

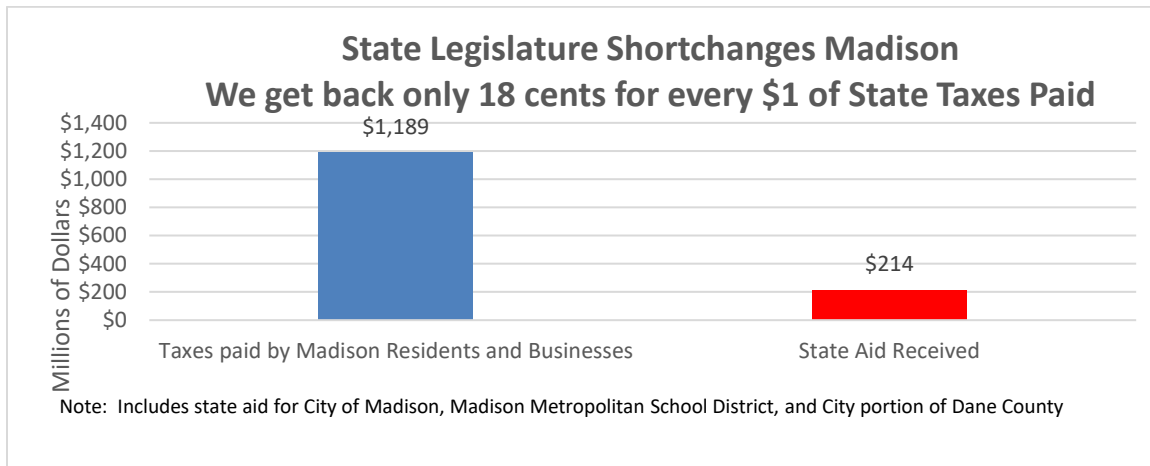


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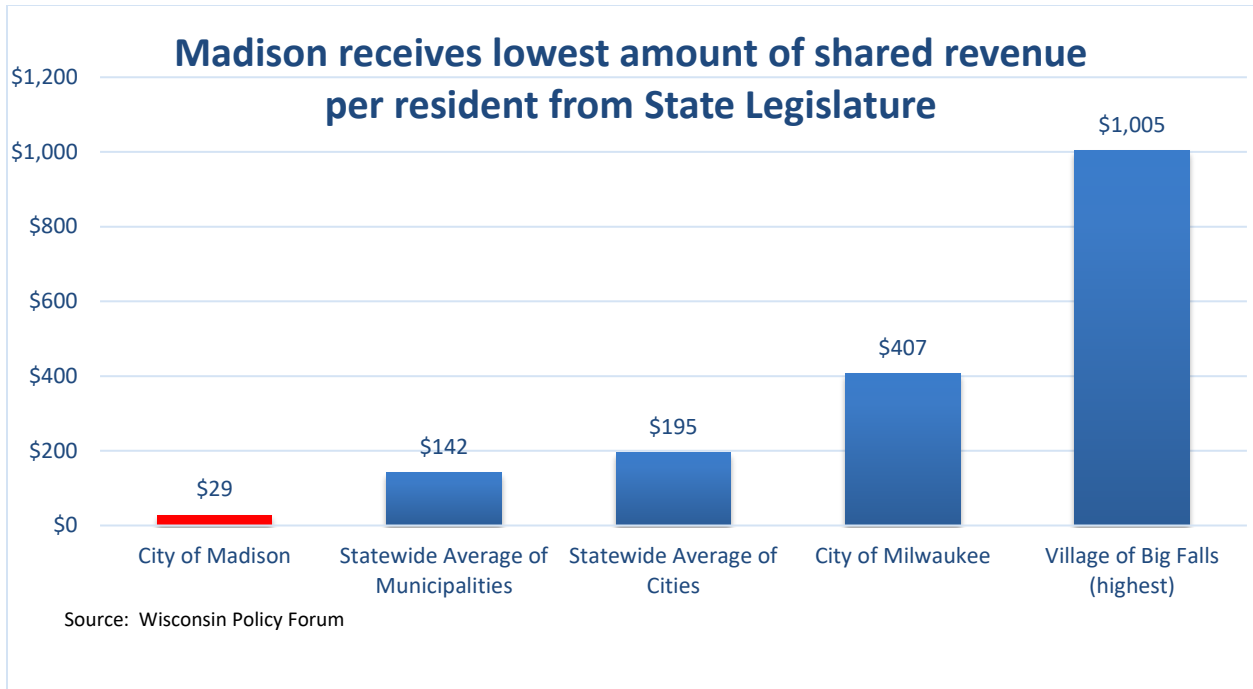
Date: June 17, 2024
To: Department and Division Heads
From: Mayor Satya Rhodes-Conway
Subject: 2025 Operating Budget: Agency Guidance

As I write to you today to kick off the City’s 2025 Operating Budget process, we continue to face a significant structural deficit. The decisions of the State Legislature since 2011, particularly its most recent actions to shortchange Madison in the first meaningful increase in shared revenue in decades, have left our City with stark choices between reducing our quality of life or increasing taxes on our residents.

The decisions of the State Legislature have consequences for Madison. City residents and businesses pay over \$1.1 billion each year in state income and sales taxes. We receive back about 18 cents for each \$1 paid, which includes the state funding to the City, Dane County and local school districts. I’ll say it again because it is so hard to believe – we receive eighteen cents for every dollar in state income and sales taxes paid. It’s not fair and it is why we don’t have enough revenue to simply maintain current service levels to residents and businesses.



The way we are shortchanged by the State Legislature is also reflected in the amount of state shared revenue the City receives per resident. At \$29, Madison receives less than 15% of the statewide average and only 3% of the highest amount paid to any community in the state. Our state’s largest city, Milwaukee, gets *14 times* the amount of shared revenue per resident than our state’s second largest city, Madison. It is because of these disparities that we are unable to increase service levels as our City’s population grows at the fastest rate in the state.

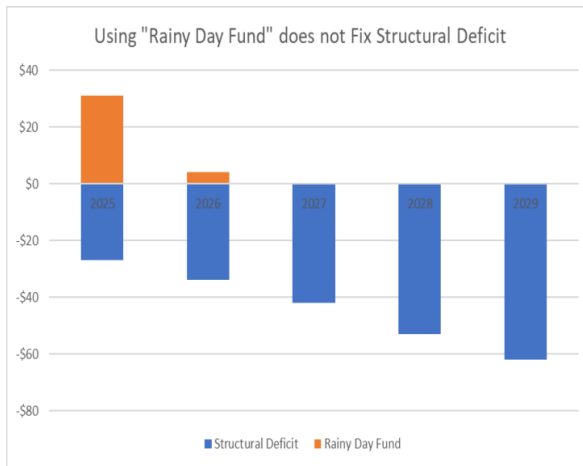


As the cost to continue services to residents and businesses rises faster than revenues, the City continues to face a significant structural deficit over the next five years. Currently, the Finance Department projects an estimated \$22 million deficit for 2025. Major factors driving our expenses include increasing salaries and benefits (including steps, longevity, and negotiated increases), and the rising cost of health insurance. It's important to note that this does not include additional staffing to meet the needs of our growing city.

On the revenue side, we anticipate some growth due to net new construction, but limits mandated by the State Legislature and the lack of a meaningful increase in shared revenue, mean revenues do not keep pace with population growth and inflation. We also cannot recapture the revenue lost due to the economic effects of the recent pandemic – the State Legislature won't share the income and sales taxes paid by City residents and businesses and it won't allow the City to have its own income or sales tax to realize the benefits of the post-pandemic economic recovery.

Increased interest rates and higher staff vacancies have resulted in a modest increase in the City's "Rainy Day" Fund. While this increase can and will absolutely be part of the solution to the budget gap, it is one-time funding and spending it down will do nothing to address the structural deficits occurring every year or to solve the City's long-term budget situation.

2023 Budget Surplus



- City finished 2023 with a surplus of \$31 million:
 - Rapid increase in interest rates boosted investment income
 - Staff vacancies much higher than usual due to strong labor market and retirements.
 - Lifted "Rainy Day Fund" to 21% of budget – minimum target is 15% of budget
- Budget Outlook
 - Staff vacancy rate is slowing
 - 2024 budget already reflects savings from staff turnover
 - Interest rate impacts are short-term
 - "Rainy Day Fund" is one-time funding
 - Structural deficit is occurring every year.

In the spirit of Team City, many of you have participated in the recent conversations on the budget with residents in our community, which we greatly appreciate. These conversations are the culmination of efforts that began immediately after the 2024 budget was adopted last November. First, the Finance Department developed a comprehensive information series on the budget. This was followed-up by in depth briefings of the Council in February and March of this year. In April, the Council adopted values, priorities, and guiding principles for developing a budget that is balanced in the long-term using the very limited options allowed by the State Legislature.

The Council established the following values and priorities for the City budget:

1. Maintaining services for residents.
2. Preventing layoffs or furloughs of city staff who deliver those services.
3. Maintaining wage parity for general municipal employees.
4. Meeting the needs of a growing city.
5. Choosing the most progressive revenue options that consider housing affordability for residents.

With these values and priorities as our foundation, the Council provided the following guidance for developing the 2025 budget:

1. Evaluate service levels, staffing and fiscal impact when developing budget requests.
2. Seek ways to increase efficiencies in operations.
3. Develop language for a property tax referendum for some or all of the projected budget deficit, as well as options to replace existing non-property tax revenues, for consideration by voters at the November 5, 2024, general election.
4. Prepare contingency plans if voters do not approve the referendum.
5. Develop a multi-year plan to address the on-going structural deficit, including revenue options allowed under state law.

6. Consider the overall level of borrowing in the capital budget to help reduce the rate of growth in property taxes.
7. Develop a community engagement plan.

With these Council priorities, values, and guiding principles, I am providing the following guidance for 2025 operating budget requests:

Base Proposals and Preserving Core Services for General, Library, Transit, Public Health, and Fleet Funds

- Agencies will receive a base budget consistent with the cost-to-continue current services, including a continuation of the 1% reduction and higher salary savings levels implemented in the 2024 budget.
- Department heads are directed to review all services and activities. Our goal is to preserve core services while identifying lower priority services that could be eliminated. Each agency must propose service reductions equal to at least 5% of the department's 2025 cost-to-continue budget. This review and identification of lower priority services is required of all agencies from the funding sources listed above (the Transit, Public Health, Fleet funds receive either a direct or indirect subsidy from the General Fund). Development and review of options for Public Health of Madison and Dane County will be coordinated and reviewed jointly between the City and the County.
- Department heads must provide information on lower priority services, including an explanation of each service, recipients of the service, cost, positions, and implications if the service is reduced or discontinued. The Finance Department will provide a template for reporting this information.
- Department heads should review options for implementing or increasing fees or charges for services to a level that covers some or all of the cost of eligible services. Continued general / library fund support should be focused on maintaining and increasing equity; services provided primarily to those with ability to pay should be considered for elimination, reduction or fee or charge for service options. Departments considering these options should consult with their assigned budget analyst.
- Department heads must provide information on service activities. Travel, training or office supplies, to name a few types of operating costs, are not examples of service activities. The magnitude of the budget deficit and the lack of options allowed by the State Legislature means that we must look at service levels.

Base Proposals for Enterprise Agencies

- All Enterprise Fund Agencies must submit operating budget plans consistent with current revenue projections for 2025.
- Agencies projecting revenue shortfalls for 2025 will need to present a base budget that includes expenditure reductions to meet available revenue.
- Proposed rate increases should be analyzed through an equity lens and consider resident ability to pay. If a rate increase is proposed, agencies will need to explain the components of the increase and what efforts have been made to reduce expenses. Department heads should discuss ways to address equity (e.g., MadCap) with their assigned budget analyst.

Reallocations, Personnel Requests, and Other Charges (All Funds)

- Agencies may reallocate funding across services so long as the changes are net neutral and do not increase the agency's overall expenditures.

- All requests for personnel reclassifications must be submitted to Human Resources (HR) by the budget deadline.
- Agencies cannot propose changes to centrally calculated salary savings and interdepartmental billings & charges (e.g. building use, fleet, insurance, workers compensation, and cost allocation plan charges). Additionally, agencies cannot propose new revenues that result from charging other agencies. Proposals to shift costs to other funding sources must be sustainable.

Supplemental Requests

- No supplemental requests should be submitted; no new positions will be considered.

Priorities of Racial Equity, Social Justice, and Sustainability

- Agency requests should be aligned with citywide priorities, including racial equity, social justice, and sustainability. Department heads are encouraged to engage department equity teams to think about how to advance equity goals within your base budget and core services. If you have questions regarding sustainability measures, they can be directed to our sustainability staff.

Creativity, Innovation, and Data-Informed Proposals

- Be creative in developing proposals to reduce the cost of service delivery. Consider ways to work across agencies and collaborate with others to create cost-saving efficiencies. If you have ideas for inter-agency coordination that do not fit directly within your budget, contact your budget analyst to discuss options.

Analyze available data on current services and operations to inform your budget proposal. Data includes quantitative and qualitative information on the inputs, outputs, and outcomes of your services. Having clear service indicators and data on agency activities can help prioritize proposals and generate new ideas for improving operations. In parallel with the budget process, the Finance Department will continue working with department heads and staff on long-range planning efforts. This includes implementing the Results Madison service structure and associated update to the City's chart of accounts in the 2025 budget to better align budgeting with community outcomes. Additionally, the City Data Team will continue leading data engagements with all agencies to develop service indicators and create data action plans to improve the City's use of data. These long-range planning efforts will take multiple years to implement and will require a collaborative Team City approach to serve our residents.

I am mindful that this is a difficult undertaking. Cutting services will almost certainly impact staffing levels and have an impact on the community we serve. The challenge that each of you is tasked with every year has become exponentially more difficult this year. I am asking you to engage with your teams in some very difficult and wrenching conversations about services that are provided each day by our amazing City staff. I know that our staff will have concerns and questions about the future as we proceed with developing the budget. Consistent with the Council priorities, values, and principles, we will try as hard as possible to maintain current services to our residents and businesses and do what we can to avoid layoffs and minimize impacts on City staff. I want to assure you that my goal is to prevent job loss and to maintain services to our most vulnerable community members as much as possible. Human Resources staff and EAP will both be available to all staff and will offer expanded office hours during these difficult conversations.

The State Legislature has shortchanged our City, leaving us with little choice but to potentially compromise our great City's quality of life. I want to thank all of you in advance as we move forward together to serve

all of our City's residents in light of this failure of the State Legislature to adequately and equitably support its second largest and fastest growing City.

I appreciate your leadership in this challenging process. I know that together we will do our best for Madison.

Sincerely,

Satya Rhodes-Conway
Mayor



2025 Operating Budget Kick-Off Meeting

June 17, 2024

Agenda

- Mayor's Message
- 2025 Operating Outlook
 - Budget Calendar
 - Cost to Continue Revenue & Expenditures Assumptions
 - Budget Gap
 - Approach for 2025
- Process Overview & Budget Guidelines
- Completing Proposals in Munis & Submitting Forms

2025 Operating Outlook

Budget Calendar; Cost to Continue Assumptions; Budget Gap; Approach for 2025

Current Budget Gap

(General and Library Funds)

Expenditures = \$431.4 million

Total expenses are \$26.0 million (6.4%) higher than 2024 adopted budget. Major changes:

- + \$14.5m: Salary + benefits increases
- + \$2.7m: Metro subsidy increase
- +\$500k: PHMDC subsidy
- + \$5m: Placeholder for GF Debt Service
- + \$1.47m: Citywide Purchased Services increases for technology costs (software maintenance contracts, PCI compliance, and credit card processing fees)
- - \$1.22m: Adjusts expenses for odd-year election cycle

Revenues = \$409.4 million

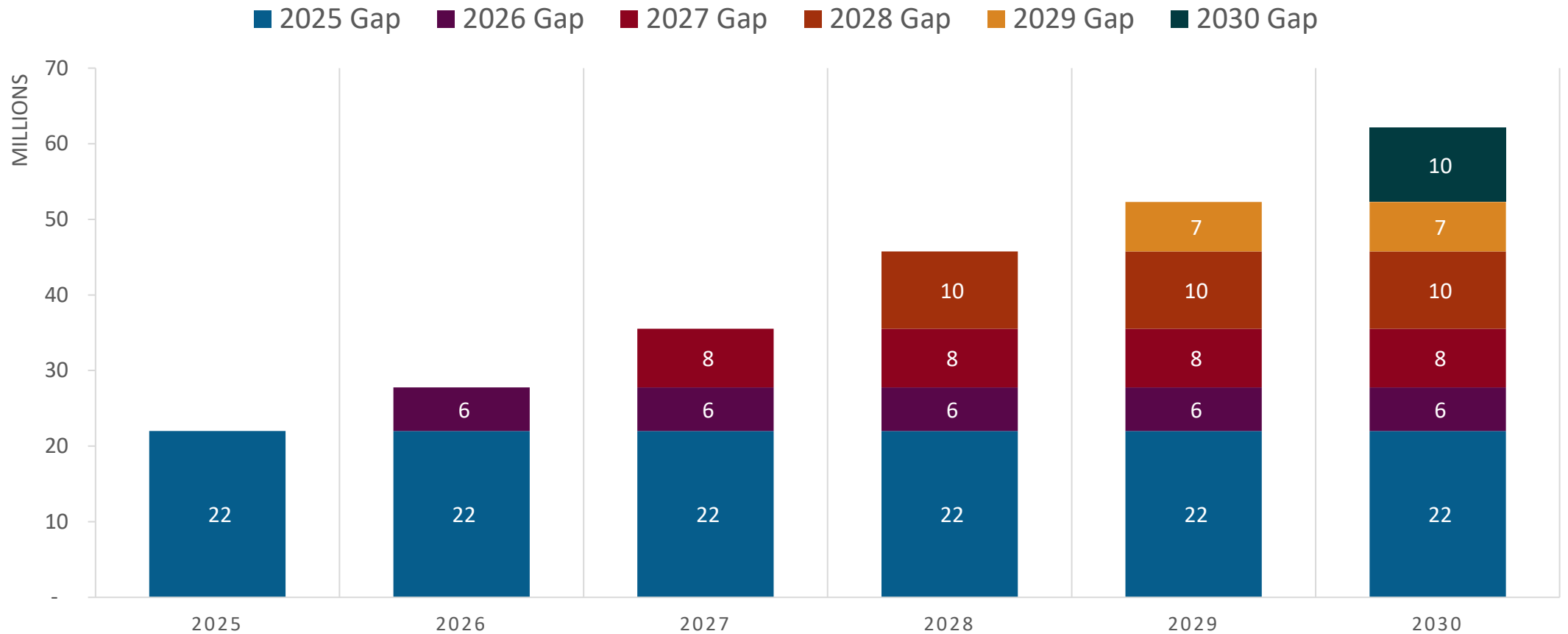
Total revenues are \$4.0 million higher than the 2024 adopted budget. Assumptions:

- + \$12.6m: Levy increase
- + \$6.0m: Increase in interest earnings
- + \$1.0m: Increase in ambulance conveyance fees
- - \$17.9m: Removing one-time sources (\$9.2m fund balance, \$5.6m ARPA, \$3.1m TID)

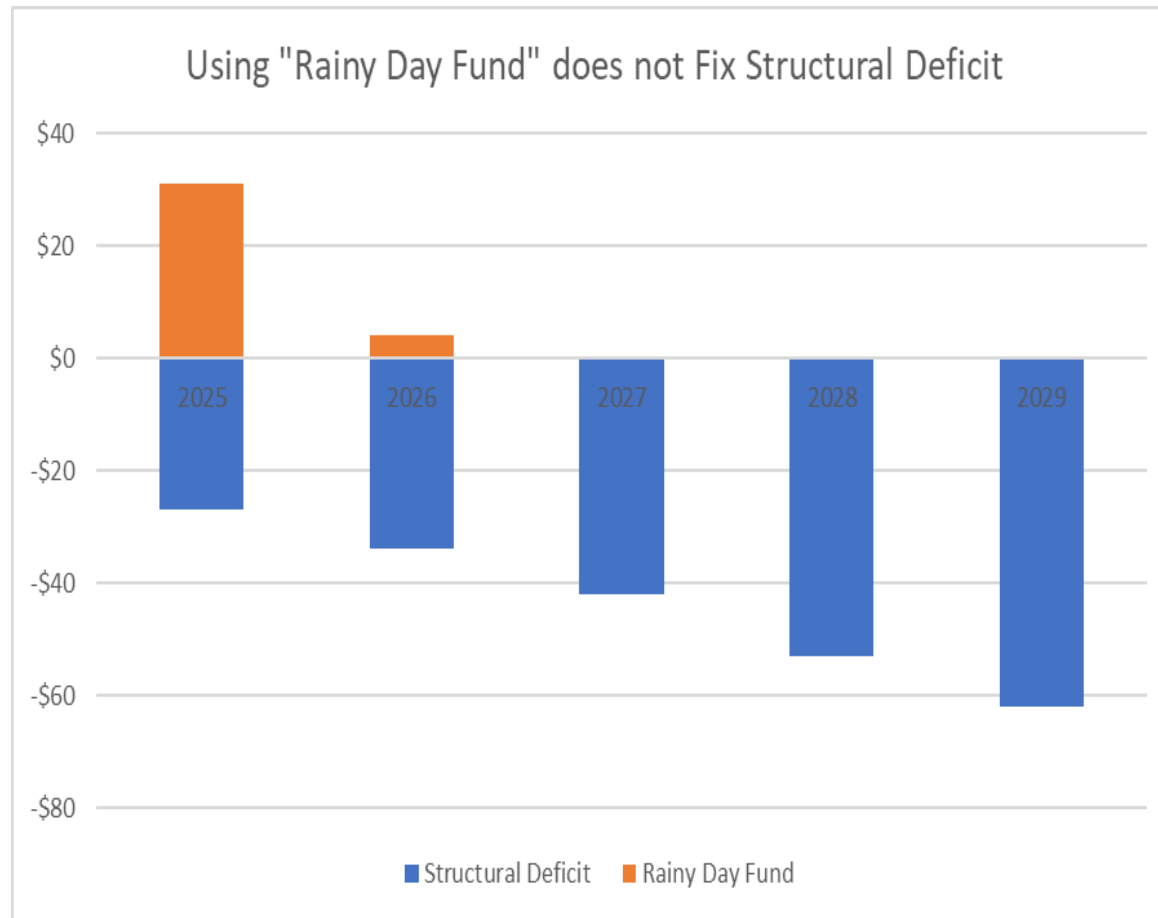
Gap = \$22.0 million

Long-Range Outlook

ESTIMATED ADDITIONAL GAP BY YEAR



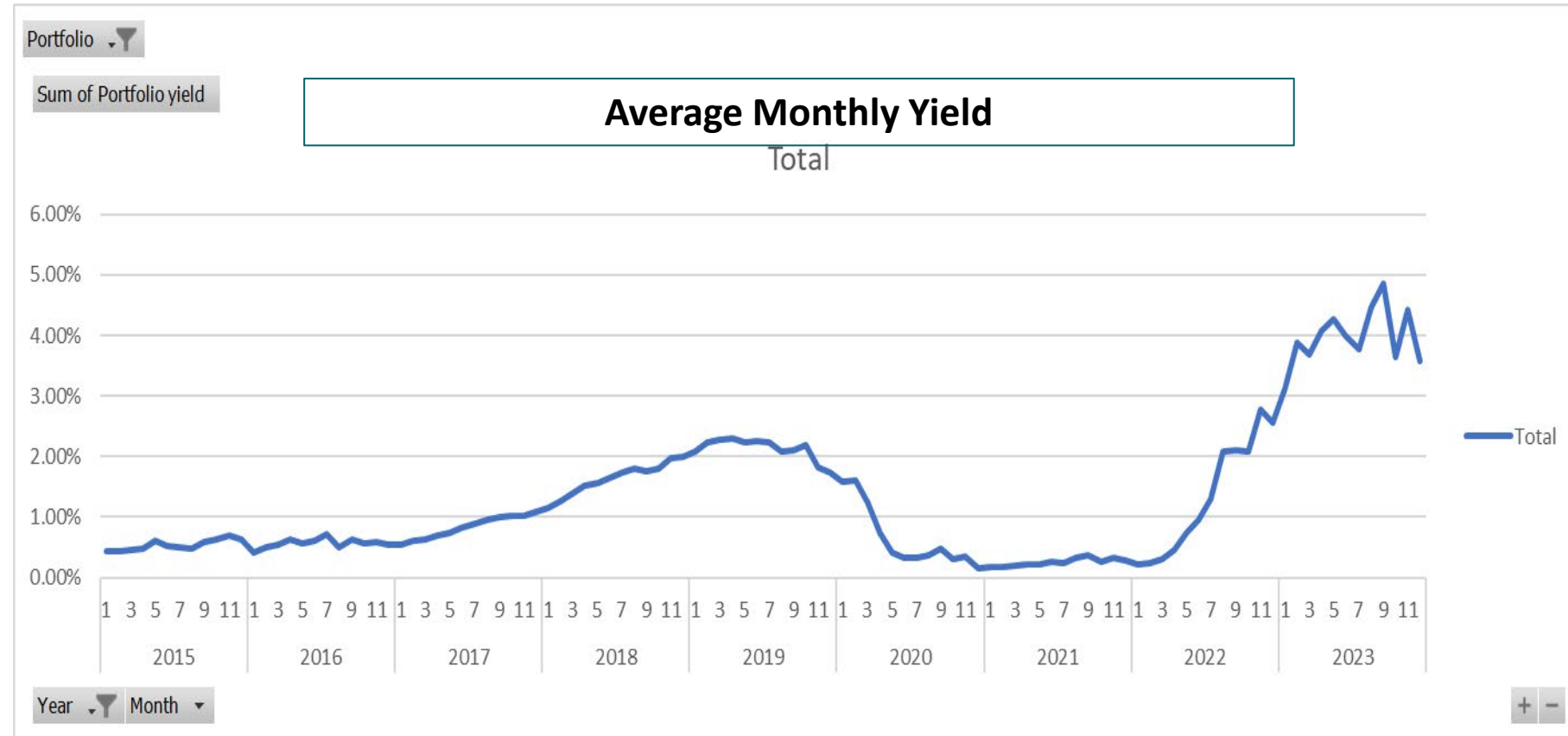
2023 General Fund Results



- City finished 2023 with revenues exceeding expenditures by \$31 million:
 - Rapid increase in interest rates boosted investment income
 - Staff vacancies much higher than usual due to strong labor market and retirements.
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- Budget Outlook
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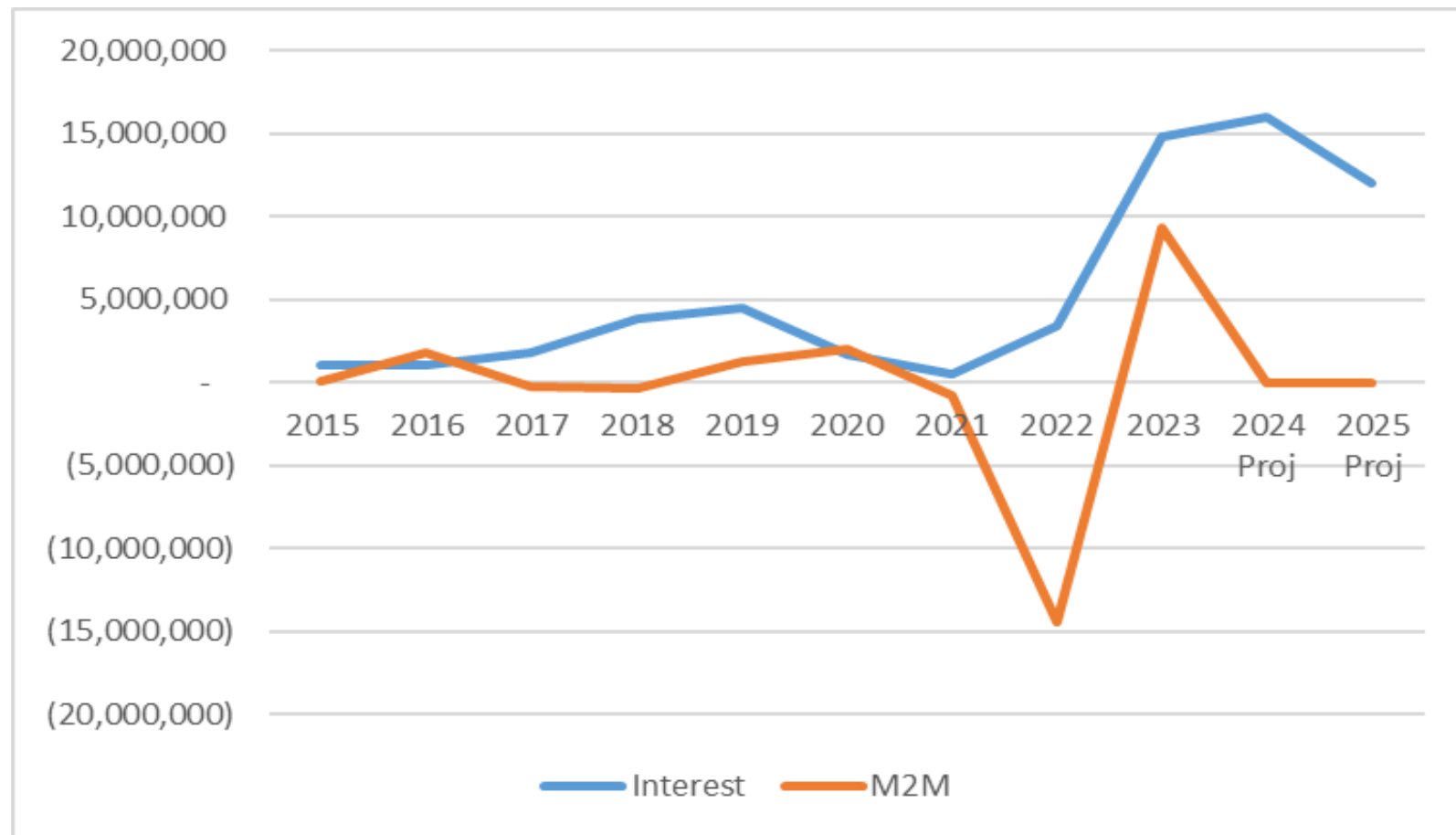
Investment income higher than forecast

- Average annual yield increased over three-fold from 2022 to 2023
- Mark-to-Market adjustment was -\$14 million in 2022; reversed by +\$9 million in 2023
- Projection model understated cash balances that generated General Fund investment income; not noticeable in low interest rate environment; model has been updated.



Mark-to-Market Trend

- Mark-to-Market (M2M) is the calculation of the potential gain or loss when comparing actual investments to market conditions at year-end.
- Rapidly increasing rates in 2022 created a loss that year; partially reversed in 2023.
- \$5 million has been set aside in assigned fund balance to help offset future drops in M2M and investment earnings.



What has the City done so far?

Madison has faced a budget deficit **every year** since the State imposed strict levy limits in 2011. The problem is bigger in 2025 than before because of the lasting impacts of the pandemic and end of federal recovery funds. Some of the major actions taken to balance the budget include:

- **Employee compensation** – increased employee contributions to police and fire pensions and health insurance for all employees.
- **Spending cuts** – \$6 million in reductions in 2024 budget
- **Room tax** – rate increase from 9% to 10% in 2018 (only 30% can be used for general purposes)
- **Ambulance fees** – multiple rate increases since 2011
- **Vehicle Registration Fee** -- \$40 fee established in 2020 to help fund City's contribution to transit operations.
- **Special Charges** – created to pay for urban forestry and resource recovery (recycling)
- **American Rescue Plan Act (ARPA)** – one-time funding to help maintain current service levels during COVID pandemic.
- **“Rainy Day” Fund** – one-time funding to help maintain current service levels

Council Guidance on 2025 Budget

Legistar 82456, adopted April 16, 2024

Values and Priorities

1. Maintaining services to residents
2. Preventing layoffs or furloughs of city staff.
3. Maintaining wage parity for general municipal employees
4. Meeting the needs of a growing city.
5. Choosing the most progressive revenue options that consider housing affordability.

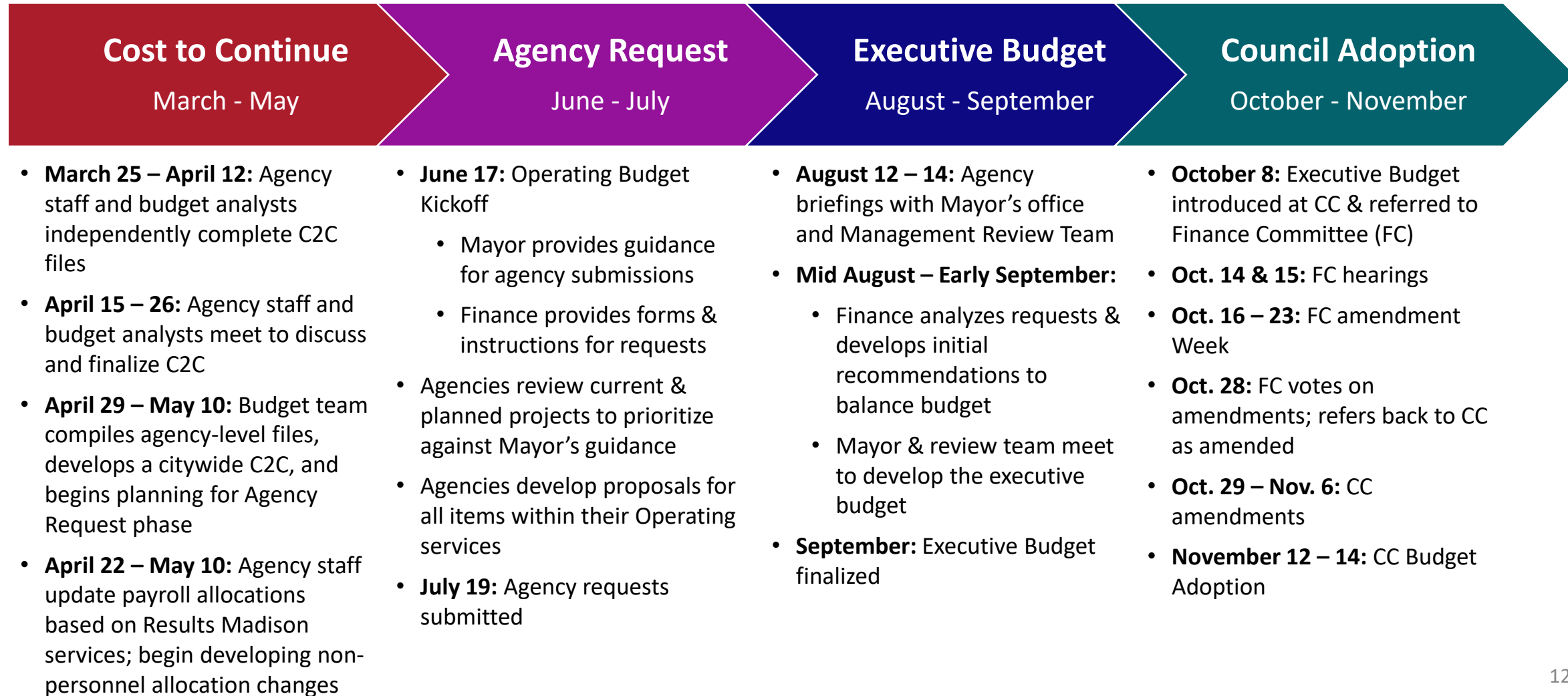
Guidance on Developing 2025 Budget

1. Evaluate service levels, staffing and fiscal impact.
2. Seek ways to increase efficiencies in operations.
3. Explore a reduction in expenditures from cost-to-continue levels that does not compromise services to residents.
4. Develop referendum language to increase property tax to meet some or all of deficit, as well as options to replace existing non-property tax revenues.
5. Prepare options other than property tax, including special charges
6. Develop a multi-year plan, including options for new, or increasing existing, fees and charges.
7. Consider the level of overall general obligation borrowing in 2025 capital budget to reduce rate of growth in property taxes
8. Develop a community engagement plan to educate the public.

Key Dates for 2025 Budget Development

	Capital	Operating
Kick-Off Meeting	Tuesday, March 19 11:00am	Monday, June 17 1:00pm
Agency Requests Due	Friday, April 19	Friday, July 19
Agency Briefings with Mayor's Office	May 8 – 17	August 12 – 14
Executive Budget introduced to Common Council (CC)	Tuesday, September 10	Tuesday, October 8
Finance Committee (FC) Briefings	September 16 – 17	October 14 – 15
FC Amendment Meeting	Monday, September 30	Monday, October 28
CC Amendment Week	October 29 – November 6	
CC Budget Adoption Meetings	November 12 – 14	

Overview of Operating Budget Phases



Detailed Calendar – June and July

Date	Activity
June 10	2025 Operating Budget Update to Finance Committee
June 17	Operating budget instructions to agencies
June 18	2025 Operating Budget Update to Council
June 24	Broad options discussion with Finance Committee
July 2	Briefing and Discussion at Council; Referendum resolution introduced
July 8	Referendum resolution discussed at Finance Committee
July 16	Referendum resolution discussion
August 6	Last scheduled Council meeting before 70-day deadline for referendum ballot resolution; referendum language must include DOR-provided data that is available after August 1 st .

Cost to Continue

Cost to Continue (C2C) is the first step of developing the city's operating budget. It is a baseline estimate of how much it will cost the City to provide the same level of service in the upcoming year.

City-Wide Adjustments

- Remove one-time funding used to balance the 2024 Budget
- Personnel Costs
 - Estimated through a salary & benefit projection that incorporates step & longevity increases and negotiated increases
 - Includes placeholders for benefits rates, which will be updated later in the year
 - Based on 2025 Results Madison payroll allocations
- Utilities, Fleet, and Cost Allocation Plan charges
- Workers Comp & General Liability Insurance

Agency-Specific Adjustments

- Remove one-time funding and expenses from the 2024 Adopted Budget
- Annualize partial year commitments
- Build in contractually required increases for purchased services
- Agency C2C determined through meetings between agencies and budget staff

Cost to Continue Adjustments: Categorized Adjustments (GF + Library)

Category	Assumptions
Personnel Costs	<p>\$14.5m increase in salaries and benefits</p> <ul style="list-style-type: none"> • Annualizes 6% GME increase phased in during 2024 (4% catch up effective January 2024; 2% catch up effective July 2024) • Adds 3% increase for GMEs and protective service based on negotiated agreements <ul style="list-style-type: none"> • General and Library funds GME 3% - \$3 million includes benefits • Includes 1% step and longevity increase • Annualizes positions funded for partial year in 2024 • Includes funding for potential position reclassifications submitted to Human Resources • \$2.97m placeholder for health insurance rate increases; \$500k placeholder for WRS rate increases (held in direct appropriations)
Elections	<ul style="list-style-type: none"> • Removes \$1.22m for elections (\$990k election officials; \$226k supplies and postage)
Direct Appropriations	<ul style="list-style-type: none"> • Adds \$5.0m placeholder for Debt Service
Facilities & Utilities	<ul style="list-style-type: none"> • Adds \$489k for higher gas (+15%) and electricity (+5%) costs, Building Use charges (+10%)
Technology Costs	<ul style="list-style-type: none"> • Adds \$68,625 for PCI Compliance • Adds \$1.44m for software maintenance contract increases • Adds \$30,000 for credit card processing fees
ARPA	<ul style="list-style-type: none"> • Removes \$1,225,600 transfer in to cover various CDD community agency contracts

Cost to Continue Adjustments: Categorized Adjustments (GF + Library)

Category	Assumptions
Metro Subsidy	<ul style="list-style-type: none"> Adds \$2.7m to Metro subsidy (2025 total: \$18,225,000) for salaries, fringe benefits, overtime, paratransit contracts, supplies/services, and revenue reestimates.
PHMDC Subsidy	<ul style="list-style-type: none"> Adds \$500k to PHMDC subsidy for salaries, fringe benefits and supplies/services.
Fleet Rate	<ul style="list-style-type: none"> \$1.4 million increase. Highlights: \$758,000 debt; \$435,000 repairs and supplies; \$211,000 salaries and benefits; \$207,000 decrease fuel.
Insurance & Worker's Comp	<ul style="list-style-type: none"> Adds \$95,500 (\$485,000 increase in Insurance, \$389,500 decrease in Worker's Comp)
Professional Services	<ul style="list-style-type: none"> Adds \$125,900 for contractual increases
Park Maintenance	<ul style="list-style-type: none"> Adds \$48,175 for the costs to operate recently completed capital projects Adds \$128,900 for Mall maintenance, Door Creek Shelter & Country Grove Shelter operations
Office of Independent Monitor	<ul style="list-style-type: none"> Reduces budget by \$65,500 to remove one-time start-up funding.
Cost Allocation	<ul style="list-style-type: none"> Updated plan increases billings to enterprise agencies by \$469,000 to reflect higher central service agency costs.

Cost to Continue Adjustments: Salary & Benefits Increase (GF + Library)

- 2024 Adopted Salaries & Benefits: **\$253.9 million**
- 2025 Cost to Continue Salaries & Benefits: **\$268.2 million**
 - Represents a **5.63% increase** over 2024 Adopted Budget

Category	Additional Amount in 2025
2025 Steps & Longevity (calculated at 1%)	\$2.0 million
3% COLA for all employees	\$6.1 million
Benefits (includes placeholder for 11% increase in health) <ul style="list-style-type: none"> • Health Insurance • Commissioned Benefits (Retiree health, accidental death and dismemberment) • WRS • FICA • Wage Insurance & VEBA 	\$5.7 million <ul style="list-style-type: none"> • \$3.0m • \$430,000 • \$1.65m • \$544,000 • \$66,500
Reclasses; COLA and benefits for Hourly, Overtime, Premium Pay	\$500,000

What options does the City have?

The operating budget must be balanced. How much we spend (expenditures) cannot be more than the money we bring (revenues).



Reduce Expenditures

Closing the budget gap through cuts alone will have significant operational impacts and will result in less services to residents.

- Reduce all/most agencies
- Cut specific programs or services
- Cut positions (layoffs) or reduce employee compensation (for example, saving \$22 million would require cutting 220 positions).



Increase Revenues

The City's options for raising revenues are limited by the State. For example, we cannot levy a local sales tax or income tax.

- Create new special charges
- Increase existing local revenues (e.g. fines, fees)
- Ask voters to increase the property tax ("levy") through a voter referendum

Salary Savings

- 7.2% vacancy rate in first 5 months of 2024
- Created tiered structure in 2024 so small agencies with less turnover are not adversely impacted
 - Fewer than 20 FTEs = 0%
 - 20 – 49 FTEs = 0.5%
 - 50 – 99 FTEs = 1.0%
 - 100 – 199 FTEs = 3.0%
 - 200+ FTES = 4.0%
- 2025 salary savings = \$5.6m in GF + Library (3.2% of perm wages)

99% Budget for General, Library, Fleet Funds

- Agencies regularly underspend their budgets; the amount varies by agency, but the average for the General, Library, and Fleet funds from 2019-2023 is 3.5%

General, Library, and Fleet Fund Agencies				
Year	Actual	Revised Budget	Unspent Appropriation	% Unspent
2019	\$ 231,816,905	\$ 237,191,257	\$ 5,374,352	2.3%
2020	\$ 241,552,493	\$ 251,971,804	\$ 10,419,311	4.1%
2021	\$ 245,074,975	\$ 256,014,594	\$ 10,939,619	4.3%
2022	\$ 253,493,790	\$ 264,111,357	\$ 10,615,613	4.0%
2023	\$ 268,100,869	\$ 276,326,356	\$ 8,223,961	3.0%
Average	\$ 248,007,806	\$ 257,123,074	\$ 9,114,571	3.5%

- The 2024 budget introduced a 1% reduction in agency budgets to reflect this underspending
- In 2025, the 1% budget efficiencies reduction is \$3.4 million in the General, Library, and Fleet funds
- The 2025 cost to continue budget continues this reduction and General, Library, and Fleet fund agencies will receive a budget target that reflects 99% of their cost to continue budget to capture the underspending

Service Activity Priorities for General, Library, and Fleet Funds; Metro Transit and PHMDC Subsidies

- Further reductions in certain service activities may be necessary to close the 2025 budget gap while still protecting core services.
- General, Library, Fleet, Metro Transit, and Public Health fund agencies will complete a Lower Priority Service Activity Identification form.
- Each agency will use this form to identify the cost of lower priority service activities in their agency.
- Service activities identified must total at least 5% of the agency's cost to continue budget for the General, Library, and Fleet fund agencies.
- Service activities identified must total at least 5% of the General fund subsidy for the Metro Transit and Public Health agencies.
- Agencies are allowed to propose fee or charge increases on service activities to meet the 5% target. Focus should be on service activities primarily provided to those with the ability to pay.

General Background on Fees/Charges

- The City has limited authority to impose fees and charges.
- Fees/charges must have a connection to the activity.
- Fees/charges cannot exceed the cost of the service; the City must prove this fact if challenged in court.
- Central service agencies are addressed through cost allocation to enterprise agencies.
- Administrative burden is a key consideration – does the cost to administer a fee/charge outweigh the amount of revenue collected?
- “Covered Services” – garbage collection, fire protection, snow plowing, street sweeping, storm water management – fees/charges revenue reduces allowable levy – no benefit to City.

Process Overview & Budget Guidelines

Components of the Budget Request; Guidelines; Examples

Proposal Components

	1. Transmittal Memo	2. Service-Level Proposals	3. Lower-Priority Service Activity Identification	4. Line-Item Budget	5. Position Allocation Forms
Description & Purpose	<ul style="list-style-type: none"> Memo drafted from Agency Head to Mayor Outlines agency priorities and strategies for meeting budget target 	<ul style="list-style-type: none"> Request budget proposal by Results Madison Service and Major Describes activities performed by service and proposed changes by Major 	<ul style="list-style-type: none"> Identifies lower-priority service activities that equal at least 5% of agency's 2025 Cost to Continue budget Applies to General, Library, and Fleet funds; Transit and PHMDC subsidies 	<ul style="list-style-type: none"> Line-item budget for each Service Provides details at the object-level for all expenses and revenues 	<ul style="list-style-type: none"> Request changes to position allocations (if needed)
How to Submit	<ul style="list-style-type: none"> F:Drive: Upload to Agency folder in Common Drive 	<ul style="list-style-type: none"> F:Drive: Upload to Agency folder in Common Drive 	<ul style="list-style-type: none"> F:Drive: Upload to Agency folder in Common Drive 	<ul style="list-style-type: none"> Munis: Enter details in Central Budget module of Munis 	<ul style="list-style-type: none"> F:Drive: Upload to Agency folder in Common Drive
Format	<ul style="list-style-type: none"> Template provided by Finance Final version on agency letterhead in memo format 	<ul style="list-style-type: none"> Word doc proposal form (1 per Service) 	<ul style="list-style-type: none"> Template provided by Finance 	<ul style="list-style-type: none"> Agencies enter proposed changes by Org Code – Major – Object in new Results Madison chart of accounts 	<ul style="list-style-type: none"> Template provided by Finance Agencies complete and upload as needed
Deadline	<ul style="list-style-type: none"> Due end of day Friday, July 19, 2024 				

How will the process compare to last year?

What's staying the same

- Calendar: key dates fall in the same week as last year
- Proposal components
 - Transmittal memo, Service proposal form
- Proposal Forms
 - Document files will be submitted in F:\Common folder

What's new/ different

- Mayoral Briefing Q & A Format
 - No presentation or slides
- Proposal Components
 - Lower priority service activities/ new fees form
- Line-item budgets will be submitted using new Results Madison services
- Separate Central Budget projections for the Grant Funds (20252) and the Restricted Funds (20254)

Budget Guidance:

New Results Madison Services – All Funds

- Agencies with new Results Madison service structure will budget to the new chart of account org codes
- Perm salaries and benefits have been allocated to the new structure
- Agencies will need to reallocate revenue, non-perm wages, supplies, services, ID accounts, and transfers to the new services

Budget Guidance:

Reallocations and Other Charges - All Funds

- Agencies may reallocate funding across majors so long as the changes are net neutral and do not increase the agency's overall expenditures.
- Agencies cannot change the total amount of centrally calculated salaries and benefits, salary savings, budget efficiencies, and interdepartmental billings & charges (e.g. building use, fleet, insurance, workers compensation, and cost allocation plan charges). These budgets may be reallocated across services.
- Agencies cannot propose new revenues that result from charging other agencies. Proposals to shift costs to other funding sources must be sustainable.
- Agencies are encouraged to scrutinize their activities and use available data on services to prioritize funding. This includes examining whether there are programs or activities that can be phased out due to shifting needs.

Note: Although net neutral changes are allowed, the following changes will require additional explanation in the Proposal form: 1) reallocations of \$10,000 or more at the Major level and 2) personnel changes.

Budget Guidance:

Personnel Requests - All Funds

- All requests for personnel reclassifications must be detailed in the proposal form, even if net neutral. Agencies are expected to contact their Human Resources (HR) Analyst to discuss proposed personnel changes by the budget deadline.
- Personnel changes that must be noted in the proposal but do not require HR review include:
 - Updating the payroll allocation on an existing position (e.g. shifting allocations across org codes); agencies must submit separate allocation change worksheet for these changes
- Personnel changes that require HR review include:
 - Reclassifying or recreating positions that would typically require Common Council resolutions (excludes career ladder increases that do not require CC resolutions)
- No new positions will be considered.

Budget Guidance:

Supplemental Requests – All Funds

- No supplemental requests are allowed.

Budget Guidance:

99% Base Budget - General, Library, Fleet

- Agencies will receive a base budget consistent with the cost-to-continue current services.
- The budget target for all General, Library, and Fleet Fund agencies will be 99% of cost-to-continue levels. Base budgets include a 1% Budget Efficiencies Object that reduce net expenditures.
- Department heads will be expected to manage to the 99% budget throughout the 2025 fiscal year. Strategies to meet this target can include keeping vacant positions open longer and carefully reviewing supplies and purchased services spending.

Note: The Object for Budget Efficiencies (51510) is within the Salaries Major. Agencies can manage savings through other accounts, but the amount will show up in salaries.

99% Budget Example

Cost to Continue Budget:	
Agency Revenues	(25,000)
Salaries	525,000
Benefits	175,000
Supplies	10,000
Purchased Services	50,000
Inter-D Charges	15,000
Total	750,000

99% Budget:	
Agency Revenues	(25,000)
Salaries	525,000
<i>Efficiencies</i>	<i>(7,500)</i>
Benefits	175,000
Supplies	10,000
Purchased Services	50,000
Inter-D Charges	15,000
Total	742,500

← 1% is calculated on total agency budget

- Agencies will be expected to manage to 99% bottom line target
- Agencies can meet target through multiple strategies (e.g. hold positions vacant to increase salary savings, manage non-personnel costs)
- Agencies **cannot** change centrally calculated Inter-D Charges or by increasing billings to other agencies
- Proposals to meet target by increasing revenues must be supported by data

Budget Guidance:

Enterprise Funds

- All Enterprise Fund Agencies will submit operating budget plans consistent with current revenue projections for 2025.
- Agencies projecting revenue shortfalls for 2025 will need to present a base budget that includes expenditure reductions to meet available revenue.
- Proposed rate increases should be analyzed through an equity lens and consider resident ability to pay. If a rate increase is proposed, agencies will need to explain the components of the increase and what efforts have been made to reduce expenses before increasing rates.

Budget Guidance:

Racial Equity, Social Justice, and Sustainability

- Agency requests should be aligned with citywide priorities, including racial equity, social justice, and sustainability. Department heads are encouraged to engage department equity teams to think about how to advance equity goals within your base budget. If you have questions regarding sustainability measures, they can be directed to the sustainability staff.

Resource: Equity in the Budget Guide

- First released with Capital Budget process in March 2022
- Includes equity strategies, defines key terms, and provides links to tools and resources
- Will be updated to reflect 2025 budget timeline and will be posted on [Employee.net](#) Budget page by end of week
- DCR Staff also available to provide consultations on equity in the budget



Equity in the Budget

Prepared by:

Racial Equity and Social Justice Initiative (RESJI) &
Finance Department

Fiscal Year 2025

Budget Guidance:

Creativity and Innovation

- Be creative in developing proposals to reduce the cost of service delivery. Consider ways to work across agencies and collaborate with others to create cost-saving efficiencies. If you have ideas for inter-agency coordination that do not fit directly within your budget, contact your budget analyst to discuss options.
- Analyze available data on current services and operations to inform your budget proposal. Data includes quantitative and qualitative information on the inputs, outputs, and outcomes of your services. Having clear service indicators and data on agency activities can help prioritize proposals and generate new ideas for improving operations.

Note: Agencies that have started the Results Madison data engagement are encouraged to examine service indicators to find opportunities for innovation. If you have not started the Results Madison data engagement, you can examine other indicators and sources of data.

Completing Proposals Forms and Munis Data Entry

Instructions for Completing Budget Proposal Components; Demonstrations

Where to find budget materials

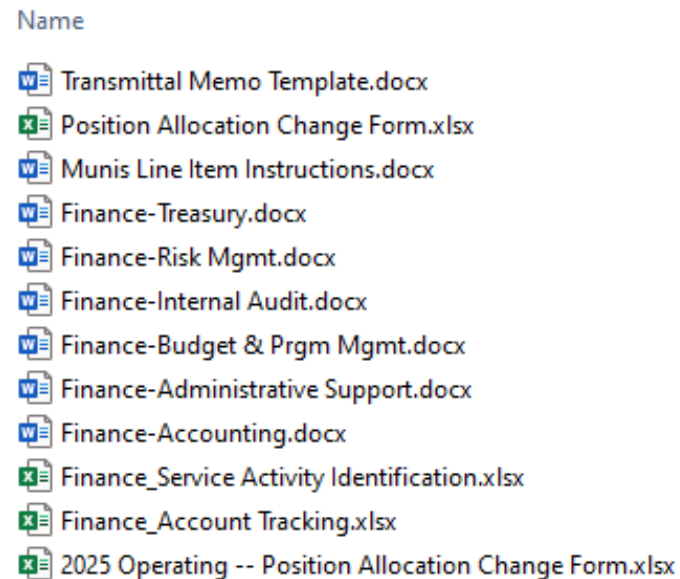
- All budget materials will be available on F: Drive (not SharePoint)
- “Operating Budget Requests - 2025” Folder
- F:\Common\Operating Budget Requests - 2025\

File path will depend on which server you have access to (fps1, fps2, fps4)



Navigate to your agency's folder. Be careful to only edit your agency files.

Regardless of server, you will be able to navigate to “Operating Budget Requests - 2025” folder by going to Common Drive



Templates and forms for each component will be saved to F: Drive

Component 1: Transmittal Memo

	1. Transmittal Memo
Description & Purpose	<ul style="list-style-type: none">• Memo drafted from Agency Head to Mayor• Outlines agency priorities and strategies for meeting budget target
How to Submit	<ul style="list-style-type: none">• F:Drive: Upload to Agency folder in Common Drive
Format	<ul style="list-style-type: none">• Template provided by Finance• Final version on agency letterhead in memo format
Deadline	<ul style="list-style-type: none">• Due end of day Friday, July 19, 2024

Instructions for Completing the Memo

- Download template and respond to prompts
- Submit by uploading final draft to F: Drive

Component 2: Service-Level Proposal

	2. Service-Level Proposals
Description & Purpose	<ul style="list-style-type: none"> • Base budget proposal by Service and Major • Describes activities performed by service and proposed changes
How to Submit	<ul style="list-style-type: none"> • F:Drive: Upload to Agency folder in Common Drive
Format	<ul style="list-style-type: none"> • Word Doc proposal form (1 per Service)
Deadline	<ul style="list-style-type: none"> • Due end of day Friday, July 19, 2024

Instructions for Completing Proposal Forms

Word Doc Proposal Form

- Submit one Word Doc form per Service. Submit by saving a copy in the F: Drive

<p><input checked="" type="checkbox"/> DO</p> <ul style="list-style-type: none"> • Save a local copy of Word Doc proposal forms to make edits; upload final drafts to Common Drive 	<p><input checked="" type="checkbox"/> DON'T</p> <ul style="list-style-type: none"> • Do not wait until the last week to start your requests • Do not rename folders • Do not go into other agency folders
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Component 3: Lower-Priority Service Activity Identification

3. Lower-Priority Service Identification	
Description & Purpose	<ul style="list-style-type: none"> Identify lower-priority services activities that equal at least 5% of agency's 2025 Cost to Continue budget Applies to General, Library, and Fleet funds; Transit and PHMDC subsidies
How to Submit	<ul style="list-style-type: none"> F:Drive: Upload to Agency folder in Common Drive
Format	<ul style="list-style-type: none"> Template provided by Finance Impacted agencies complete and upload
Deadline	<ul style="list-style-type: none"> Due end of day Friday, July 19, 2024

Instructions for Lower-Priority Service Activity Identification Form

- Each agency will find the form in its F:Drive folder.

5% Minimum Target	554,340				
Total Amount Identified	0				
Service (Choose from drop-down list)	Activity (Narrative Description)	Recipients of the Service (Activity (List))	Implication if Activity is Reduced/Fee is Increased (Narrative Description)	FTE Impact (#)	Total Amount (\$)

- The amount equal to at least 5% of the agency's cost to continue budget is highlighted in yellow.
 - Service:** Choose from the drop-down list in each cell.
 - Activity:** Describe the identified activity.
 - Recipients of the Service Activity:** List the users/recipients of the service activity
 - Implication if Activity is Reduced/Fee is Increased:** What impact does the activity have on residents?
 - FTE Impact:** How many FTEs work on this activity?
 - Total Cost:** What is the total cost of the activity (including FTE salary & benefits)?
 - Amounts in this column will be totaled in the Total Cost Identified cell underneath the target total.

Component 4: Line-Item Budget

4. Line-Item Budget	
Description & Purpose	<ul style="list-style-type: none"> Line-item budget for each Service Provides details at the object-level for all expenses and revenues
How to Submit	<ul style="list-style-type: none"> Munis: Enter details in “Central Budget” module of Munis
Format	<ul style="list-style-type: none"> Agencies enter proposed changes by Org Code – Major – Object in new Results Madison chart of accounts
Deadline	<ul style="list-style-type: none"> Due end of day Friday, July 19, 2024

Instructions for Completing Line-Item Budget Entry

- Go to “Central Budget Entry” module in Munis
- Projection 20251: Annual Funds
 - Default projection
 - Base budget built on cost to continue assumptions, using 2024 adopted budget as a baseline
- Projection 20252: Multi-Year Funds
 - Used to budget expenditures in the City’s grant fund (Fund 1220)
 - Expenses and revenues should net to zero
- Projection 20254: Restricted Funds
 - Used to budget expenditures in the City’s restricted fund (Fund 1250)
 - Expenses and revenues should net to zero
- Step-by-step instructions for entering the Munis Line-Item budget posted on Employeeenet

Data file for Results Madison

- Your operating request folder contains an Excel file entitled “Agency Name_Account Tracking”. This file is not an official part of your request but intended to help you complete your request.
- Worksheets:
 - *Request-Inactive Accounts*: The file will contain this worksheet if your agency has account changes as part of Results Madison service restructure. The table shows budget request amounts accounts that will be inactive starting 01/01/2025. All amounts in this table must be moved into active accounts under your agency’s new Results Madison structure. The data table can be refreshed to track progress.
 - *Request-Service*: This worksheet provides an overview of your agency request compared to cost-to-continue. It summarizes all line-item detail included in Central Budget and can be refreshed to see changes.
 - *Actuals*: This worksheet shows actual data from 2019 to 2023 and is meant to help inform the development of your request.

Note: When refreshed, data tables in this file show Central Budget information from of the previous day.

Allocating Budgets to New Services

- Suggested methods for reallocations
 - Allocate entire budget to one service – budget applies exclusively to one service
 - Road salt: Snow and Ice Control Service
 - Allocate budget equally across services – budget applies equally to all services
 - Utilities for agencies in one location
 - Allocate budget based on FTEs – budget applies to specific FTEs/ job classes
 - Uniforms
- Work with your Budget Analyst if you have questions on how to allocate budgets
- Adjustments can be made in the mid-year and year-end appropriations

Chart of Accounts Definitions: Service

A **Service** is an activity or set of activities performed by an agency that has **identifiable costs for budgetary purposes** and **a clear purpose with measurable objectives**. All agencies have at least 1 Service; most agencies have 2-5 Services.

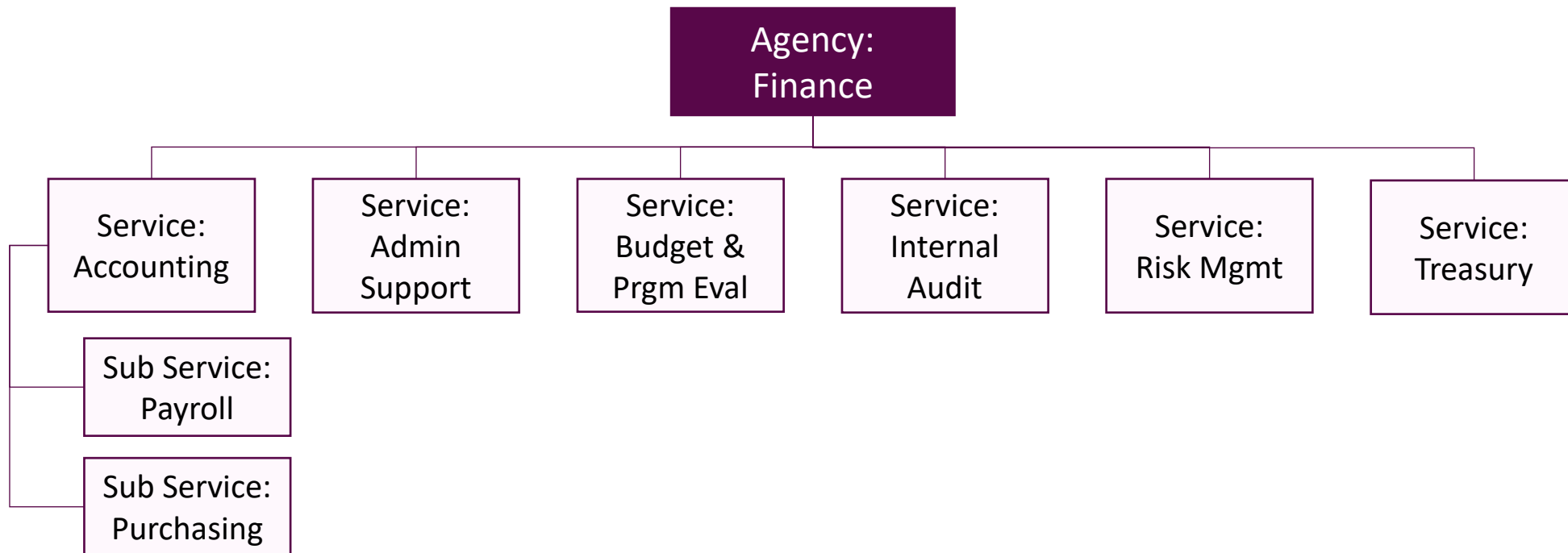


Chart of Accounts Definitions: Major

A **Major** is a set of like accounts defining the nature of revenues or expenditures. Majors have a 2-digit numerical code (“Character Code”). Every major is composed of **Objects** that further define the account.

Revenue Majors

- 41 - GENERAL REVENUES
- 42 - INTERGOV REVENUES
- 43 - CHARGES FOR SERVICES
- 44 - LICENSES AND PERMITS
- 45 - FINE FORFEITURE ASMT
- 46 - INVEST OTHER CONTRIB
- 47 - MISC REVENUE
- 48 - OTHER FINANCE SOURCE
- 49 - TRANSFER IN

Expense Majors

- 51 - SALARIES
- 52 - BENEFITS
- 53 - SUPPLIES
- 54 - PURCHASED SERVICES
- 56 - DEBT OTHR FINANCING
- 57 - INTER DEPART CHARGES
- 58 - INTER DEPART BILLING
- 59 - TRANSFER OUT

Component 5: Position Allocation Forms

5. Position Allocation Forms	
Description & Purpose	<ul style="list-style-type: none"> Request changes to position allocations (if needed)
How to Submit	<ul style="list-style-type: none"> F:Drive: Upload to Agency folder in Common Drive
Format	<ul style="list-style-type: none"> Template provided by Finance Agencies complete and upload as needed
Deadline	<ul style="list-style-type: none"> Due end of day Friday, July 19, 2024

Instructions for Completing Position Allocation Form

- Complete the Excel file if you plan to 1) change the existing allocation code percentages of a position; 2) create a new allocation code on an existing position; 3) change an organization code; or 4) make another type of change
- Be sure to include position #, authorized FTE level, job class code, allocation amounts, and other required fields
- Requested changes must be accommodated within your budget target
- Submit by uploading to “Agency Operating Materials Folder”

Mayoral Briefing Q&A

- Draft schedule for briefings with the Mayor’s Office and Review Team is below; slide will be sent to agencies
- Confirm availability to your budget analyst by Monday, June 24
- Each agency will have approximately 20 minutes; briefings will be a question-and-answer format (no presentations)
- Questions received from the Review Team will be forwarded to the agency at least 1 day before the scheduled briefing

Day	Date	Time	Agencies
Monday	8/5/2024	10:00am – 11:00am	Request Overview Agency: IT
Monday	8/12/2024	2:00pm – 4:00pm	Functional Area(s): Public Works Agencies: Engineering (+ Landfill, Sewer, Stormwater), Fleet, Parks (+ Golf), Streets, Water
Tuesday	8/13/2024	9:00am – 11:00am	Functional Area(s): Admin / Public Health/ Public Safety Agencies: Municipal Court, Attorney, Public Health, OIM, Fire, Police
Tuesday	8/13/2024	2:00pm – 4:00pm	Functional Area(s): PCED Agencies: BI, CDA Housing and Redevelopment, CDD, EDD, PCED Office of Director, Planning
Wednesday	8/14/2024	10:00am – 12:00pm	Functional Area(s): Admin / Public Facilities Agencies: Civil Rights, Clerk, EAP, Finance, Library, Monona Terrace (+ Room Tax)
Wednesday	8/14/2024	2:00pm – 4:00pm	Functional Area(s): Admin / Transportation Agencies: Assessor, HR, Metro, Parking, TE, Transportation

Operating Budget: Technical Assistance

- Budget Analysts are available to assist agencies in completing budget submission deliverables ([current budget analyst assignments](#))