



District 6 Budget Explainer with Alder Marsha Rummel

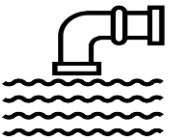
About the City Budget

The City has two budgets: the **capital budget** and **operating budget**. Both are **planning documents** that outline and authorize how the City will spend money in the upcoming year.

Capital Budget



- Funds physical infrastructure like roads, bike lanes, building improvements, and affordable housing.
- Investments ensure infrastructure is safe and advancing goals on climate change, housing, and other issues.



- Primarily paid for through borrowing.
- Special assessments, impact fees, user fees and federal and state grants also help finance capital projects.

Operating Budget



- Pays for the daily services to City residents by paying salaries of City staff, funding community-based organizations, and other costs.

- Budget must be balanced (expenses = revenues).

- Primarily funded by property taxes.

- Charges for services, user fees, and federal and state aid also contribute to the budget.

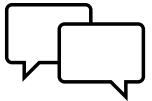


Centering City Values and Service Promise



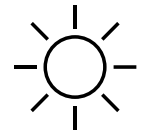
Equity

We are committed to fairness, justice, and equal outcomes for all.



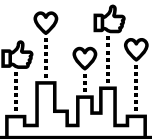
Civic Engagement

We believe in transparency, openness, and inclusivity. We will protect freedom of expression and engagement.



Well-Being

We are committed to creating a community where all can thrive and feel safe.



Shared Prosperity

We are dedicated to creating a community where all are able to achieve economic success and social mobility.



Stewardship

We will care for our natural, economic, fiscal, and social resources

Our Service Promise

I have the highest expectations for myself and my fellow employees.

Every day, I will:

- Serve coworkers and members of the public in a kind and friendly manner.
- Listen actively and communicate clearly.
- Involve those who are impacted before making decisions.
- Collaborate with others to learn, improve, and solve problems.
- Treat everyone as they would like to be treated.

Council Guidance on 2025 Budget

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.

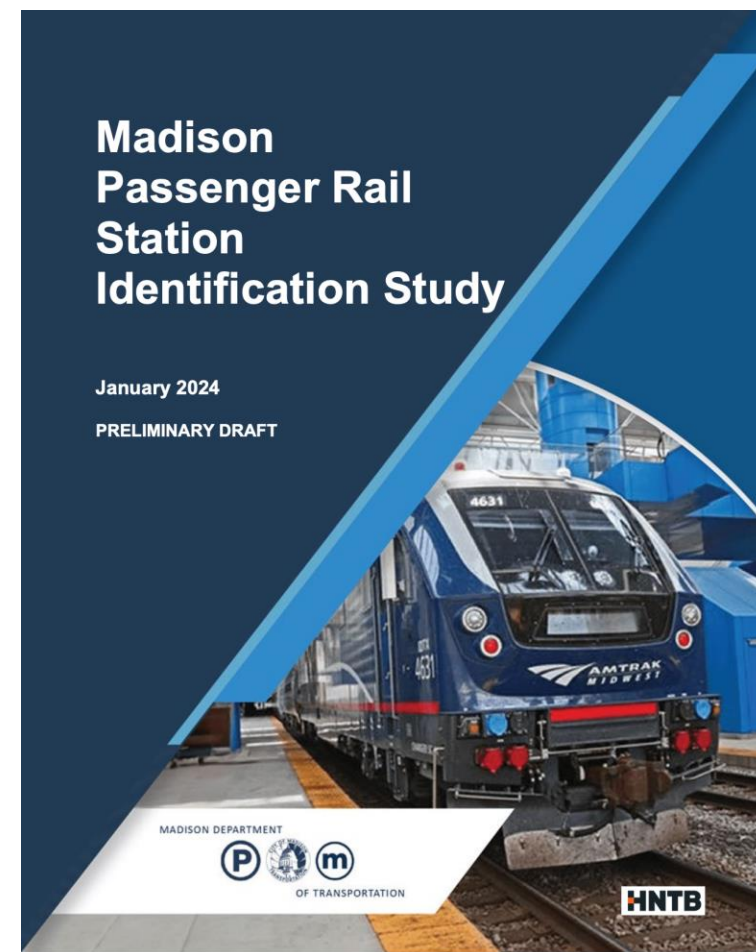
2025 Capital Budget Highlights for District 6

- \$14.5M in affordable housing assistance for 2025 and similar amounts in each year of the Capital Improvement Plan.
- [Reconstruction of John Nolen Drive](#) (Broom-Lakeside) is scheduled for 2025. The majority of funds come from the federal government.
- The Parks Division will refine plans for the Lake Monona Waterfront project (now rebranded as [Madison Lakeway](#)), with a focus on the first phase called the Community Causeway.
- Planning for the future use of the Baldwin triangle in McPike Park. Parks staff will lead a community conversation to explore adaptive reuse of the office/warehouse building at 212-214 S Baldwin and discuss future uses of this corner of the park including a potential dog park. I expect this process will start in the first quarter of 2025.



2025 Capital Budget Highlights for District 6

- The Transportation Dept. is [proposing \\$400K](#) for a local match for the intercity passenger rail station. We should be hearing more about the station selection this fall. Three of the eight proposed stations are in District 6. Locations under consideration are Monona Terrace, Blair St, S Livingston, McPike Park, 1st St at the Madison Public Market, 1st St at E Johnson, Oscar Mayer, and Aberg Ave.
- TID 53/Wilson St is the new tax increment district that includes part of the First Settlement neighborhood near the Capitol. In 2025, funds are allocated for predevelopment costs of the city owned [Brayton Lot](#) (E Washington and S Butler in District 6). There will be a Request for Proposal prepared and issued later this year seeking a master developer.



2024 Operating Budget Facts



\$405.4 Million

Total 2024 General Fund Operating Budget



63% Personnel

Most of the budget pays for staff salaries and benefits. This includes police officers, firefighters, community development workers, and other staff who provide direct services.



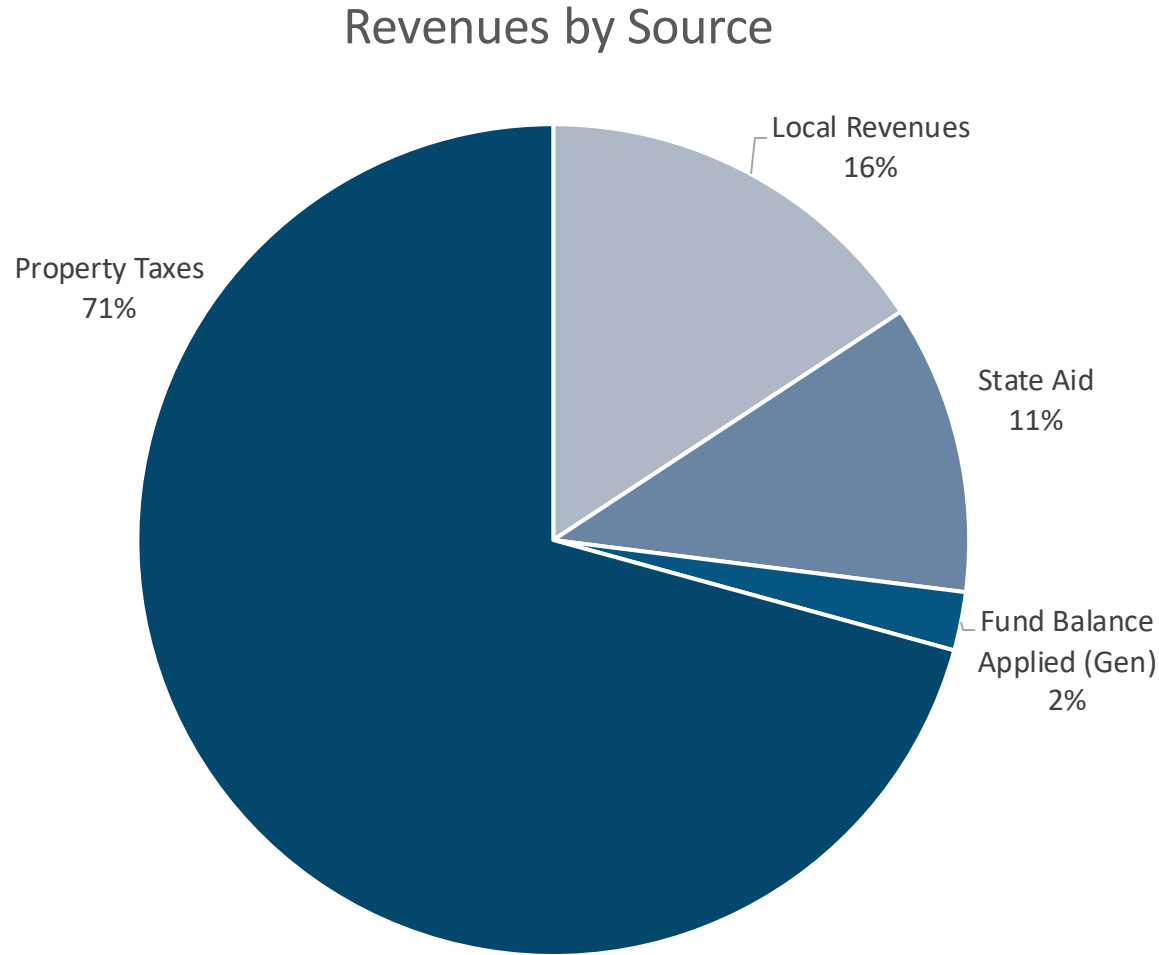
71% Property Tax

Property Tax is the largest revenue source. Local revenues (16%), state aid (11%) and fund balance (2%) make up the rest.



Property Tax is more than 70% of Revenues

2024 General Fund Budget = \$405.4 million

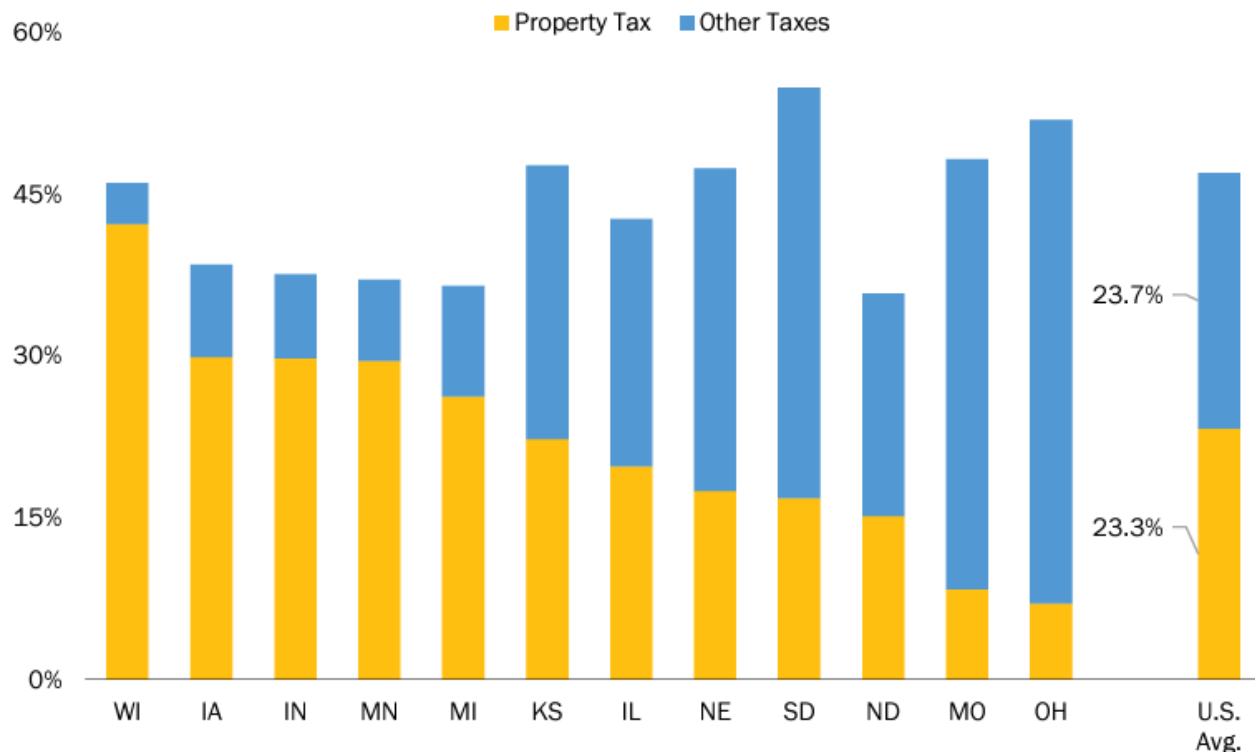


- **Property Taxes:** Primary source of revenue for the operating budget; Accounts for 71% of total (\$286.5m)
- **Local Revenues:** Includes payments in lieu of taxes; transfers in from grant fund (ARPA); fines and forfeitures; licenses and permits; and other local taxes; Accounts for 16% of total (\$64.0m)
- **State Aid:** Includes shared revenue, general transportation aid and other state aid; accounts for 11% of total (\$45.7m)
- **Fund Balance:** Includes \$4m in lapsed funds from TID 25; Accounts for 2% of total (\$9.2m)

“Wisconsin municipalities depend on the property tax more than their peers in any other Midwestern state”

(Wisconsin Policy Forum, 2019)

Figure 1: Wisconsin Relies Most on Property Tax in Midwest
Property Tax & Other Taxes as Share of Municipal Revenue, 2015



Sources: Willamette University, U.S. Census Bureau

- In most states, cities have local sales and/or income tax authority.
- In Wisconsin, the state collects income and sales taxes and “shares” it with cities.
- “Shared revenues” reduced between 2003 to 2011. Increase in recent state budget well below inflation since 2000.
- State has focused aid to local governments through school aid (“two-thirds” goal).
- **Result** -- city budgets are much more reliant on property taxes than peers in other states.

Where do my property tax dollars go?

1. Taxes levied on real property



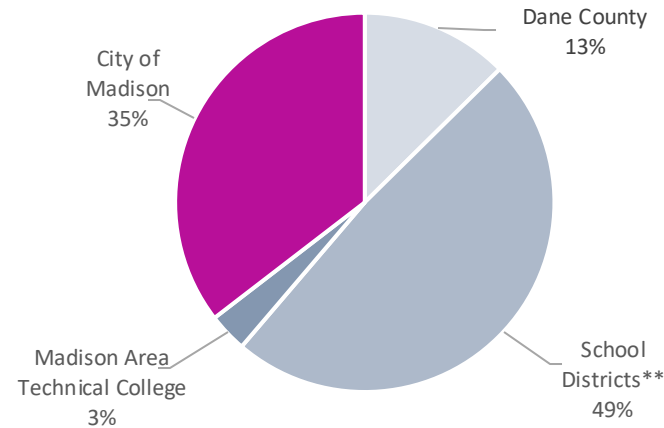
\$424,400

Average Value Home

\$8,600

Taxes on an average value home (TOAH)

2. Taxes distributed across four taxing jurisdictions



35%

City share of total property tax

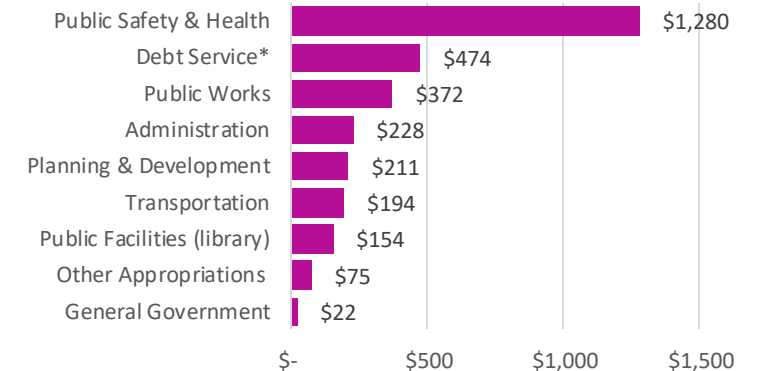
\$3,010

TOAH for City services

**School district amount reflects total levy for all 8 districts within City boundaries

3. Property taxes pay for core city services

TOAH by City Services



\$1,280 (42%) Public Safety

Police, Fire & EMS, Public Health

\$372 (12%) Public Works

Streets (pick up garbage, clear snow, etc.); Parks (programs, maintenance); Engineering

*Debt Service is calculated separately from the overall levy. It impacts property taxes but does not contribute to the city's operating deficit.

Current Situation:

The City faces a serious structural deficit

What is a structural deficit?

- A structural deficit is when projected expenses are greater than projected revenues, despite economic conditions. The cost to provide the same level of services next year is more than we think we will bring in through revenues.

How much is the projected deficit for 2025?

- Currently, the deficit is estimated to be \$22 million.

Why are we in this situation?

1 Limited Revenues

- State of WI places strict limits on revenues, so revenues do not keep pace with inflation
- Madison receives less State Aid (\$29/resident compared to statewide average of \$142/resident)

2 Increasing Expenses

- Annual increases for cost of living adjustments, higher healthcare costs, and inflation
- Expanding services to meet resident needs as the City grows (for example, maintaining emergency response times)

3 Impact of COVID Pandemic

- City revenues have not fully recovered from the pandemic – property taxes limited compared to county and state sales taxes
- Federal COVID relief funding helped with revenue losses in prior years, but this ends in 2024

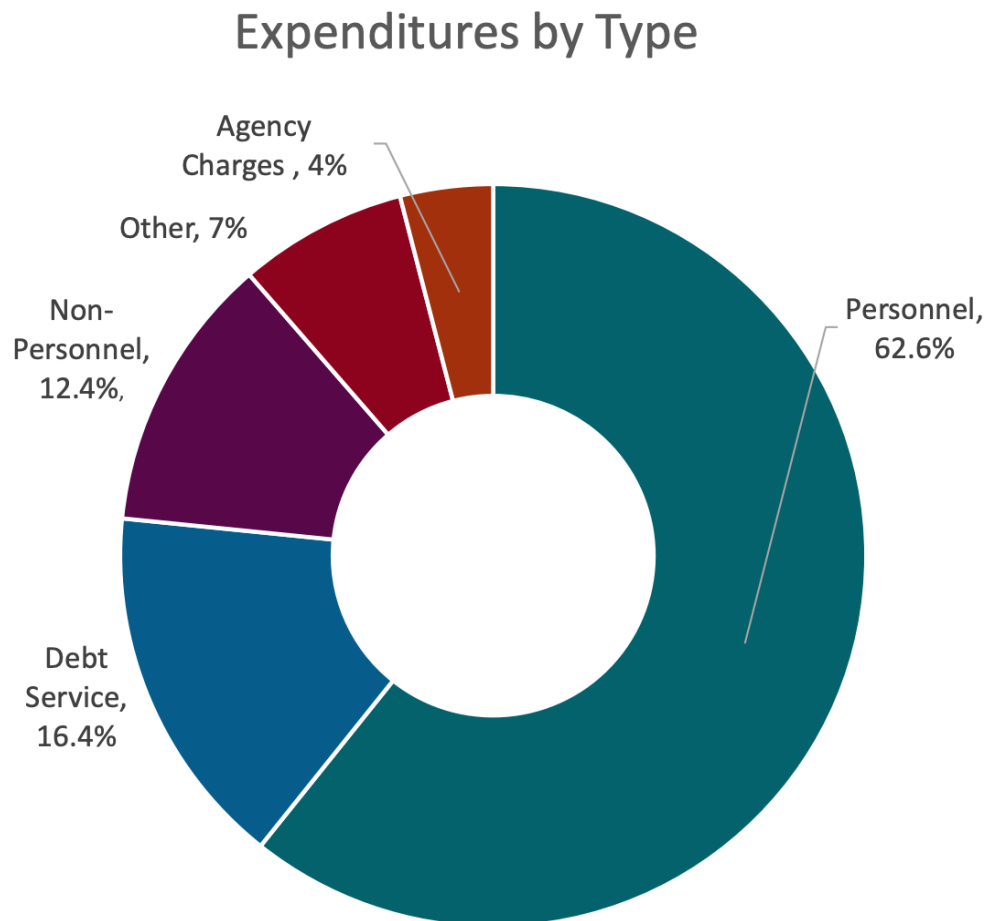
Do projects such as Bus Rapid Transit or the Public Market impact the 2025 budget deficit?

- These and other large infrastructure projects are part of the City's capital budget, which is funded by long-term debt, and were previously approved by the Common Council.
- That funding does not come out of the City's operating budget that pays for City services, nor can it be used to pay for the ongoing cost of those services.
- The interest on that debt, or "debt service," will eventually need to be paid back but does not directly impact the \$22 million budget gap.
- Moreover, the vast majority of the bus rapid transit project is funded by federal infrastructure spending, and not via local taxes. Just 6 percent of the BRT project came from General Obligation borrowing.



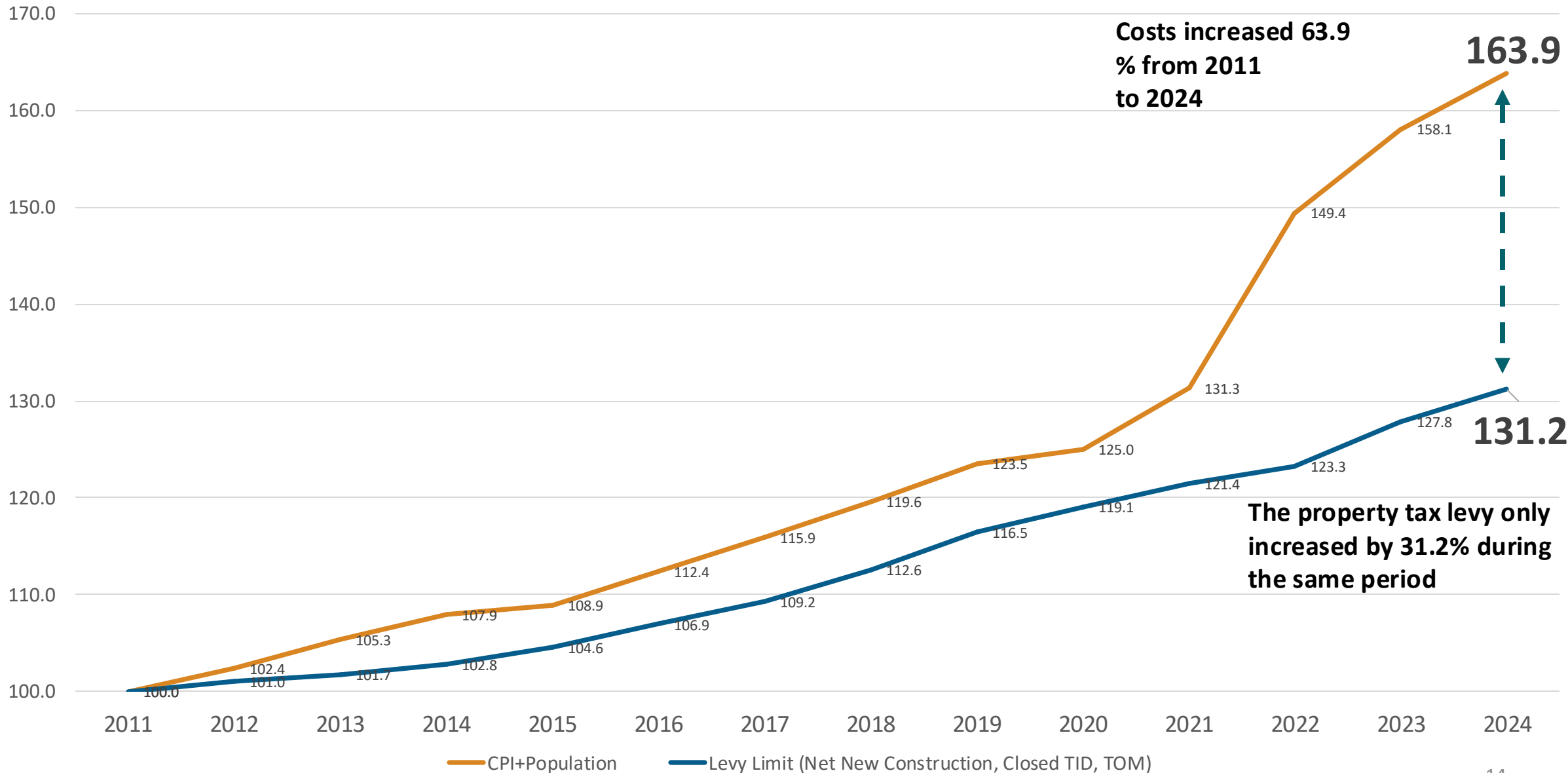
How Does Debt Service Impact the Operating Budget?

- While debt service is paid from the operating budget, the State formula for calculating how much money the City can levy in property tax exempts debt service.
- Lowering the amount of borrowing for City capital projects will lower the amount of future debt service the City pays, it does not translate to more money to pay for other operating cost. This is because our allowable increase in property taxes is adjusted down by that amount.
- Debt Service = \$66.4 million or 16.4 percent of operating budget, which pays back borrowing for capital projects.





Since 2011, Growth in Madison's Costs (Number of Households Served + CPI) Has Increased More Than Twice as Much as Revenue





With so much construction in Madison, why isn't the City budget increasing rapidly?

Year	Equalized Value	Net New Construction	% Increase to Levy	Inflation Rate
2023	\$39,024,059,200	\$864,933,400	2.22%	3.4%
2022	\$32,940,368,400	\$780,438,600	2.37%	6.5%
2021	\$33,036,794,000	\$508,251,200	1.54%	7%
2020	\$30,910,698,000	\$614,695,800	1.99%	1.4%
2019	\$28,727,407,800	\$641,177,800	2.23%	1.6%



How much funding did Madison receive from the American Rescue Plan Act (ARPA) and other federal COVID-related funding and how was that funding used?

- The City received \$47 million through the State and Local Fiscal Relief Fund (SLFRF) created by ARPA. One half was allocated for one-time assistance to help our community recover from the pandemic. This assistance included help for the homeless, programs to reduce violence, funding for youth employment, and grants to help small businesses.
- The other half of the funding was used to maintain current service levels to City residents. The City lost tens of millions of dollars of revenue due to the economic effects of the pandemic.
- The federal funding through the SLFRF was meant to be used to help replace these lost revenues so that services to residents could continue at current levels. No new permanent positions or programs were created by the ARPA funding. Under federal law, the ARPA funding must be allocated by the end of 2024 and fully spent by the end of 2026



General Fund Unassigned Balance

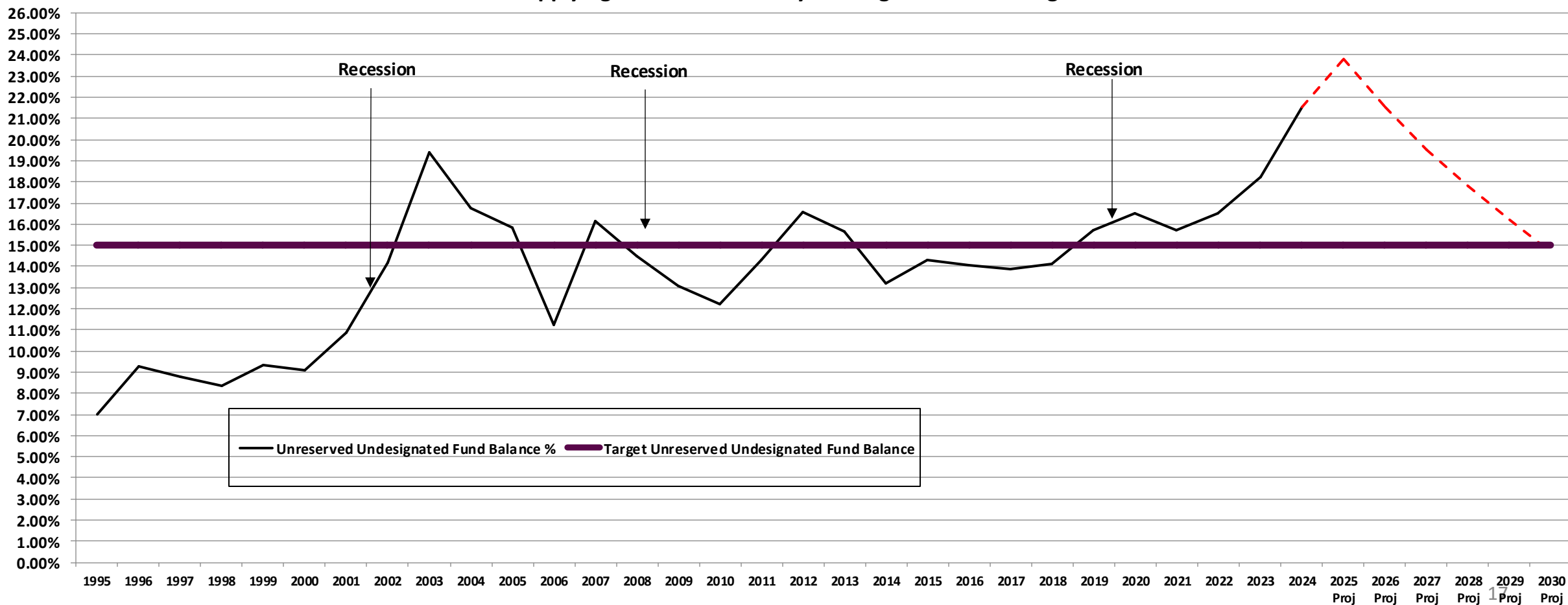
("Rainy Day" Fund)

General Fund Unassigned Balance

(as of January 1)

1995 to 2030 Projected

Assumes applying \$5 million annually to budget -- 2026 through 2030



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.

2012	2013	2014	2015	2016	2017	2018
<ul style="list-style-type: none"> • Debt premium • Police and fire pension contributions • Premium stabilization surplus 	<ul style="list-style-type: none"> • Room tax growth • Ambulance fee 	<ul style="list-style-type: none"> • Room tax – shift from MT projects • Building Permit revenue • Urban forestry special charge 	<ul style="list-style-type: none"> • Room tax • Building permits • Urban forestry special charge 	<ul style="list-style-type: none"> • Room tax – shift Overture • Urban Forestry Special Charge • Health Insurance Plan Design 	<ul style="list-style-type: none"> • Room tax • Ambulance fee • Transit fund surplus • Snow and ice removal budget • Urban forestry special charge 	<ul style="list-style-type: none"> • Increased Room Tax rate • Cost Allocation • Increased investment revenue
2019	2020	2021	2022	2023	2024	
<ul style="list-style-type: none"> • TID 32 Closure • Increased interest revenue • Shift Library Collection to capital 	<ul style="list-style-type: none"> • Vehicle Registration Fee • Shift Parking Enforcement to Parking Enterprise • Increased Forestry staff time to Urban Forestry Special Charge • Debt premium 	<ul style="list-style-type: none"> • \$8 m in fund balance • \$6 million in cuts, Workshare/'furloughs', service efficiencies • \$6.1 million American Rescue Plan Act (ARPA) • \$2 m in fee increases, Town of Madison fire & EMS contract 	<ul style="list-style-type: none"> • \$13.1 million ARPA • \$1.5 million Resource Recovery Special Charge (RRSC) • \$1.4m in cuts 	<ul style="list-style-type: none"> • \$6.9 million TID proceeds • \$3 million Resource Recovery Special Charge (RRSC) • \$7.7 million one-time reduction to Metro subsidy 	<ul style="list-style-type: none"> • \$9.2 million in fund balance • \$5.6 million ARPA • \$3.1 million TID proceeds • \$3.0 million reduction to all agencies • \$2.4 million savings from vacancies/salary savings 	

Prior to 2012, levy limits had a 3% floor for annual increases rather than 0%; 3% minimum was applied to prior year maximum allowable levy rather than actual levy.

Why did City staff get a pay increase while we are dealing with the deficit?

- In 2024, wage increases for City employees cost \$13.5 million (including General & Library Funds).
- In 2011, the State Legislature effectively banned collective bargaining for most public employees. Police, fire and transit labor unions were excluded from this ban. Since then, pay increases for Madison police and fire commissioned staff have increased at a faster pace than general municipal employees.
- Eventually, that gap in wage increases reached 6%. The 2024 budget closes that wage gap to maintain equity for city employees and also responds to the large increases in inflation over the previous couple of years to help recruit and retain staff.



State of Wisconsin has a \$4.5 Billion surplus *



Changes that would positively impact the Madison community

- Including inflation in the levy limit calculation
- A fairer distribution of Shared Revenue
- A Regional Transit Authority
- Fully funding the Municipal Service Payment
 - Currently, the state only pays 38 percent of the money it says it owes Madison for providing police and fire service to state properties
- A local .5 percent sales tax

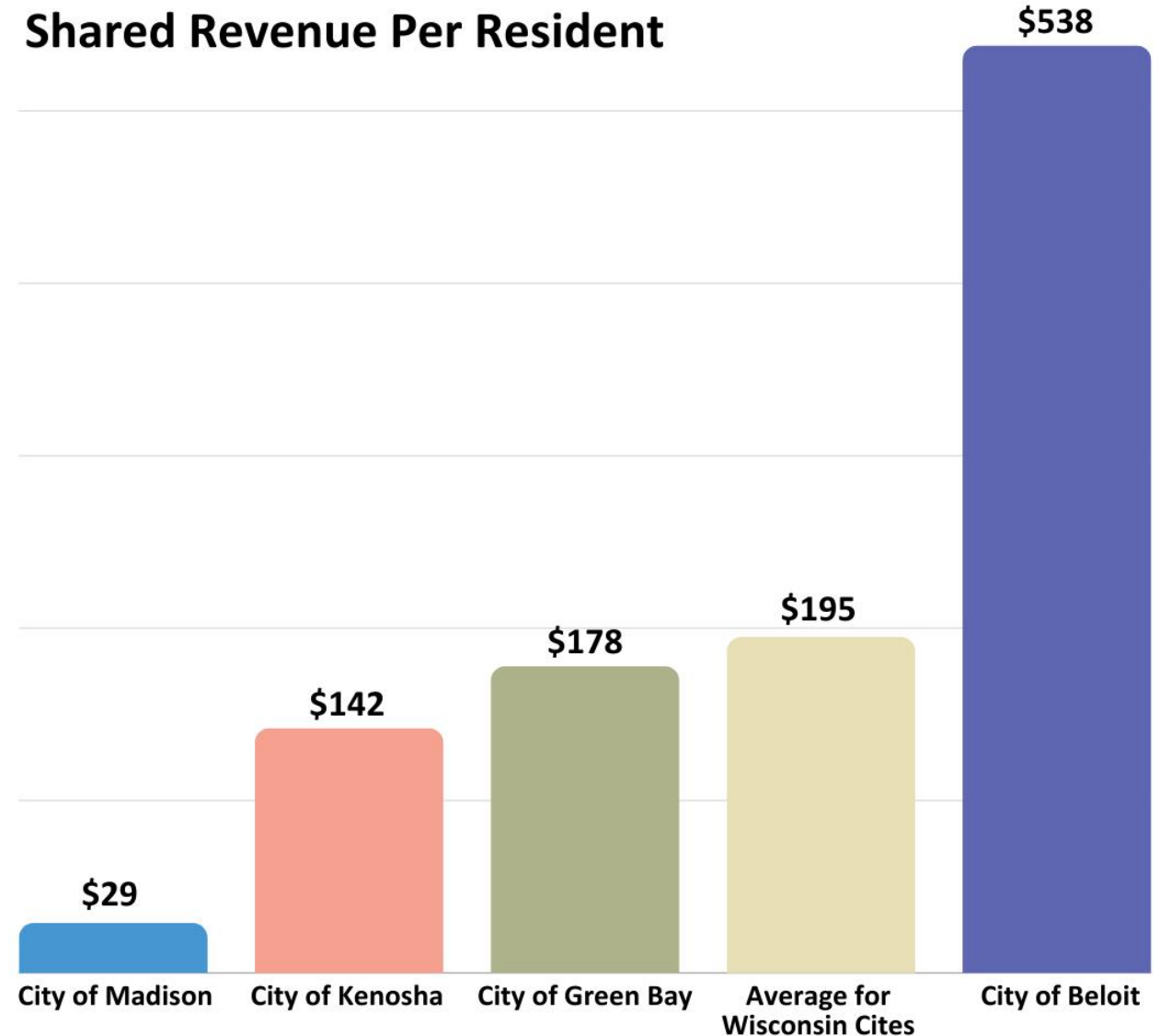
[*Wisconsin Department of Administration – Oct. 10, 2024](#)



Madison receives \$29 per resident

- Madison receives the lowest amount of shared revenue per resident among Wisconsin cities
- Despite being a primary driver of the state economy and contributing over \$1 billion dollars in state taxes, Madison residents get just 18 cents for every dollar they pay in state taxes. That includes state aid provided to the City, School Districts, and Dane County.
- If shared revenue had increased at the rate of inflation since 2003, Madison would be receiving nearly \$20 million in 2024.
- If Madison received the per-resident average for Wisconsin cities, the City would receive \$54 million annually

Shared Revenue Per Resident



State Legislature Limits Flexibility

Public Safety Maintenance of Effort

Police

At least one of the following remains the same or greater from previous year:

- Spending for employment costs of law enforcement officers
- Percentage of budget
- Number of FTE law enforcement officers employed

Fire and EMS

At least two of the following remains the same or greater from previous year:

- Spending for fire protective and emergency medical services
- Number of FTE firefighters and EMS employed
- Level of training and licensure
- Response times

**Penalty for failure to comply is a 15% reduction
in shared revenue = \$1.2 million**

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.



Increase Revenues

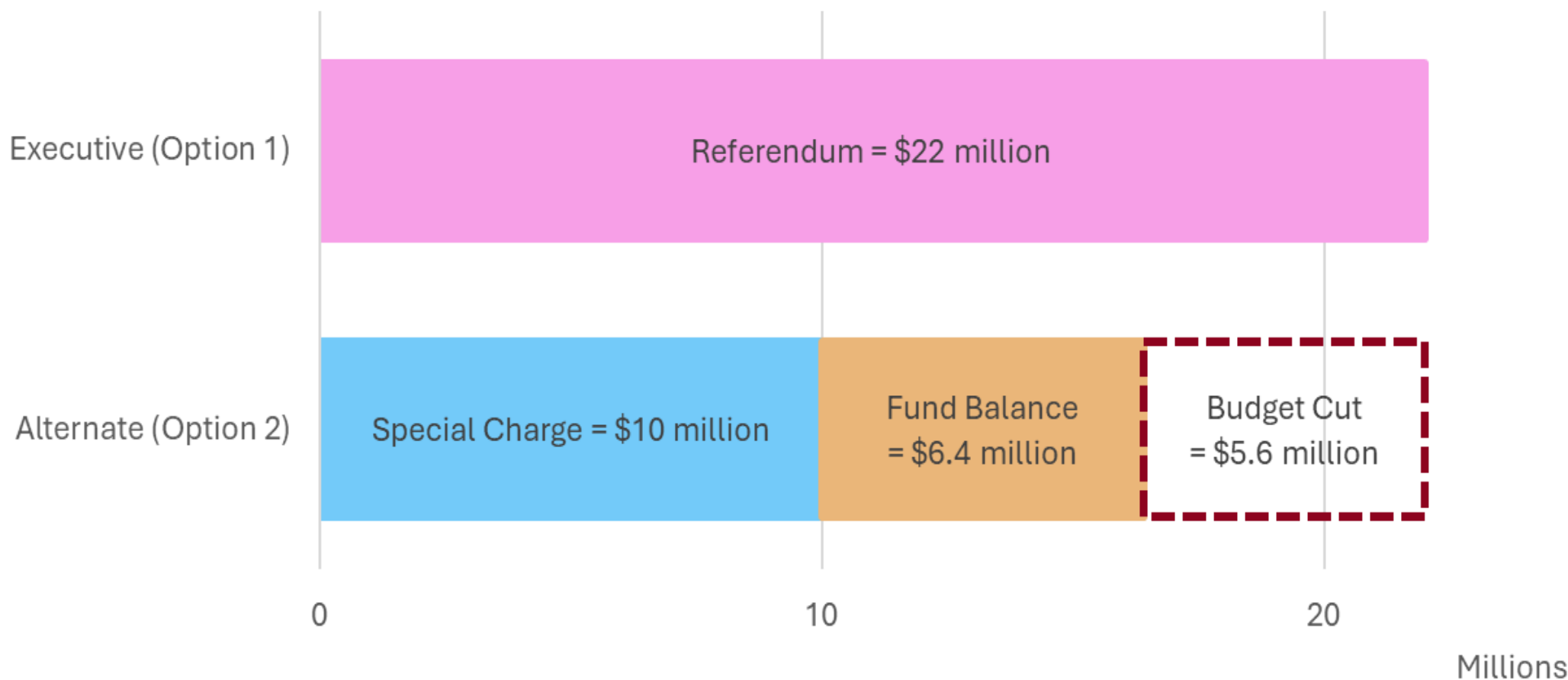
The City's options for raising revenues are limited by the State. For example, we cannot levy a local sales tax or income tax.

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

The 2025 Executive Budget

Two Distinct Paths Forward

Closing the \$22 Million Budget Gap





With A Referendum, Madison Can Avoid Significant Cuts or the Need for More Revenue for Another Five years

With a referendum, Madison will avoid significant cuts to services while minimizing new special charges in future years. There will also be more time for the State to approve additional revenue sources before the City faces an unaddressed budget gap.



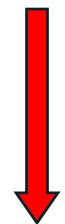
The earliest year that additional shared revenue from the State is possible



The earliest year a local sales tax would likely impact the City budget



Rainy Day Fund (\$25m) fully expended





Without a Referendum, the City Would Need Additional Cuts and Revenue by 2027

Without a referendum, Madison will need additional cuts by 2027 – even with annual increases in special charges and significant cuts to services in 2025.



The earliest year that additional shared revenue from the State is possible



The earliest year a local sales tax would likely impact the City budget



Additional revenue or cuts needed to balance budget



Rainy Day Fund (\$25m) fully expended



Two Proposals for 2025 Budget

Executive Budget – With Referendum

- Generally a “cost to continue” budget
- 1% efficiencies in every budget, saving \$3.4M
- Reallocating funds from Office of Independent Monitor to Reindahl Imagination Center
- Eliminating Sunday drop-off hours at Olin Ave. site
- Adding two operators for garbage and recycling service in response to population growth
- Reallocating funds in Public Health from less needed sources to violence prevention

Alternate Budget – Without Referendum

- \$5.6M additional reductions
- 18+ employee position reductions, while growing
- Cutting Sunday hours at libraries
- \$1M reduction in Metro service
- \$500K reduction in community organization funding
- Reduced arts grants, eliminated neighborhood grants, no ice rinks
- Brush collection reduced by 2x per year, no free woodchips
- No use of overtime to clear snow from paths
- Eliminating Office of Independent Monitor
- Less funding for downtown Business Improvement District, and businesses pay larger share of maintaining State Street
- Cuts to Police and Fire budget in line w/ State MOE



Potential Service Cuts in Future Years

Reduce funding for **Safe Communities-Substance Use and Injury Prevention** – funding provides training, education and coordination of community efforts to prevent substance misuse, overdose and abuse. (\$78,278)

Reduce funding for **Access Community Health** Center (ACHC) - the City of Madison has provided support to ACHC for over 20 years. These resources provide care for almost 200 individuals who have no other access to health care services. (\$188,000)

Eliminate **Violence Prevention** Contract - Focused Interruption Coalition has been the recipient of this funding since the funds were allocated. Funding provides hospital-based intervention and prevention services to those involved in violent incidents. (\$210,000)

Reduce **street repair** by 52%. Reduction of 5.5 FTE (\$790,564)

Reduce **Metro Transit service** in addition to 2025 cuts (\$2.2m)

Reduce **crossing guard** program. (\$79,624)

Eliminate the City's **property look up service**. Reduction of 2 FTE (\$216,046)

Increase various fees: sign permit, tourist rooming house, and first Certificate of Occupancy (\$50,000)

Reduce the City's financial contribution to case management and **outreach services for persons experiencing homelessness** (\$438,000)

Discontinue City contribution to various economic development activities including the **Summer Meals program, and the Community Gardens Network** manager (\$52,225)

Eliminate **Evening hours at libraries**, making access more challenging for some residents. (\$364,899)

Eliminate **Parks Aquatics** Program. Reduction of 1 FTE (\$318,312)

Eliminate **Parks beach cleaning** service, reduced restroom support, reduced maintenance of Forest Hill Cemetery. Reduction of 3.75 FTE (\$381,810)

Possible Infrastructure Special Charge: Focus on Traffic Engineering and Street Repair

Initial Special Charge Revenue = \$ 10 Million

Predictors in Street Use

- Trip Generation (Difficult to Calculate, varies across uses)
- Amount of Parking (surrogate)
- Represents what each land use believes is needed for peak travel demand
- Can be charge/calculated across all land uses (government owned properties, etc.)





Special Charges on the Municipal Services Bill in 2024

Municipal (Water) Bill	Annual	Monthly
Water	\$406	\$33.83
Sewer	\$421	\$35.08
Storm	\$150	\$12.50
Urban Forestry	\$85	\$7.08
Landfill	\$6	\$.50
Resource Recovery	\$47	\$3.92
TOTAL	\$1,115	\$92.92

Municipal Property Tax Levy Referendum Ballot Question

"Under state law, the increase in the levy of the City of Madison for the tax to be imposed for the next fiscal year, 2025, is limited to 2.97%, which results in a levy of \$296,149,162. Shall the City of Madison be allowed to exceed this limit and increase the levy for the next fiscal year, 2025, for the purpose of funding police, fire, garbage collection, parks and library operations and other City services and operations, by a total of 7.4%, which results in a levy of \$318,149,462, and on an ongoing basis, include the increase of \$22,000,000 for each fiscal year going forward?"

Impact of the Referendum

- Raising property tax levy by \$22 million
- \$5 increase for each \$100K of home value
- It's at the discretion of landlords whether they pass the increase cost renters

Average Valued Home (\$457,300)



Referendum cost for Homeowners:

- 60 cents a day
- \$19 a month
- \$230 a year



Referendum Cost for Renters:

(Difficult to Estimate)

- 23 cents a day
- \$7 a month
- \$85 a year



Budget Timeline

FC Amendment Meeting	October 28
CC Amendment Week	October 30-November 8
Election Day	November 5
CC Budget Adoption Meetings	November 12-14

More info:

[City Referendum page](#)

[Budget Brief from the Wisconsin Policy Forum](#)

[2025 Budget Outlook page](#)