

Operating Budget Overview

What is included in the Operating Budget?

The City of Madison’s Operating Budget is a planning and financial document that pays for daily services for City residents. The operating budget appropriates funding to City agencies (departments and divisions) to pay staff salaries, fund community-based organizations that deliver services on behalf of the City, and pay for other costs such as supplies and equipment. Core services funded by the operating budget include police, fire, emergency medical services, library and park programs, garbage and recycling collection, snow and ice removal, and more.

How is the budget funded and paid for?

The City of Madison’s budget is divided into funds. The **general fund (including the library fund)***, is the main operating fund. The general fund is primarily supported by property tax revenues. Other funding sources include charges for services, user fees, and state aid.

*The library fund is also primarily funded by the property tax. For the purpose of the budget summary, the library fund is included in general fund numbers unless explicitly stated otherwise. Information on the City’s other funds is included in the “Budgetary Fund Structure” section.

How much is the 2025 General Fund Budget?

\$432.5 million

Total Expenses

61.9%

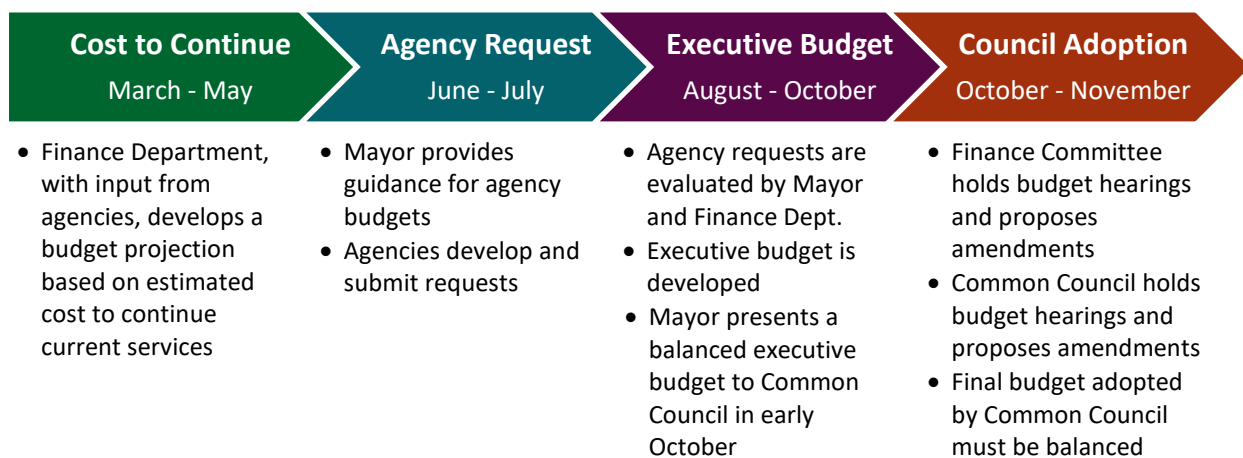
Expenditures for personnel

Requirement for a Balanced Budget

Under state law, the City’s annual operating budget must be balanced. This means revenues (money coming in) must be equal to or greater than expenditures (money going out).

Annual Budget Development Timeline

The budget development timeline follows the same basic steps every year.



Background on the City's Structural Deficit

The 2025 Executive Budget presented a structural budget deficit of \$22 million. This amount reflected the gap between the cost to continue existing services and projected revenues.

The City's budget deficit is "structural" because there is a persistent gap between expenses and revenues that is not caused by external factors in the economy. In other words, the City has a deficit even though it has a strong local economy with low unemployment and relatively high property values. Madison has faced a budget deficit since 2011 when the Wisconsin state legislature placed strict levy limits on municipalities, which significantly restricted the City's ability to raise revenues to keep pace with growth. This gap has been in place for over a decade and was made worse by the economic effects of the recent COVID-19 pandemic. Federal fiscal relief funding and other revenues helped maintain City services over the past few years. However, these were short term measures. With the expiration of some federal relief funding at the end of 2024, longer-term action was needed to close the budget gap.

The Finance Department engaged with the Common Council and public on the challenges facing the 2025 budget throughout the 2024 calendar year. Informational materials, presentations, and frequently asked questions on this issue can be found on the [2025 Budget Outlook webpage](#) and in the introduction of the [2025 Executive Operating Budget](#). These links provide more information on the causes of the deficit, history of what actions were taken to address the deficit in prior years, limitations on City revenues, and other important context for developing the 2025 budget.

Property Tax Levy Referendum

On November 5, Madison voters approved a referendum to exceed the state limit on the property tax levy by \$22 million to continue City services without significant cuts. A referendum is one of the few options the City has to increase revenues. Approximately 57% of voters were in favor of the referendum.

Below is a summary of key dates and information related to the referendum. Copies of all materials can be found on the City's [2025 Budget Outlook webpage](#) and [Referendum webpage](#).

- **February 13:** Common Council was briefed on key issues facing the budget and potential options for closing the budget gap. This presentation included broad options for reducing expenditures and increasing revenues through special charges or a property tax referendum.
- **March 3:** Common Council had a discussion as a Committee of the Whole to discuss priorities and strategies for the budget.
- **April 16:** Based on the discussion on March 3, the Common Council adopted a resolution ([RES-24-00266](#)) that established budget guidance for staff and outlined the Council's values and priorities.

How much is the 2025 property tax referendum?

\$22 Million. *The amount approved through the referendum closes the gap between expenses (the cost to provide services) and revenues (money received from property taxes and other sources).*

What is the financial impact for residents?

*The referendum is estimated to increase taxes on the average value home by **\$230 per year.***

Common Council Guidance on the 2025 Budget (RES-24-00266)

Values and Priorities for the 2025 Budget

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.

- **July 16:** Mayor Rhodes-Conway presented “A Sustainable Long-Term Plan for Madison’s Budget” to the Common Council and introduced a resolution authorize a municipal referendum to increase the property tax levy ([RES-24-00520](#)). The resolution proposed adding a question on the November ballot to increase the property tax levy by \$22 million to continue providing police, fire, garbage collection, parks and library operations and other City services and operations.
- **August 20:** The Common Council approved the Referendum Resolution by a vote of 17-2.
- **October 8:** The executive budget was introduced to the Common Council. The executive budget assumed passage of the property tax levy referendum and included a detailed plan for an alternate budget if the referendum did not pass.
- **November 5:** Madison voters approved the following question on the general election ballot.

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?"

Developing the 2025 Adopted Budget

Cost to Continue Estimates



The budget process begins with a Cost to Continue analysis. This is a baseline estimate of how much it will cost to provide the same level of service in the upcoming year. The cost to continue estimate includes Citywide adjustments, such as cost of living increases for wages and benefits; internal service costs for insurance and workers compensation rates; and other Citywide expenses. Cost to continue also captures agency-specific changes, such as removing one-time funding, annualizing partial year commitments, and factoring in contractually required increases for purchased services.

Some estimates from cost to continue are revised throughout the year as more information becomes available. For example, the City receives health insurance rates and levy limit calculations in August – September. The [2025 Executive Operating Budget](#) introduction included a detailed breakdown of cost to continue adjustments included in the base budget.

Agency Request Guidelines



Base Budget Target (All Funds)

Agencies were given a budget target consistent with the estimated cost to continue current services. From this base budget, agencies were allowed to reallocate funding across services so long as the overall amount was consistent with the budget target.

1% Budget Cut (General, Library, and Fleet Funds)

As part of the budget process, all General, Library, and Fleet fund agencies were required to take a 1% reduction in their base budget. This universal 1% budget cut was first implemented in 2024 based on an analysis of actual spending between 2019 and 2022, which showed that agencies have consistently underspent their budget by 2%-4%. Continuing the 1% reduction allows the City to recognize savings from these trends. The total on-going savings from the 1% budget cut is \$3.4 million in 2025.

3% Average Salary Savings (All Funds)

Salary savings is a budget tool that accounts for vacancy and turnover. Prior to 2024, salary savings was calculated at 2% of permanent wages for all agencies. The 2024 budget increased the salary savings rate to 3% of permanent wages based on an analysis of vacancy rates. In addition, the 2024 budget introduced a tiered structure with variable rates (from 0% to 4%). Agencies with more full time equivalent (FTE) positions have a higher rate because they typically have more turnover. Agencies are expected to be able to manage the reduction by slight delays in hiring without effecting operations. The total on-going salary savings from the general, library, and fleet fund is \$5.6 million in 2025.

5% Reduction Scenarios (General, Library, and Fleet Funds; GF Subsidies for Metro and Public Health)

Additional reductions in services were considered to close the 2025 budget gap. General, Library, Fleet, Metro Transit, and Public Health Madison Dane County (PHMDC) were required to complete a “Lower Priority Service Identification Form” to identify activities that could be eliminated. The form required department heads to identify **permanent cuts** to service levels.

General, Library, and Fleet fund agencies were required to identify service cuts **totaling at least 5% of the agency’s cost to continue budget**. Metro Transit and PHMDC were required to identify cuts totaling at least 5% of the general fund subsidy to their agency. Agencies were instructed to not submit temporary reductions, such as holding positions vacant, or marginal adjustments to non-personnel costs such as reductions to supplies or conferences. Agencies were allowed to propose fee or charge increases on service activities to meet the 5% target. Department heads were instructed to consider resident/ user ability to pay for revenue proposals. The Fleet fund is included in the 1% and 5% reductions because approximately 80% of fleet costs are paid by the general fund. This is because Police, Fire, and Streets are the largest users of Fleet services.

Supplemental Requests (All Funds)

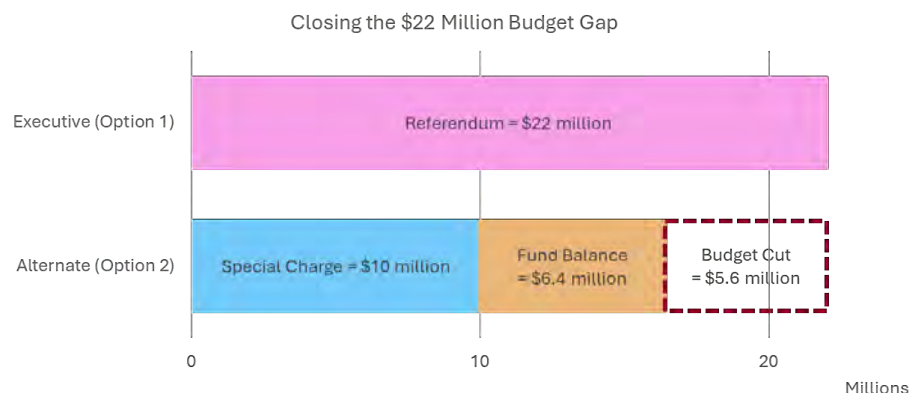
Unlike recent years, agencies were not permitted to submit supplemental requests for additional funding for positions or other priorities. This limitation applied to all agencies, including enterprise funds.

Executive Budget: Two Distinct Paths Forward



Due to the timing of the referendum vote in early November, the executive budget presented two options. Option 1 was the main executive budget, which assumed the property tax levy referendum would pass and authorize an additional \$22 million in property tax revenues to maintain current services. The main budget document, including all agency sections, assumed the referendum passed.

Option 2, or the “Alternate Executive Budget,” presented a plan if the referendum did not pass and resulted in a \$22 million gap between expenses and revenues. This plan included a combination of new special charges, service and expenditure cuts, and the use of one-time fund balance. The introduction section of the [2025 Executive Operating Budget](#) explained the alternate plan in detail.



Highlights from the Executive Budget

The highlights below reflect the main body of the Executive Budget (Option 1). This version assumed the \$22 million property tax referendum would pass and funded the cost to continue budget.

Reallocations Within Agency Budgets: The executive budget included modest reallocations based on the agency request process. These changes included 1) reallocations within an agency budget to a higher priority activity, 2) increases to revenues or charges to offset general fund expenses, and 3) reductions of lower priority services to lower the overall budget gap. These changes are detailed in a table in the introduction section of the [2025 Executive Operating Budget](#).

New Positions: The executive budget added funding for three full time equivalent (FTE) positions (2 General Fund FTEs, 1 non-General Fund FTE). This included one Community Development (CD) Technician 2 to support the creation of a new Finance and Compliance unit within the Community Development Division (CDD). This unit will provide financial oversight for CDD, especially around the management of state and federal funding and administration of the affordable housing fund, which has grown in size and complexity. The other positions are two Street Machine Operators (SMOs) for trash and recycling collection. These roles are needed to maintain current service levels as the city grows geographically. One SMO is funded by the General Fund, one SMO is funded by the Resource Recovery Special Charge.

Wage Parity: Wage parity ensures general municipal employees (GMEs) benefit from the same wage increases as protective service. In 2011, the State Legislature effectively banned most public employee collective bargaining, except for Police and Fire commissioned staff (protective service) and Teamsters. Pay increases for Madison protective service staff had increased at a faster pace than GMEs. Eventually, that gap in wage increases reached 6%.

In 2020, the Common Council enacted [RES-20-00638](#), which recommended reaching wage equity by 2024. The resolution also included a provision that if a protective service employee group received a wage increase prior to 2025, GMEs would be granted an identical wage increase (“me too” clause).

The 6% wage gap was closed in the 2023 and 2024 adopted budgets. These budgets also included additional cost of living adjustments (COLAs) to maintain pace with protective service increases, per the “me too” clause. The 2025 executive budget included a 3% COLA for GMEs to reflect the increase in protective service and maintain a commitment to wage parity.

Policy Changes Recommended Under the Executive Budget

Finally, the Executive Budget recommended that staff pursue a policy and ordinance change in 2025 to raise the minimum thresholds for various procurement activities. This includes 1) changing the threshold for formal bids and Requests for Proposal (RFPs) from \$50,000 to \$75,000; 2) changing the threshold for purchase of service contracts from \$10,000 to \$20,000; and 3) changing the noncompetitive selection threshold from \$50,000 to \$75,000. Affirmative action thresholds for contracts may also need to be adjusted. These changes are expected to reduce the number of formal proposals by 10%. While these policy changes do not have a direct fiscal impact, it is expected that these changes will save staff time in the Finance Department and for all agencies that issue RFPs. This will create operational efficiencies and allow agencies to reallocate staff time to other priorities.

Adopted Budget & Legislative Process:



Finance Committee Briefings

The Finance Committee held agency briefings on **October 14 and 15**. During the briefings, department and division heads presented both versions of their Executive Budget. Committee members had the opportunity to ask questions and discuss the proposals.

Finance Committee Amendments

Members of the Finance Committee, and all alders through co-sponsorships, were able propose amendments to both versions of the Executive Budget. The committee deliberated on proposed amendments on **October 28**. The committee recommended the budget, as amended, to be adopted by the Common Council.

Common Council Deliberations & Amendments

On **November 5**, Madison voters approved the \$22 million property tax referendum. As such, the Common Council only considered the main version (Option 1) of the Executive Budget. The Common Council deliberated on amendments to the capital and operating budgets at a meeting on **November 12**, and adopted a resolution that authorized the property tax levy to fund the adopted budget.

Legislative Files

All materials related to the legislative process, including agency briefing materials, public comment, and amendments, can be found attached to the following files in Legistar.

- [Legistar File 84843](#): Executive Capital Budget
- [Legistar File 85264](#): Executive Operating Budget
- [Legistar File 85776](#): Adopting the 2025 City Budget and authorizing the 2024 property tax levy

American Rescue Plan Act (ARPA) Funding

The City of Madison received \$47.2 million of federal funding through the State and Local Fiscal Recovery Funds (SLFRF) component of the American Rescue Plan Act (ARPA) to recover from the negative public health and economic impacts caused by the COVID-19 pandemic. The City adopted a plan for ARPA funds in July 2021 ([RES-21-00487](#)). This included using approximately half (\$24.4 million) to replace lost revenues and continue funding government services. The remainder (\$22.8 million) was allocated for community investments to address critical needs related to the pandemic and to support an equitable recovery. All ARPA reports can be found on the [City's website](#).

Since 2021, the City has amended the original plan through the annual budget process and through legislative resolutions in order to meet the U.S. Treasury deadline to obligate funds by December 31, 2024. Although the City has until December 31, 2026 to fully expend ARPA funds, the City aimed to spend down funds in 2024 to minimize the risk of potential efforts to “claw back” unspent monies.

Funding for Government Services

The COVID-19 pandemic had significant and lasting impacts on local revenues, which have not fully recovered. It is estimated that budgeted revenues in 2024 were \$33 million (9%) less than pre-pandemic trends. ARPA funds for government services (also referred to as “revenue replacement”) has helped to offset this revenue loss. The City has used ARPA to balance the budget in 2021 (\$6.9 million), 2022 (\$13.1 million), and 2024 (\$4.4 million). The 2024 year-end resolution ([RES-24-00737](#)) appropriated an additional \$7.3 million in ARPA funds for revenue replacement by shifting funds from community investment projects that were not able to expend funds by the U.S. Treasury deadline. For the projects where ARPA funding was reduced, the City replaced ARPA with local dollars to ensure community priorities remained fully funded.

Homeless Support Programming

Of the community priorities, the largest share of funding went toward homelessness support (\$13.8 million). The challenges around unsheltered homelessness were not new but, like in communities around the country, had been made worse by the pandemic.

The 2024 adopted budget reallocated some ARPA funds from housing programs to other projects to ensure all funding for operating projects was expended by December 2024. As part of this reallocation, the budget shifted \$1.2 million to a new project for Nonprofit Support. This project funded eligible costs for existing contracts with community-based organizations. This reallocation ensured funding would be expended in 2024. It also created a general fund savings in 2024 so that levy funding could be preserved for future needs. In 2025, the Adopted Budget functionally utilizes these savings by adding \$1.2 million of general fund monies to continue funding temporary shelter operations. The 2025 Adopted Budget also includes \$779,400 funded through reallocations made in the 2024 year-end resolution ([RES-24-00737](#)) and Common Council amendment #2.

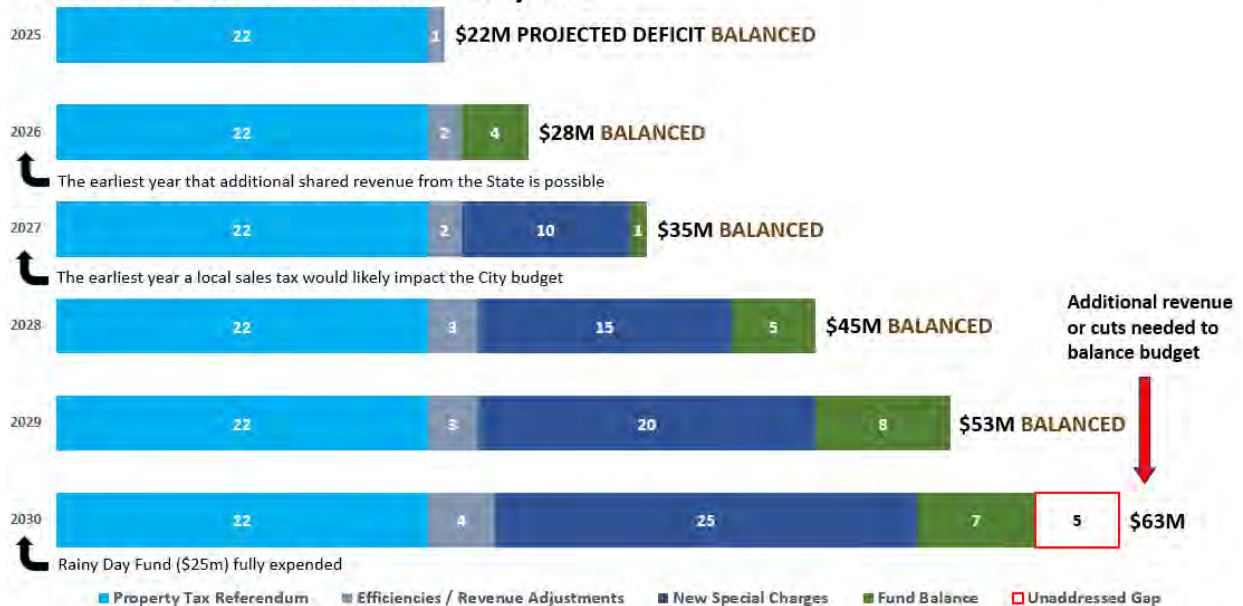
Looking ahead to 2026, it will be important to plan for how to continue funding homeless services, especially when the permanent shelter on Bartillon Drive is fully operational. While ARPA provided a much-needed source of one-time funds, the City will need to identify strategies to sustain funding for these critical operations.

Five-Year Operating Budget Plan

The adopted operating budget includes a five-year plan for addressing the structural deficit and maintaining a balanced budget. This plan is based on a July 16, 2024 presentation, “A Sustainable Long-Term Plan for Madison’s Budget.”

This plan is a framework for avoiding significant cuts to services while minimizing new special charges in future years. This plan proposes using a moderate amount of fund balance and delays new special charges until 2027. This plan will also provide more time for the State to approve additional revenue sources before the City faces an unaddressed budget gap beginning in 2030.

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



How to Read Agency Budgets

The “Agency Operating Budgets” section includes all agency budgets. Budgets are organized by “Functional Area,” which are groupings of agencies that perform similar work. Within the Functional area, budgets are organized in alphabetical order by agency name. The presentation of each agency’s budget includes 2023 actuals, 2024 adopted budget and projected amounts (based on the mid-year projections), 2025 agency request, 2025 executive budget, and 2025 adopted budget.

Each agency section includes the following components:

1. **Agency Overview:** High level summary of the agency including mission, overview, and highlights/ major changes for the 2025 budget.

As part of the 2025 budget process, all agencies evaluated the budget service structure and had the opportunity to propose changes to services as part of the Results Madison initiative (see “Results Madison” section for details). The Overview describes changes between 2024 and 2025.

2. **Budget Overview:** A summary of the agency’s budget by fund, service, and major category of expenditure. Revenues presented for General Fund agencies only include revenue budgeted within the General Fund; expenditure amounts represent all funds.
3. **Service Overview:** Presentation of the agency’s budget by service. Each service includes the following:
 - a. **Service Description:** High level overview of the service and its objectives
 - b. **Activities Performed by Service:** Description of activities that make of the service’s body of work
 - c. **Service Budget:** Presentation of the service’s budget by fund and expenditure type. In cases where services are funded by multiple sources, only revenues from the General Fund are presented.
4. **Line Item Detail:** Agency revenues and expenditures, grouped by major category (“major”). If an agency has budget in multiple funds (for example, the Streets Division includes budget in the General Fund, Restricted Fund, and Stormwater Fund), the line item detail table only shows the primary fund.
5. **Position Detail:** Includes the count and salary of full-time equivalent (FTE) positions funded in the Executive Budget.
 - a. Salary amounts recorded on this page are for total budgeted salaries; this amount may differ from budgeted permanent wages as presented in the Line Item Detail due to payroll allocations to other funding sources (capital projects, grants, etc.).

TIP: Refer to the Glossary at the end of the budget book for definitions of key budget terms. Common words like “fund,” “major,” and “service” have specific meanings in the budget book.

Results Madison

Results Madison is a strategic framework intended to align city services with the outcomes that matter most to Madison residents. This initiative includes three primary components: 1) strategic budgeting, 2) agency data engagements, and 3) change management.

Components of Results Madison



Strategic Budgeting: Strategically allocate funding to services that advance City priorities (e.g. equity, sustainability) and strategic plans (e.g. Imagine Madison)

- Re-engage agencies on proposed Munis Service structure
- Rebuild Chart of Accounts with new Services to better budget for priorities
- Use agency indicators to inform budget decisions; develop budget based on goals/ priorities



Agency Data Engagement: Use data to understand current state of City services; support agencies in effectively using data.

- Update dataset & systems inventories for all agencies
- Develop agency-level Service Indicators (including equity indicators); agencies will complete engagement on a rolling basis
- Develop tools/ trainings/ other supports for data use



Change Management: Lead organization-wide efforts to adapt to new ways of working and support continuous improvement.

- Coordinate and create awareness of city-wide initiatives
- Build on TeamCity change leadership and ADKAR model (awareness, desire, knowledge, ability, and reinforcement)
- Support skill development, training, and work planning

Since 2022, the City has been implementing Results Madison in phases. All City agencies reviewed their budget structure in 2022-2023 and proposed changes to make their budget more transparent and accessible to the public and policymakers. This service redesign was finalized in 2024 for the 2025 budget. As part of the 2025 agency request process, agencies developed their line-item budgets based on their new services and provided updated descriptions to make it clear what activities they perform. Many agencies created new services to add granularity and transparency to their budget. Others renamed services for clarity or made other changes to their account structure.

In agencies where there was a service change, it was not possible to show the expenditure history at the service level. The budget does show a full history at the agency level by fund and by major expenditure category. Each agency overview page notes the changes, or lack of changes, between 2024 and 2025.

In addition, agencies are continuing to complete data engagements to identify service indicators and measure progress on their activities. Service indicators include input measures, output measures, outcome measures, and equity measures. The City Data Team is currently working on developing a public-facing, interactive dashboard to present service indicators. The dashboard will be available through the Finance Department [website](#) and will be widely shared when available.

Budgetary Fund Structure

The City's budget is divided into separate funds. A fund is a sum of money segregated for specific activities. Individual funds may be subject to specific regulations or uses.

General Fund

The **General Fund** is the primary focus of the budget. It is the City's main operating fund and pays for the cost of day-to-day City services. The General Fund is primarily supported by property tax revenues.

The **Library Fund** is also primarily supported by property tax revenues. For this reason, the Library Fund is also considered part of the General Fund throughout the budget book, unless specifically noted.

Other Funds

Enterprise Funds

Enterprise funds account for the City's business-like activities, such as utilities. The operating budget includes the following Madison's enterprise funds:

- Golf Enterprise
- Monona Terrace
- Parking Utility
- Transit Utility (Metro Transit)
- Sewer Utility
- Stormwater Utility
- Water Utility

Enterprise funds are generally self-sustaining, meaning that the fund generates sufficient revenue to pay for its expenses. The exceptions are Monona Terrace and Transit Utility, which receive subsidies from local sources. Monona Terrace receives a subsidy through the Room Tax Fund as authorized by the Room Tax Commission. The Transit Utility receives a General Fund subsidy outlined in the proposed budget for Metro Transit. Savings resulting from lower than anticipated expenses and revenues generated in excess of budgeted levels are maintained in the individual enterprise operating funds. This policy affords enterprise managers the opportunity to utilize positive budget variances to benefit future year operations. It also builds capacity to respond to future budget shortfalls from enterprise resources, without affecting General Fund expenditure levels.

Internal Service Funds

The Operating Budget includes three Internal Service Funds: Fleet Service, Insurance, and Workers Compensation. An Internal Service Fund is used to account for enterprise-like operations that provide services, on a user fee basis, primarily or exclusively to City agencies. Budgets for the internal service funds are presented in the Agency Operating Budgets section, and fund statements for Insurance and Workers Compensation are included in the Special Fund Statement section.

Other Funds

Other funds are separated for legal or other purposes. These include debt service, capital project, public health, room tax, and more. These other funds do not rely on property tax revenues. They pay for themselves through user fees, revenues that only for these projects, or money moved from other funds.

Financial and Budget Management Policies

The City's financial policies are codified under the [Madison General Ordinances](#) (Chapter 4) and the City's [Administrative Procedure Memoranda](#) (Section 1). In addition, the annual budget adoption resolution and budget book establish the following policies:

Use of one-time funds: To maintain a long-term balanced budget, the City of Madison will avoid using one-time revenue sources to fund ongoing operating expenses.

General Fund Balance: Consistent with recommended financial and budget management practices, the City of Madison has a goal of maintaining an unassigned general fund balance on December 31st equal to or greater than 15 percent of subsequent year's budgeted general fund appropriations. Excess balances will be used for one-time expenditures and actions will be taken to increase the balance if it falls below the 15 percent goal.

Appropriations outside of the budget process: The City will also seek to avoid appropriations outside of its regular budget process other than to respond to emergency situations (as expressed by the Mayor and Common Council through resolution) or to address mid-year and year-end budget sufficiency and expenditure restraint program requirements.

Transfers: The expenditures within each department for the various major objects of expenditure and capital projects shall not exceed the amounts specified in the budget. The Finance Director is authorized to approve all intradepartmental transfers of unencumbered balances of up to \$50,000, and the Mayor is authorized to approve interdepartmental transfers of up to \$50,000.