 2022 Executive Operating Budget includes a 1% wage increase for general municipal employees. This increase is currently budgeted in Direct Appropriations and is not reflected in positions at the agency level.
5. **Line Item Detail**
  - a. Outlines line item expenditures within the agency's primary fund.

TIP: Refer to the Glossary at the end of the budget book for definitions of key budget terms. Common words like "fund," "major," and "service" have specific meanings in the budget book.

## Internal Service Funds

The Executive Budget includes three Internal Service Funds: Fleet Service, Insurance, and Workers Compensation. An Internal Service Fund is used to account for enterprise-like operations that provide services, on a user fee basis, primarily or exclusively to City agencies. The Agency Billings budgets for these funds are presented as a separate table in the Budget Overview to highlight the full expenditure cost of the Agency.

## Enterprise Funds

The operating budget includes revenue and expenditure information pertaining to Madison's enterprise funds including:

- Golf Enterprise
- Monona Terrace
- Parking Utility
- Transit Utility (Metro Transit)
- Sewer Utility
- Stormwater Utility
- Water Utility

With the exception of Monona Terrace and Transit Utility, enterprise funds do not receive a subsidy from local sources. Monona Terrace receives a subsidy through the Room Tax Fund as authorized by the Room Tax Commission. The Transit Utility also receives a General Fund subsidy outlined in the proposed budget for Metro Transit. Savings resulting from lower than anticipated expenses and revenues generated in excess of budgeted levels are maintained in the individual enterprise operating funds. This policy affords enterprise managers the opportunity to utilize positive budget variances to benefit future year operations. It also builds capacity to respond to future budget shortfalls from enterprise resources, without affecting General Fund expenditure levels.