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Date: June 1, 2020
To: Department and Division Heads
From: Mayor Satya Rhodes-Conway
Subject: 2021 Operating Budget: Agency Guidance

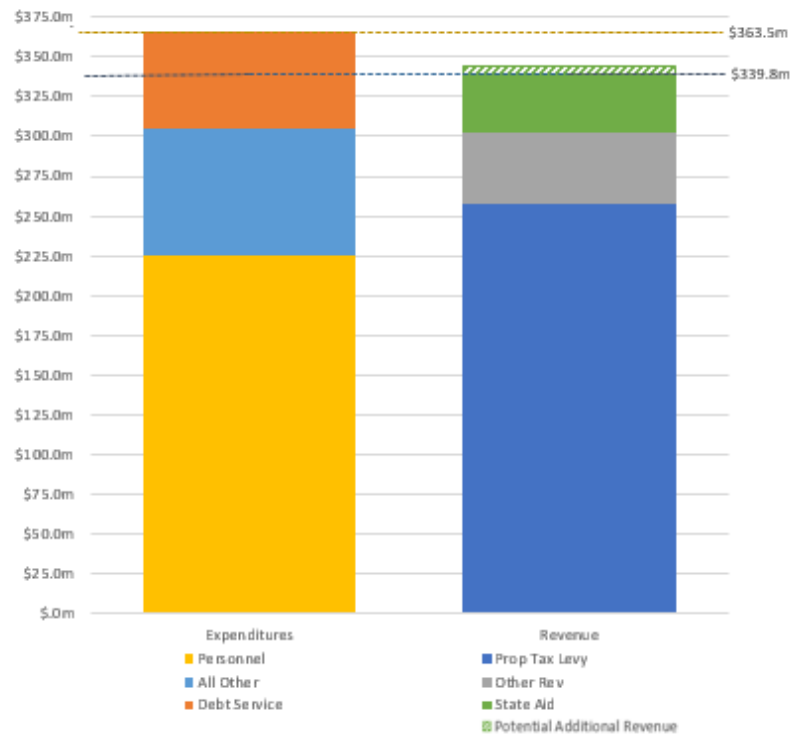
As we transition to responsibly reopening our economy, there are still many unanswered questions about what’s next and how City services and our budget will be impacted.

This level of uncertainty makes preparing for the 2021 operating budget unlike anything in recent memory. You have all grown accustomed to learning about a projected shortfall and the need for cut scenarios during the annual Budget Kickoff, only to be followed by a series of actions that result in balanced budgets without the need for significant cuts. Unfortunately, this is not one of those years.

As demonstrated in the chart below, we are currently facing a budget gap that ranges from \$20 million -\$25 million. Approximately \$5 million to \$10 million of this gap can be attributed to the impact of the global pandemic on economic activity. The remaining \$15 million is a structural budget gap between current service levels and on-going revenues.

In these times there is little we can influence when it comes to volatility of our revenues; meaning we will have to focus on the areas that we can control, which is our expenditures. The Finance Department estimates that in order to continue our current service levels in 2021, General and Library fund expenditures will increase by \$23 million. In order to bring the budget into balance this projected increase will need to be drastically slowed.

To balance a deficit of this scale, we will have to deploy many tools within our toolbox. In areas where we expect



revenue to rebound, we can deploy one-time options to help balance the budget. But when it comes to the structural budget gap we will need to enact permanent reductions.

Times like these call us to double down on our priorities. We need to ask ourselves serious questions about whether or not we should be in the business of providing certain services. I am calling on all of you to do what families in our community are becoming all too familiar with, focus on the essentials.

To that end, I have established the following guidance for operating budget requests:

Base Proposals

- Agencies will receive budget targets consistent with the Cost to Continue amount.
- Agencies can reallocate funding across services so long as the overall agency amount is in line with the budget target.
- Agencies will prepare one proposal for each service within their budget.

Enterprise Agencies

- All Enterprise Fund Agencies will submit operating budget plans consistent with current revenue projections for 2021.
 - Agencies projecting revenue shortfalls for 2021 will need to present a base budget that includes expenditure reductions to meet available revenue.
- Enterprise Agencies not receiving a General Fund subsidy do not need to submit a budget reduction scenario.

Reduction Targets

- All General & Library Fund agencies will present 5.0% reduction proposals. At this level we will likely have to implement nearly all of the proposed reductions. Be creative in developing proposals to reduce costs of your service delivery. If you have ideas that might save money but do not fit in the confines of the budget proposal process bring those ideas to your Budget Analyst so we can explore them more.
 - Proposed reductions need to be ongoing and should be not one-time.
- Public Health is exempt from submitting a reduction scenario.

Other Guidance

- Think about ways we can potentially save beyond the silos of your agency. Bring forward your ideas of ways improving our coordination can help to drive down costs.
- No new revenues that result from charging other agencies; other types of revenue proposals will be considered.
- Proposals that result in shifting costs to another funding source must be sustainable on an ongoing basis.
- Ideas for one time savings, novel ways to combine services, and other innovative ideas are strongly encouraged.

Rising to this challenge is not something any one of us can do our own. We all need to approach this year's budget from the perspective of #TeamCity. I am calling on all of you to engage your teams and colleagues in finding ways we can drive more innovation in our service delivery with an eye on driving down costs. As I reflect back on all the innovations we have executed since March, whether it be standing up curbside voting and Library drop-offs or changing to way people safely board the bus, I have great confidence in our team.