

Operating Budget Overview and Policies

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.

Financial and Budget Management Policies

To maintain a long-term balanced budget, the City of Madison will avoid using one-time revenue sources to fund ongoing operating expenses.

Consistent with recommended financial and budget management practices, the City of Madison has a goal of maintaining an unassigned general fund balance on December 31st equal to or greater than 15 percent of subsequent year's budgeted general fund appropriations. Excess balances will be used for one-time expenditures and actions will be taken to increase the balance if it falls below the 15 percent goal.

The city will also seek to avoid appropriations outside of its regular budget process other than to respond to emergency situations (as expressed by the Mayor and Common Council through resolution) or to address mid-year and year-end budget sufficiency and expenditure restraint program requirements.

The expenditures within each department for the various major objects of expenditure and capital projects shall not exceed the amounts specified in the budget. The Finance Director is authorized to approve all intradepartmental transfers of unencumbered balances of up to \$50,000, and the Mayor is authorized to approve interdepartmental transfers of up to \$50,000.

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.

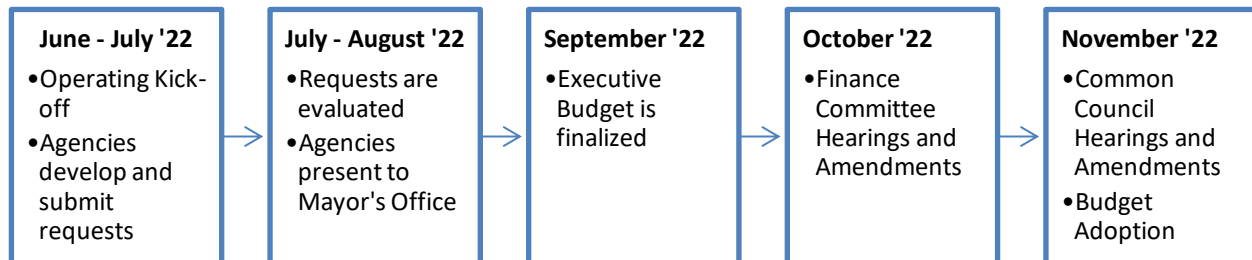
Reduction Scenarios: As part of the budget request process, General and Library Fund agencies (with the exception of Public Health), were asked to develop 1% reduction scenarios to identify permanent cost savings. The 2023 Executive Budget includes reductions in general fund expenses by adjusting agency revenues and shifting costs to the capital budget (\$1.1 million) and reducing the general fund subsidy for Metro Transit (\$7.7 million) to leverage federal funding. These adjustments are detailed in the agency overview pages for each impacted agency.

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, and additional details are available in the Executive Summary.

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Racial Equity and Social Justice: As part of their operating request, agencies were required to articulate how their services impact marginalized population and address the greatest needs to advance racial equity and social justice (RESJ) goals. Agency requests were submitted to the Finance Department on July 22, 2022, and can be found here: <https://www.cityofmadison.com/finance/budget/2023/operating>

Operating Budget Development Timeline



How to Read Agency Budgets

The “Agency Operating Budgets” section includes all agency budgets, organized in alphabetical order by Agency name. The presentation of each agency’s budget includes 2022 actuals, 2022 adopted budget and projected amounts (based on the 2nd quarter projections), and 2023 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 highlights/ major changes for the 2023 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. **Activities Performed by Service:** Description of activities that make of the service’s body of work
 - c. **Service Budget:** Presentation of the service’s budget by fund and expenditure type. 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 in the Executive Budget.
 - a. The 2023 Executive Operating Budget includes a 2% cost of living adjustment and a 1% additional pay 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.

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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. Budgets for the internal service funds are presented in the Agency Operating Budgets section, and fund statements for Insurance and Workers Compensation are included in the Special Fund Statement section.

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.

Town of Madison Final Attachment Operating Costs

On October 31, 2022, the City of Madison will absorb 90% of the remaining Town of Madison land and 79% of the population, and the rest of the Town will be attached to the City of Fitchburg. The 2022 Adopted Operating Budget included \$1.4 million to support key costs associated with providing services to the Town of Madison following the Final Attachment. These investments included adding full time staff in the Assessor’s office, Police Department, and Streets division to ensure accurate property assessments and equitable access to public safety and public works services. The 2023 Executive Operating Budget annualizes these ongoing staff costs added in 2022. In addition, the 2023 Executive Budget proposes an additional 2.25 FTE positions, totaling \$191,617, to serve the Town. The following table outlines the costs proposed in 2023.

Agency	Description	Amount
2023 Executive Operating Budget		
ATTORNEY	Increase 0.75 FTE Assistant City Attorney to full time to help address increased workload	\$ 10,000
FIRE	Add 1.0 FTE Fire Protection Engineer to meet expanded number of buildings and geographic extent of new area added to the city.	\$ 108,000
POLICE	Add 1.0 FTE Program Assistant for public records processing (includes \$3,000 for supplies costs)	\$ 73,617

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American Rescue Plan Act (ARPA)

The City of Madison received \$47.2 million of federal funding through the State and Local Recovery Funds component of the American Rescue Plan Act (ARPA) to recover from the negative public health and economic impacts caused by the COVID-19 pandemic. The City adopted a plan in July 2021 ([Legistar 65935](#)) to use ARPA funds to address critical community issues, support an equitable recovery, and continue to provide government services. Funding for projects was appropriated in 2021 and 2022. Information on the original allocations and proposed changes for the 2023 budget are detailed below.

ORIGINAL ARPA ALLOCATIONS – OPERATING BUDGET (RES-21-00487)

Agency	Project	Amount
2021 Appropriations		
COMMUNITY DEVELOPMENT	Connection to Basic Needs	\$ 150,000
COMMUNITY DEVELOPMENT	Emergency Rental Assistance program operations	\$ 400,000
COMMUNITY DEVELOPMENT	Services to Residents who are Undocumented	\$ 700,000
COMMUNITY DEVELOPMENT	Summer Youth Employment - 2021 Youth Reengagement	\$ 120,000
COMMUNITY DEVELOPMENT	Summer Youth Employment - Summer 2021/ Fall Expansion	\$ 465,000
COMMUNITY DEVELOPMENT	Unsheltered Homeless Support	\$ 2,000,000
ECONOMIC DEVELOPMENT	Public Market Foundation Operating Support	\$ 400,000
ECONOMIC DEVELOPMENT	Downtown Vacant Storefront Art Program	\$ 100,000
ECONOMIC DEVELOPMENT	Neighborhood Business District Support	\$ 300,000
PUBLIC HEALTH	PFAS Education, Outreach and Coordination	\$ 50,000
PUBLIC HEALTH	PHMDC Violence Prevention Initiatives	\$ 160,000
PUBLIC HEALTH	CARES Support and Evaluation	\$ 150,000
2022 Appropriations		
COMMUNITY DEVELOPMENT	Healthy Aging Education and Engagement	\$ 50,000
COMMUNITY DEVELOPMENT	Endowment for Homelessness Operating Funds	\$ 2,000,000
COMMUNITY DEVELOPMENT	Renter's Choice	\$ 1,000,000
COMMUNITY DEVELOPMENT	Summer Youth Employment - Summer 2022	\$ 650,000
COMMUNITY DEVELOPMENT	Unsheltered Homeless Support	\$ 1,500,000
PUBLIC HEALTH	PFAS Education, Outreach and Coordination	\$ 50,000
PUBLIC HEALTH	Violence Prevention Initiatives	\$ 1,040,000

2022 ADOPTED BUDGET

The 2022 Adopted Budget transferred funding across two projects:

- Hotels Converted to Housing (Capital): Reduced by \$1.5 million, bringing the total to \$1 million. This change is reflected in the capital budget.
- Unsheltered Homeless Support (Operating): Increased by \$1.5 million, bringing the total budget to \$3.5 million.

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2023 EXECUTIVE BUDGET

Many projects are ongoing, multi-year efforts that have not fully expended their original ARPA allocation. The 2023 Executive Budget proposes carrying forward unspent funding, with the following changes:

- Reallocates \$2 million originally designated for an Endowment for Homelessness Operating Funds to Unsheltered Homeless Support. In the past year, the City has received additional information on eligible uses of ARPA funds that suggest an endowment is not an allowable expense. As such, the 2023 executive budget proposes shifting funds to continue funding Unsheltered Homeless Support, and funds the endowment through a one-time allocation from the general fund.
- The City's original local ARPA allocation included 3 projects for expanding youth employment and engagement opportunities: 1) Summer 2021 Youth Reengagement, 2) Summer 2021 Youth Employment/ Fall Expansion, and 3) Summer 2022 Youth Employment. These projects total \$1.2 million. The Executive Budget proposes extending the Summer 2022 project to include 2023 (and 2024 if funds are remaining), and transferring unspent funds from the 2021 projects to continue programs that support youth employment and reengagement.

Additional information on ARPA projects in the Capital Budget can be found at:

<https://www.cityofmadison.com/finance/budget/2023/capital>

For more information on ARPA, go to www.cityofmadison.com/arpa.