



2024 Operating Budget Kick-Off Meeting

June 20, 2023

Agenda

- Mayor's Message
- 2024 Operating Outlook
 - Cost to Continue Revenue & Expenditures Assumptions
 - Budget Gap
 - Approach for 2024
- Process Overview & Budget Guidelines
- Completing Proposals in Munis & Submitting Forms

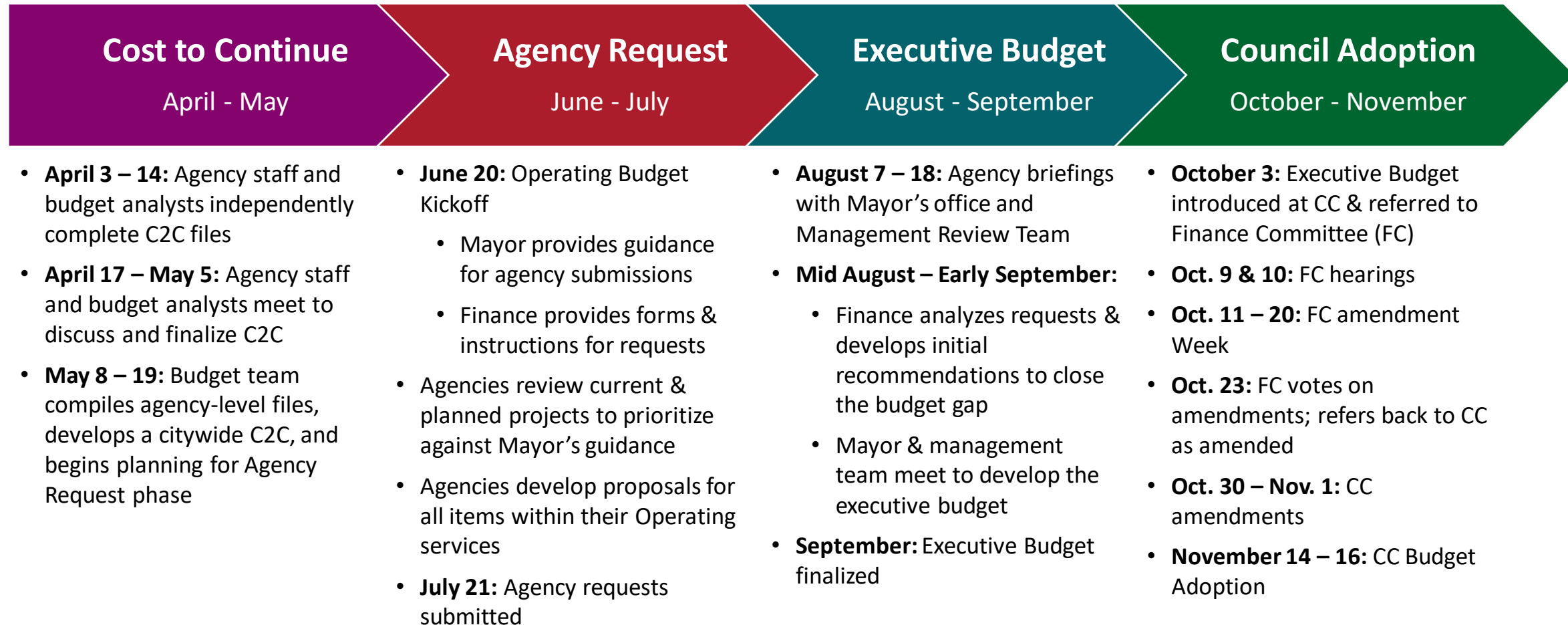
2024 Operating Outlook

Budget Calendar; Cost to Continue Assumptions; Budget Gap

Key Dates for 2024 Budget Development

	Capital	Operating
Kick-Off Meeting	Tuesday, March 21 11:00am	Tuesday, June 20 11:00am
Agency Requests Due	Friday, April 21	Friday, July 21
Agency Briefings with Mayor's Office	May 8 – 19	August 7 – 18
Executive Budget introduced to Common Council (CC)	Tuesday, September 5	Tuesday, October 3
Finance Committee (FC) Briefings	September 11 – 12	October 9 – 10
FC Amendment Meeting	Tuesday, September 26	Monday, October 23
CC Amendment Week	October 30 – November 10	
CC Budget Adoption Meetings	November 15 – 17	

Overview of Operating Budget Phases



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 2023 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 2023 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 2023 adopted budget
- Annualize partial year commitments
- Build in contractually required increases for purchased services
- Agency C2C determined through meetings between agencies and budget staff

Current Budget Gap

(General and Library Funds)

Expenditures = \$410.8 million

Total expenses are \$28.4 million (7%) higher than 2023 adopted budget. Major changes:

- + \$19.0m: Salary + benefits increases
- + \$12m: Restore Metro subsidy
- + \$4m: Placeholder for GF Debt Service
- + \$1.1m: Inter-D Charges from Fleet, Insurance, WC
- + \$1.1m: Citywide Purchased Services increases for utilities and software costs
- - \$8.9m: Removes one-time expenses for shelter operations, homeless endowment, transfer to insurance, 2023 employee bonus payments

Revenues = \$382.4 million

Total revenues are \$152,000 (0.04%) higher than the 2023 adopted budget. Assumptions:

- + \$9.4m: Levy increase
- + \$2.8m: Increase in shared revenue
- + \$1m: Increase in interest revenue
- - \$500k: Projected reduction in building permit revenue
- - \$12.3m: Removing one-time sources (\$6.9m TID; \$2m ARPA for shelter operations; \$3.4m Fund Balance for employee bonuses)

Gap = \$28.3 million

Cost to Continue Adjustments: Citywide Expenses (GF + Library)

Line Item	Assumptions
Personnel Costs	<p>\$19.0m increase in salaries and benefits</p> <ul style="list-style-type: none"> • Annualizes 5% GME increase phased in during 2023 (2% COLA; 2% catch up effective July 2023; 1% catch up effective October 2023) • Adds 3% increase for GMEs and protective service based on negotiated agreements • Adds 1% GME increase as a “catch up” • Includes 1% step and longevity increase • Annualizes positions funded for partial year in 2023 • \$2.6m placeholder for health insurance rate increases; \$1m placeholder for WRS rate increases (budgeted in Direct Appropriations)
Debt Service	<ul style="list-style-type: none"> • Adds \$4m placeholder for Debt Service
Elections	<ul style="list-style-type: none"> • Adds \$1.36m in Clerks budget for elections (\$1.1m election officials; \$283k supplies and postage)
Facilities & Utilities	<ul style="list-style-type: none"> • \$549,600 increase for higher gas (+15%), electricity (+5%), and water (+31%) costs
Fleet Rate	<ul style="list-style-type: none"> • \$532,600 Increase, primarily driven by personnel costs and higher depreciation
Insurance & Worker’s Comp	<ul style="list-style-type: none"> • \$322,800 Increase for Insurance; \$176,000 Increase for WC
Metro Subsidy	<ul style="list-style-type: none"> • \$12m Metro Subsidy (restore subsidy to 2022 levels and begin paying back reduction in 2023)

Approach for 2024: Leverage one-time funds and incorporate modest agency reductions

Starting Gap = \$28.4 million

One-time funds = \$18.1m

Remaining ARPA for government services (\$4.4m); TID surplus (\$6.7m); and Fund Balance (\$7.0m)

**Other
Sources =
\$5.0m**

**Agency
Reductions =
\$5.6m**

- Utilize remaining one-time funds while they are available
- Analyze other non-levy revenue sources and make adjustments to reflect trends (e.g. interest)
- Increase agency salary savings to reflect recent trends and reduce overall expenditures
- Fund general, library and fleet fund agencies at 99% of budget target as a starting point for fiscal year
- Begin planning for more significant changes in 2025

Expenditure Reductions: 1% increase in Salary Savings (all funds)

Context on Salary Savings

- “Salary Savings” is budgeting object used to reflect turnover and vacancies in an agency budget
- Historically budgeted at 2% of Permanent Wages
 - Simple Example: Perm Wages = \$100,000 | Salary Savings = (\$2,000) | Total Budget = \$98,000
- Last 3 years (2020-2023) averaged 7% savings; last 8 years (2015 – 2023) average 5% savings

Salary Savings in the 2024 Budget

- 2024 Base budget increases total salary savings from 2% of perm wages (\$5.2m) to 3% of perm wages (\$7.8m), which reduces overall expenditures and better reflects actuals
- Base budget also creates a tiered structure based on total FTE positions
 - 1 – 19 FTEs = 0%
 - 20 – 49 FTEs = 0.5%
 - 50 – 99 FTEs = 1.0%
 - 100 – 199 FTEs = 3.0%
 - 200+ FTEs = 4.0%

Expenditure Reductions: 99% Budget for General, Library, Fleet Funds

Context on 99% Budget Targets

- Agencies regularly underspend their budget; Amount varies by agency, but citywide average from 2019-2022 is 3.2%

General, Library, and Fleet Fund Agencies				
Unspent				
Year	Actual	Revised Budget	Appropriations	% 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	\$10,617,567	4.0%
Grand Total	\$1,196,115,672	\$1,235,338,174	\$39,222,502	3.2%

New Budget Efficiencies Object in Target

- General, Library, and Fleet fund agencies will receive a budget target that reflect 99% of their cost to continue budget to capture regular underspending within agency budgets
- New object (51510 – Budget Efficiencies) added to capture underspending and help balance the budget; Additional details in following section

Structural Deficit & Long Range Planning

- One-time funding and expenditure reductions will help close 2024 budget gap without significant cuts to service levels
- Preliminary projections estimate a 2025 budget deficit of \$32 million, steadily increasing up to \$56 million in 2029
- Need to continue scrutinizing expenses, service levels, and revenue options to close the structural gap
- Finance department will begin working with agencies on long range planning efforts on budget

Process Overview & Budget Guidelines

Components of the Budget Request; Guidelines; Examples

Proposal Components

	1. Transmittal Memo	2. Service-Level Proposals	3. Line Item Budget	4. Position Allocation Forms (if applicable)	5. Agency Briefings
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"> Base budget proposal by Service and Major Describes activities performed by service and proposed changes 	<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) 	<ul style="list-style-type: none"> Present highlights of the agency operating budget Q&A with Mayor and Management Review Team
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"> Munis: Enter details in “Central Budget” module of Munis 	<ul style="list-style-type: none"> F:Drive: Upload to Agency folder in Common Drive 	<ul style="list-style-type: none"> Email final slide(s) 1 day before briefing Attend scheduled briefing
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"> Excel Data File (1 per Agency) Word doc proposal form (1 per Service) 	<ul style="list-style-type: none"> Agencies enter proposed changes by Org Code – Major – Object 	<ul style="list-style-type: none"> Template provided by Finance Agencies complete and upload as needed 	<ul style="list-style-type: none"> Budget team will provide template Agency complete template and submit prior to meeting
Deadline	<ul style="list-style-type: none"> Due end of day Friday, July 21, 2023 				<ul style="list-style-type: none"> Due 1 day before briefing

How will the process compare to last year?

	What's staying the same	What's new/ different
Operating	<ul style="list-style-type: none">• Calendar: key dates fall in the same week as last year• Proposal components: Main components of agency request will be the same (memo, service proposal, line-item budget, mayoral briefing)	<ul style="list-style-type: none">• No SharePoint: No longer using SharePoint• Proposal Forms: Excel and Word Doc files that will be submitted in F:\Common folder<ul style="list-style-type: none">○ Excel Data File: Pulls data directly from Munis Central Budget; Tool for reviewing Munis, staff do not need to enter any data in the workbook○ Word Doc Proposal Form: Fillable form to provide additional narrative on proposal; complete 1 per Service• Instructions and training materials will be provided

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 2024 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.

An agency can opt out of the 99% budget if they identify an ongoing, targeted 1% reduction for review and approval.

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:

Cost to Continue Base Budget (Enterprise)

- All Enterprise Fund Agencies will submit operating budget plans consistent with current revenue projections for 2024.
- Agencies projecting revenue shortfalls for 2024 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:

Reallocations 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.
- 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. Proposals for cost reductions are very welcome.
- Agencies cannot propose changes to centrally calculated salaries and benefits, 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.

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 and/or Service level and 2) personnel changes. Additional details on following slides.

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.

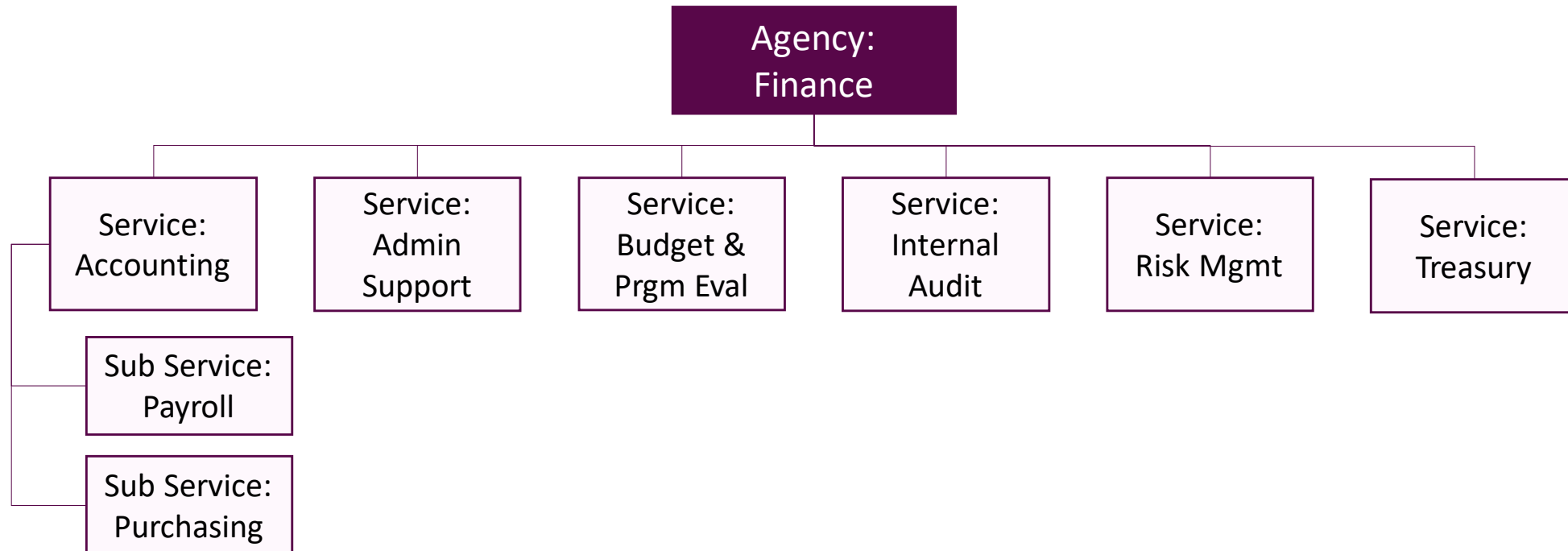


Chart of Accounts Definitions: Major

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

Major/ Service Reallocation Examples

In the Word Doc Proposal Form, agencies will be asked to explain changes of \$10,000 or more at the Service and/or Major level, even if the change is net neutral.

Scenario	Example	Proposal Requirements
Same Service, Different Major	Budget (152) / Purchased Services (54*) → Budget (152) / Supplies (53*)	Allowable if net neutral.
Different Service, Same Major	Risk Management (153) / Supplies (53*) → Accounting (151) / Supplies (53*)	Must provide additional description in Word Doc Proposal Form if change is \$10,000 or more at either Service or Major level.
Different Service, Different Major	Budget (152) / Purchased Services (54*) → Accounting (151) / Supplies (53*)	
Objects within a Major	Budget (152) / Purchased Services (54*): <i>Decrease Object [Consulting Services (54645)] by \$15,000</i> <i>Increase Object [System and Software Maint (54335)] by \$15,000</i> <i>Net change within Major & Purchased Services of \$0</i>	If net change to Major or Service is less than \$10,000, does not require additional information If net change to Major or Service is \$10,000 or greater, does require additional description

Budget Guidance:

Personnel Requests (All Funds)

- All requests for personnel reclassifications or new positions 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 or funds); Agencies must submit separate allocation change worksheet for these changes
 - Changing the number of FTE positions for existing classifications (e.g. adding two SMO1s by reducing seasonal wages)
- 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)
 - Adding new positions that do not exist in the current classification systems; Agencies must submit a draft job description for completely new positions

Budget Guidance:

Supplemental Requests

- Agencies may submit up to one (1) supplemental request to address citywide priorities or urgent needs. Before submitting a supplemental request, agencies should first examine whether they can address their needs through reallocations within the base budget or through the implementation of operational efficiencies, and be prepared to justify why this is not possible.
- Any supplemental requests must be accompanied by proposed performance measures that can be tracked to show effectiveness and impact of the new expenditure.

Note: Supplemental requests will be given preference if they 1) do not increase total FTE positions, 2) do not increase overall service levels, 3) can be scaled/phased in over time, and 4) demonstrate long term savings to operational costs.

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 our sustainability staff.

Note: Agencies do not have to complete general RESJ questions on Service-level budget. RESJ questions will be targeted to explaining significant changes to base budget, personnel change, and supplemental requests.

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 2024 budget timeline and will be posted on [EmployeeNet](#) 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 2023

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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

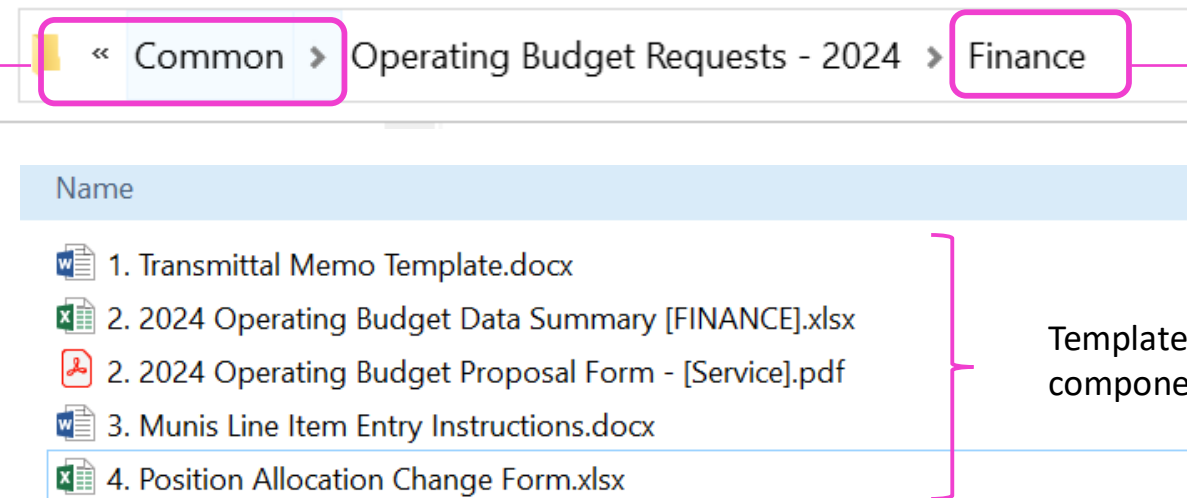
Instructions for Completing Budget Proposal Components; Demonstrations

Where to find budget materials

- All budget materials will be emailed and available on F: Drive (not SharePoint)
- “Operating Budget Requests - 2024” Folder
- F:\Common\Operating Budget Requests - 2024\

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

Regardless of server, you will be able to navigate to “Operating Budget Requests - 2024” folder by going to Common Drive



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

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 21, 2023

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"> • Excel Data File (1 per Agency) • Word Doc proposal form (1 per Service)
Deadline	<ul style="list-style-type: none"> • Due end of day Friday, July 21, 2023

Instructions for Completing Proposal Forms

Excel Data File

- Excel Data Summary is a tool to review your agency changes. “Changes by Service” Tab will be published, however, agencies do not have to submit file since data is pulled directly from Munis.
- Report has a 1 day lag from Munis

Word Doc Proposal Form

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



DO

- Enter your Munis line-item budget early and refresh Excel file to review
- Save a local copy of Word Doc proposal forms to make edits; upload final drafts to Common Drive



DON'T

- Do not wait until the last week to start your requests
- Do not rename folders
- Do not go into other agency folders

Component 3: Line Item Budget

	3. Line Item Budget
Description & Purpose	<ul style="list-style-type: none">Line item budget for each ServiceProvides 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
Deadline	<ul style="list-style-type: none">Due end of day Friday, July 21, 2023

Instructions for Completing Line Item Budget Entry

- Go to “Central Budget Entry” module in Munis
- Projection 20241: Annual Funds
 - Default projection
 - Base budget built on cost to continue assumptions, using 2023 adopted budget as a baseline
- Projection 20242: Multi-Year Funds
 - Used to budget expenditures in the City’s grant fund (Fund 1220) and 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

Component 4: Position Allocation Forms

	4. 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 FinanceAgencies complete and upload as needed
Deadline	<ul style="list-style-type: none">Due end of day Friday, July 21, 2023

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”

Component 5: Agency Briefing

	5. Agency Briefings
Description & Purpose	<ul style="list-style-type: none"> • Present highlights of the agency operating budget • Q&A with Mayor and Management Review Team
How to Submit	<ul style="list-style-type: none"> • Email final slide(s) 1 day before briefing • Attend scheduled briefing
Format	<ul style="list-style-type: none"> • Budget team will provide template • Agency complete template and submit prior to meeting
Deadline	<ul style="list-style-type: none"> • Due 1 day before briefing

- Budget team will provide schedule for briefings and briefing template by early July
- Each agency will have approximately 20 min for their briefing; Agency presentations should be brief (5-7 min) with a majority of the time dedicated to discussion

Briefing #	Date	Time
1	Monday, August 7	1:00pm – 3:00pm
2	Tuesday, August 8	11:00am – 1:00pm
3	Monday, August 14	1:00pm – 3:00pm
4	Tuesday, August 15	10:00am – 12:00pm
5	Thursday, August 17	10:00am – 12:00pm
6	Friday, August 18	10:00am – 12:00pm

Operating Budget: Technical Assistance

- Budget Analysts are available to assist agencies in completing budget submission deliverables ([current budget analyst assignments](#))
- **Budget Working Sessions (Drop In)**
 - Thursday, June 29: 9:00am – 10:00am | VIRTUAL
 - Tuesday July 11: 8:00am – 10:00am | IN PERSON – TBD
 - Tuesday, July 18: 4:00pm – 5:00pm | VIRTUAL
- **Budget Training Session (Presentation with Q&A)**
 - Thursday, July 6: 11:00am – 12:30pm | VIRTUAL
 - Presentation explaining assumptions in the base budget
 - Demonstration on using cubes