

July 14, 2008

TO: City Managers

FR: Mayor Dave Cieslewicz

RE: 2009 Operating Budget Guidelines

As we develop the 2009 operating budget let's keep four goals in mind:

- 1. Protect public safety and maintain basic services.*
- 2. Be as efficient as we possibly can be.*
- 3. Keep tax increases as low as possible while maintaining public safety and basic services.*
- 4. Use 2009 to plan for the future.*

This is the most challenging budget year I have seen in six years and it appears to be among the most challenging in two decades or more. High fuel prices combined with lagging revenues associated with the economic downturn and increases in debt service and other costs will force us to work hard just to maintain current services. Other typical cost increases in areas such as health insurance and wages will create additional pressure on our budget situation.

Based on current estimates, our "cost to continue" budget would result in an unacceptably high increase of about 10% for taxes on the average home and a levy increase of around 15%.

The situation is helped somewhat because we were prudent in previous years. My 2008 budget helped brace us for this challenge by leaving a large part of the TIF district closure revenues reserved for this year, leaving a balance in the room tax that can be tapped for the general fund and leaving room for growth in fees, fines and forfeitures. Finally, efficiencies like automated recycling and numerous energy efficiency improvements under The Natural Step process have made City government more efficient without cutting staff or services.

This is a budget year that will be characterized by a struggle to maintain the progress we have made over the last five years. This is not a year for new positions or programs. Nonetheless, an economic slowdown from time to time is not unusual. The challenge for us as managers is to maintain high quality public services in the face of daunting financial challenges. It will call on all of us to be prudent, innovative, resourceful, creative and patient. But at some point in the future things will improve and we can resume progress on a variety of fronts.

In the meantime, for those of us with ideas for service improvements that cost money, 2009 will be a good time to lay the groundwork and to sharpen our plans. While this is

not the year to launch any new project that costs money, this is a good year to plan for these ideas so that we are ready when better times arrive.

For the development of the 2009 executive budget this will be the process:

1. The Comptroller's Office will work with you to establish an adjusted base budget for your agency.
2. Your adjusted base will serve as your budget ceiling. You may not submit a budget that exceeds your adjusted base amount.
3. Any new positions or programs must be funded by cuts in other parts of your budget or through new revenues from sources other than the City's general fund.
4. In addition to your adjusted base budget, I am asking you to submit a list of potential budget reductions equal to at least 5% of your adjusted base. You should arrange these cuts in order from those that would have the least impact on the services you provide down to the ones with the most impact. My goal will be to find ways to keep your adjusted base budget intact. Your cut plan gives us a menu of options should cuts become necessary.
5. Budget submissions are due to the Comptroller by 4:30 PM on Friday, August 8th.
6. The executive budget will continue to be tied to the outcomes identified in the Madison Measures program. Andrew Statz will be working with you to incorporate these goals into your budget submission. Other staff in my office will work with you as well during the development of your budgets.

As always, I appreciate your hard work during the long budget process. We have a fine group of professional managers and I know that we will get through this very challenging year with high quality City services intact. Thank you and I look forward to seeing your budget submittals.