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?

$431.7 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 ever year.

Cost to Continue March - May	Agency Request June - July	Executive Budget August - October	Council Adoption October - November
• Finance Department, with input from agencies, develops a budget projection based on estimated cost to continue current services	• Mayor provides guidance for agency budgets • Agencies develop and submit requests	• Agency requests are evaluated by Mayor and Finance Dept. • Executive budget is developed • Mayor presents a balanced executive budget to Common Council in early October	• Finance Committee holds budget hearings and proposes amendments • Common Council holds budget hearings and proposes amendments • Final budget adopted by Common Council must be balanced

2025 Budget Outlook: Addressing a significant structural deficit

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 pandemic. Federal fiscal relief funding and other City funding helped maintain City services over the past few years. But these were short-term measures – longer-term action is now necessary to address the deficit.

The Finance Department has been engaging with the Common Council and public on the challenges facing the 2025 budget since February 2024. Informational materials, presentations, and frequently asked questions on this issue can be found on the 2025 Budget Outlook webpage: https://www.cityofmadison.com/finance/budget/2025/outlook

How much is the 2025 general fund deficit?

$22 Million

This amount reflects the gap between expenses (the cost to provide services) and revenues (money received from property taxes and other sources to pay for services).

Note: The projected deficit has been updated throughout the year as information became available. Some informational materials on the City website may reflect numbers from preliminary estimates.

What is a structural deficit?

The City budget is facing a structural deficit. This means it will cost more to provide services than it will bring in through taxes and other revenues. The 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, we have a deficit even though Madison has a strong local economy with low unemployment and relatively high property values. Some of the causes for the deficit include:

Revenues: In 2011, the State Legislature placed strict limits on how much cities and other local governments can raise through property taxes and other revenues. These limits prevent our revenues from keeping pace with the cost to continue current services to residents. In addition, City revenues have not fully recovered from the economic effects of the COVID-19 pandemic.

Expenses: Costs go up every year because of cost-of-living adjustments, higher healthcare costs, and increasing costs of services and supplies (inflation). In addition to maintaining existing services, the budget reflects the fact that Madison is the fastest growing city in Wisconsin. The City needs to hire new staff each year to provide basic services, like public safety and public works, for a growing city.

What has Madison done so far to address the structural deficit?

Madison has used many of the limited options allowed under state law to maintain funding for current services. Some of the measures used to balance the budget since 2011 include:

- Increasing certain charges and fees (e.g. ambulance fee, building permits, room taxes, vehicle registration fees);
- Implementing special charges for city-wide services such as urban forestry and recycling; and
- Reducing expenditures through higher employee contributions to benefits and modest across-the-board reductions to agency budgets.

How does the recent change in State Aid impact the City Budget?

Wisconsin finances local government services through a combination of local property taxes and "sharing" of sales and income taxes collected by the state. Under this model, Wisconsin cities have very few local general revenue options and are under strict control by the State for the funding necessary to provide services to residents.

Starting over 20 years ago, the State Legislature made a series of cuts to "shared revenue" that totaled over $100 million. These reductions, along with other measures over the past decades, have increased Madison's reliance on property taxes, particularly those paid by homeowners and renters. Today, all state aid to the City, including "shared revenue", represents less than 12 percent of the City General Fund budget. Property taxes represent almost 75 percent of the budget.

Recently, the State Legislature chose to use a small portion of a historic $7 billion state budget surplus to increase "shared revenue" to Wisconsin cities. A total of $207 million was provided to municipalities state-wide. Madison received less than $3 million, or about 1.5 percent of that total (for comparison purposes, Madison's population is about 5 percent of Wisconsin's population). In distributing this increase in "shared revenue", the State Legislature devised a formula that ensured Madison received the lowest amount on a per resident basis – about $10. In total, Madison receives about $29 per resident in "shared revenue" – the statewide average for cities is about $195 per resident; Milwaukee receives about $400 per resident.

As a condition for receiving this increase in "shared revenue", the State Legislature mandated a "maintenance of effort" for police, fire and emergency medical services. Municipalities across the state, including Madison, are required to provide at least the same level of these services as in the prior year or lose 15 percent of "shared revenue." Maintenance of effort requirements effectively limit local decision making on protective service budgets, which puts additional pressure on expenditures.

Property Tax Levy Referendum

One of the few options the City has to increase revenues to close the structural deficit is through a referendum to increase the property tax levy. On July 16, Mayor Rhodes-Conway introduced a resolution (RES-24-00520) to schedule a referendum on the November 5 general election ballot to exceed the property tax levy by $22 million to continue City services. The Common Council approved this resolution on August 20. Voters will decide on the outcome of the referendum on November 5.

Below is a summary of key dates, presentations, and guidance related to the decision to approve inclusion of the referendum on the general election ballot. Copies of all presentations and 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 guidance for staff developing the budget and outlined the Council's values and priorities

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 is introduced to the Common Council. The executive budget assumes passage of the property tax levy referendum and includes a detailed plan for an alternate budget if the referendum does not pass.
- **November 5:** The following question will be included on the general election ballot. Madison voters will decide the outcome of the municipal property tax referendum.

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 Executive Budget

Cost to Continue Estimates

Cost to Continue March - May | **Agency Request** June - July | **Executive Budget** August - October | **Council Adoption** October - November

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 summary table below reflects the final cost to continue estimates. The amounts reflect the difference between the 2024 adopted and 2025 executive budget.

Major Cost to Continue Changes in the 2025 Executive Budget (table 1 of 2)
General and Library Funds

Agency/ Category	Description	Increase/ (Decrease) from 2024
Revenue Adjustments		
Property Tax Levy	Allowable levy increase from net new construction and debt service	($9,626,500)
Investment Income	Increase in interest earnings	($6,000,000)
Other Local Revenues	Increase in ambulance conveyance fees ($1.0 million), parking violations ($800,000), and PILOT payments ($500,000)	($2,300,000)
State Aid	Increase in personal property exempt aid ($3.2m), highway aid ($331,000), and shared revenue ($200,000)	($4,000,000)
One-Time Sources	Remove one-time sources ($9.2 million in fund balance, $5.6 million ARPA, $3.1 million TID proceeds)	$17,900,000
Citywide Adjustments		
Reductions	Continues 1% reduction to all agencies; total savings of $3.4 million in 2025; amount reflects change from prior year	($202,100)
	Continues 3% salary savings rate; total savings of $5.6 million in 2025; amount reflects change from prior year	($12,200)
Personnel Adjustments	1% wage increase for steps and longevity (standard salary adjustment not related to cost of living adjustment)	$2,000,000

Major Cost to Continue Changes in the 2025 Executive Budget (Table 2 of 2) *General and Library Funds*		
Agency/ Category	**Description**	**Increase/ (Decrease)**
Personnel Adjustments, Continued	3% Cost of Living Adjustment (COLA) for all general and library fund employees (GMEs and protective service)	$6,100,000
	Health Insurance rate increase of 11%	$2,300,000
	Wisconsin Retirement System (WRS) contribution	$1,600,000
	Other miscellaneous benefits	$565,800
Debt Service	Principal and interest on already issued general obligation debt	$4,267,200
Direct Appropriations	Increase contingent reserve to maintain policy of having 0.05% of general fund expenditures in reserves	$52,900
Technology costs	IT Software maintenance contracts, PCI compliance, credit card processing fees, and adjustments to software maintenance in other agencies	$1,540,000
Utilities and maintenance	Increase natural gas by 15%, electricity by 5%, and building use charges by 10%	$315,400
Internal Service Funds and Cost Allocations		
Insurance and Workers Comp	$485,000 increase in Insurance, $389,500 decrease in Worker's Compensation; changes related to premiums, claims and administrative costs.	$95,400
Fleet Rate	General fund portion of fleet expenses related to increased costs for repairs and supplies and higher personnel costs	$542,000
Cost Allocation Plan	Updated plan increases billings to enterprise agencies by $469,000 to reflect higher central service agency costs.	($460,000)
Agency-Specific Changes		
Community Development Division	Adds $1.2 million in general fund support for shelter operations. In 2024, these expenses were funded through the American Rescue Plan Act (ARPA). See the ARPA highlight below for additional details.	$1,225,600
Clerk	Removes funding for odd-year election cycle	($1,224,500)
Metro Subsidy	Adds $2.7m to Metro subsidy (2025 total: $18,442,200) for salaries, fringe benefits, overtime, paratransit contracts, supplies/services, and revenue re-estimates.	$2,717,200
Public Health Subsidy	Increases Public Health subsidy for salaries, fringe benefits, supplies/services, and updated equalized value.	$545,000

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. Per U.S. Treasury rules, ARPA SLFRF funding must be obligated by December 2024 and fully expended by December 2026. All ARPA funding and expenditure reports can be found on the City's website: https://www.cityofmadison.com/arpa

Funding for Government Services ($24.4 million)

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 are $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 2023 budget did not include ARPA funds because other one-time sources were available, as detailed in the 2023 Executive Summary.

Funding for Community Investments ($22.8 million)

There were five priority areas for community investments: 1) homelessness support, 2) affordable housing, 3) violence prevention and youth engagement, 4) emerging needs, and 5) neighborhood and small business revitalization.

Homeless Support Programming

Of these priorities, the largest share of funding went toward homelessness support ($11.8 million). The challenges around unsheltered homelessness were not new but, like in communities around the country, had been made worse by the pandemic. The pandemic exposed severe gaps in Madison's shelter system, which relied on spaces in downtown church basements that were not designed for such use. ARPA funding supported multiple strategies, including capital investments for a purpose-built shelter (currently under construction) and operational support for temporary shelter options.

The 2024 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 executive budget functionally utilizes these savings by adding $1.2 million of general fund monies to continue funding temporary shelter operations.

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.

Agency Request Guidelines

Cost to Continue — March - May | **Agency Request — June - July** | Executive Budget — August - October | Council Adoption — October - November

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.

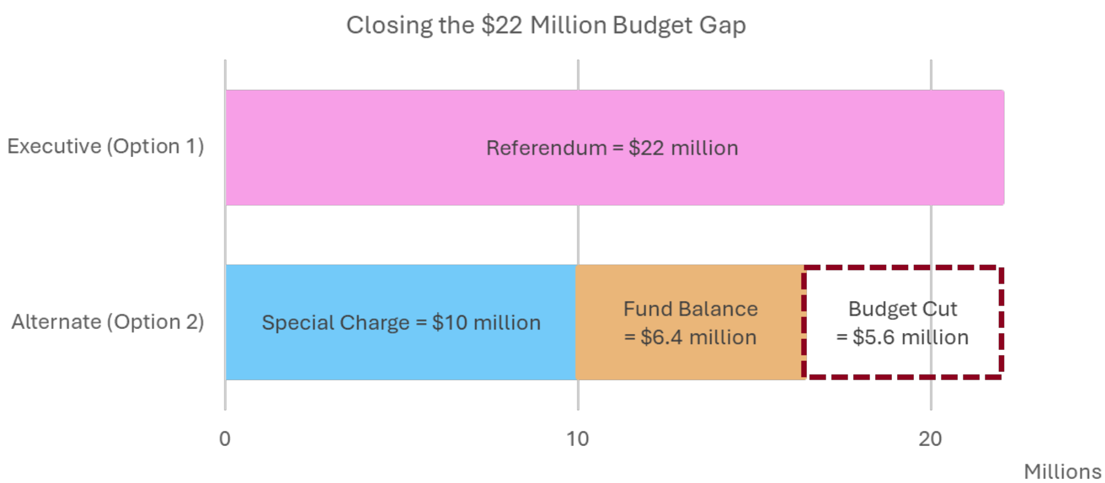
Supplemental Requests (All Funds)

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 presents two options. Option 1 is the main executive budget, which assumes the property tax levy referendum passes and authorizes an additional $22 million in property tax revenues to maintain current services. The main body of the budget, including all agency budgets presented in detail, assumes the referendum passes.

Option 2, or the "Alternate Executive Budget," presents a plan if the referendum does not pass and results in a $22 million gap between expenses and revenues. This plan includes a combination of new special charges, service and expenditure cuts, and the use of one-time fund balance. This option is consistent with a plan presented by Mayor Rhodes-Conway to the Common Council on July 16, 2024, "A Sustainable Long-Term Plan for Madison's Budget" (Presentation | Memo | Meeting Recording).



Both Executive Budget Options Maintain a Commitment to Wage Parity

In 2011, the State Legislature effectively banned most public employee collective bargaining, except for Police and Fire commissioned staff (protective service) and Teamsters. Wage parity ensures general municipal employees (GMEs) benefit from the same wage increases as protective service.

Since 2011, pay increases for Madison protective service staff has 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 the City reach wage equity by 2024. In addition, the resolution included a provision that if a protective service employee group receives 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. Both versions of the 2025 executive budget include a 3% COLA for GMEs to reflect the increase in protective service and maintain a commitment to wage parity.

Option 1: Executive Budget if Referendum Passes

The body of the executive budget assumes the $22 million property tax referendum passes in November and the City maintains core services. The executive budget funds the cost to continue budget to maintain level services, with 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. Executive budget changes are detailed in the table below. This table excludes technical adjustments, such as position reclassifications that are approved under Personnel Rules.

Although agencies were not allowed to submit supplemental requests, the executive budget adds funding for three full time equivalent (FTE) positions (2 general fund FTEs, 1 non-general fund FTE). This includes 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.

Major Revenue and Expenditure Changes in the 2025 Executive Budget (Table 1 of 2)
General and Library Funds

Agency	Description	Increase/ (Decrease)
Building Inspection	Increase tourist room house application fee (from $100 to $300); increase first Certificate of Occupancy fee (from $10 to $50); and add $25 application fee for sign permits to cover cost of services.	($50,000)
Community Development Division (CDD)	Reallocate $10,000 for Driver's Education scholarships and $38,000 for Northside Early Child Care Zone (NECZ) to Homeless Services and Housing Stability services.	$0
	Reclassify the vacant Senior Center Director position to a Finance and Compliance Manager in the same comp group and range. The reclassified position will be used to support the creation of a Finance & Compliance unit.	$0
	Add a CD Technician 2 position to support the new Finance & Compliance Unit.	$89,339
Direct Appropriations	Cut memberships for subscriptions and networks, including: Wheeler Report ($1,500), WI Coalition Against Homelessness ($4,000), WI Diversity Procurement Network ($10,000), League of Wisconsin Municipalities (LWM) ($57,324).	($72,824)

Major Revenue and Expenditure Changes in the 2025 Executive Budget (Table 2 of 2)
General and Library Funds

Agency	Description	Increase/ (Decrease)
Finance	Direct charge to CDA Housing for administrative support team time that is currently funded by the general fund.	($23,000)
Library	Reallocate funding for start-up operational costs for the Reindahl Imagination Center, a co-location of a new library and park pavilion on the northeast side anticipated to open in mid-2026. Funding is reallocated from a reduction in OIM, detailed below.	$195,000
Mayor	Reduce funding for conferences, training, and travel.	($9,156)
Office of the Independent Monitor (OIM)	Eliminate a vacant 1.0 FTE data analyst position.	($96,954)
	Remove funding for the Police Civilian Oversight Board (stipends, childcare, training, conferences, and IT support) ($37,600); remove funding for legal services ($50,000); and reduce other purchased services. Maintain $3,000 for purchased services for basic expenses and $15,000 for custodial charges.	($96,100)
	Reduce supply budget from $4,000 to $2,000 for basic expenses.	($2,000)
Public Health Madison Dane County (PHMDC)	Reallocate funding for the following contracts to violence prevention activities: Wellness mini-grants ($7,000); Narcan for business ($15,000); Vivent Health ($27,394). Public Health indicated it would be feasible to reduce these programs without a significant impact to services, as there are other resources to meet these needs.	$0
Streets	Close Olin Ave Drop Off Site on Sundays; reduction will save $5,320 in hourly staffing and $13,530 in fleet charges	($18,850)
	Add 2 FTE Street Machine Operator (SMO) positions to provide garbage and recycling services as the city grows. One position will be funded by the Resource Recovery Special Charge (RRSC).	$72,927 *Reflects GF cost*

Policy Changes Recommended Under the Executive Budget

Finally, the executive budget recommends 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.

Option 2: Alternate Executive Budget if Referendum Does Not Pass

If the property tax levy referendum does not pass on November 5, 2024, the following changes to the main executive budget will be proposed as an **alternate executive budget**. This alternate plan is consistent with Mayor Rhodes-Conway's July 16, 2024 presentation to the Common Council, "A Sustainable Long-Term Plan for Madison's Budget." The main components of the alternate executive budget are 1) implementation of a new special charge, 2) permanent budget cuts, including eliminating funding for 18.2 FTE positions, and 3) use of one-time fund balance.

Proposed service reductions are detailed in the table below, followed by a description of the new proposed special charge and use of fund balance.

Service Reductions and Budget Cuts

Proposed Changes if Referendum Fails (Table 1 of 4) *General and Library Funds (unless otherwise noted)*		
Agency	**Description**	**Increase/ (Decrease)**
Building Inspection	Eliminate 1.0 FTE vacant housing inspector.	$(101,685)
	Eliminate 1.0 LTE info clerk.	$(61,277)
Community Development Division	Reallocate 6 positions to charge time to Affordable Housing Fund in Capital Budget (reduces funding for affordable housing projects)	$(127,000)
	Cut funding for driver's education scholarships ($10,000) and the Northside Early Child Care Zone ($38,000) (Option 1 proposes reallocating these funds to homeless services).	$(48,000)
	Reduce childcare stabilization funding for childcare centers serving low-income families	$(10,000)
	Reduce tuition assistance for childcare at accredited centers; continue funding for families currently enrolled but do not take on new households in 2025.	$(220,000)
	Cut funding for youth restorative justice programming with 4 contracted providers	$(180,000)
	Cut funding for Severe Weather Hotel Program	$(45,000)
	Reduce funding for Urban League Southwest Employment Center by 20%; continue funding 4 days of operations.	$(55,800)
Clerk	Reduce the number of poll workers to the minimum required staffing levels. May result in longer wait times. Current target is to maintain wait times of no longer than 15 minutes. Reducing staffing could increase wait times to up to 30 minutes when there is higher voter turnout.	$(149,969)
Common Council	Eliminate AASPIRE intern funding and Alder intern funding.	$(11,700)
	Eliminate alder training and conflict resolution funds.	$(21,176)

Proposed Changes if Referendum Fails (Table 2 of 4) *General and Library Funds (unless otherwise noted)*		
Agency	**Description**	**Increase/ (Decrease)**
Common Council, continued	Eliminate all funding for Council Office staff professional development and all funding for professional memberships.	$(5,750)
	Reduce alder expense accounts by 43% (from $1,900 per alder to $1,088).	$(16,240)
DCR	Reduce a filled Hearing Officer position from 1.0 FTE to 0.6 FTE.	$(95,451)
Direct Appropriations	Cut funding for all memberships, including Dane County Cities & Villages ($5,515), Mayor's Innovation Project ($3,000), National League of Cities ($13,400), US Conference of Mayors ($12,242).	$(34,157)
Economic Development Division	Eliminate city funding for the Downtown Business Improvement District's (BID) State Street programming.	$(62,225)
	Eliminate city funding for the Madison Region Economic Partnership (MadREP).	$(20,000)
Engineering	Eliminate the use of overtime for snow removal for arterial multi-use paths. Snow removal on multi-use paths would only occur during scheduled shifts.	$(15,000)
Finance	Eliminate a filled 1.0 FTE program assistant position and reassign administrative/ reception duties across other staff.	$(70,092)
Fire	Eliminate funding for a vacant 1.0 vacant CARES medic ($102,400) and identify other cuts to meet a total reduction target of $200,000. The Fire Chief will have discretion in how to meet the $200,000 reduction target without impacting maintenance of effort or response times.	$(200,000)
Fleet *Note: Amounts reflect General Fund cost of Fleet services, or 80% of total amount.*	Eliminate a vacant 1.0 FTE Automotive Maintenance Worker 2.	$(60,071)
	Eliminate a vacant 1.0 FTE Parts Technician position.	$(61,700)
	Reduce autobody repair service for minor body damage (e.g. cosmetic damage that does not compromise safety but does reduce vehicle value when sold by the city).	$(104,000)
	Reduce the GPS program by eliminating GPS for off-road equipment (e.g. mowers) and select vehicles.	$(28,000)
	Reduce frequency of preventive maintenance for trailers from annual maintenance to every two years.	$(17,198)
Human Resources	Reduce a filled HR analyst from 1.0 FTE to 0.6 FTE, which will impact service levels by increasing time to fill vacant positions.	$(39,151)
	Reduce funding for conferences and training, including eliminating executive team development and HR planning retreat funding	$(13,500)

Proposed Changes if Referendum Fails (Table 3 of 4) *General and Library Funds (unless otherwise noted)*		
Agency	**Description**	**Increase/ (Decrease)**
Information Technology	Eliminate a vacant 1.0 FTE Media Team position, reducing the number of virtual meetings and public access.	$(89,645)
Library	Reduce funding for programming (e.g. family story times, teen engagement programs, and job- and computer-training sessions), including reducing funding for positions ($242,272) and contracted services and supplies ($87,044). The Library Director has the discretion to identify full- and part-time positions to meet personnel target and may reassign duties so the reductions do not result in layoffs. Library would retain the position authority so the positions could be funded in the future.	$(329,316)
	Eliminate Sunday hours at Lakeview and Goodman South branches	$(40,693)
Mayor	Reduce a filled deputy mayor position from 1.0 FTE to 0.6 FTE	$(69,679)
	Reallocate part of sustainability staff time to capital projects, reducing the amount of funding for projects.	$(91,248)
	Reduce remaining conferences and trainings ($15,000), memberships ($2,250), and other services ($5,448) budget	$(22,698)
Metro *Note: Amounts reflect reduction of General Fund subsidy to Metro.*	Make permanent reductions to services beginning in mid-2025. Exact schedule changes are to be determined, but may including reducing early morning/ evening hours or weekend hours. Half-year reduction in 2025 will be annualized to a $1.0 million reduction in 2026. This will likely result in reductions in FTE positions that are not included in the total position count under Option 2.	($500,000)
	Identify other one-time cuts in 2025 to meet a total reduction target of $1.0 million. Reductions may include significantly slowing down hiring of new drivers or other changes. One-time reductions will be at the discretion of the Metro general manager.	$(500,000)
Office of the Independent Monitor (OIM)	Eliminate remaining funding for the OIM. Eliminate funding for 2.0 filled FTE positions ($251,531), supplies ($2,000), purchased services ($18,000) and interdepartmental charges ($1,023). Pursue policy and ordinance changes to remove position and board.	$(272,554)
Parks	Mall Maintenance: Remove work related to seasonal banners and fountains ($54,000); increase the rate property owners pay for the mall special charge from 50% of expenses to 75% of expenses.	$(464,411)
	Close all city ice rinks. Includes eliminating costs for maintenance, rentals, concessions, hourly staff, and other expenses.	$(60,000)
PCED Office of the Director	Reduce a vacant 1.0 FTE program assistant position to 0.6 FTE	$(33,500)

Proposed Changes if Referendum Fails (Table 4 of 4) *General and Library Funds (unless otherwise noted)*		
Agency	**Description**	**Increase/ (Decrease)**
Planning	Eliminate neighborhood grants program, which funds community organizations.	$(30,000)
	Reduce funding for Arts Grants program from $92,000 to $11,500. Remaining funding would be used to support Wisconsin Arts Board grant match	$(80,500)
Police	Eliminate a vacant 1.0 FTE civilian traffic position, eliminate a vacant 0.6 FTE civilian records position ($146,050), and identify other cuts to meet a total reduction target of $300,000. The Police Chief will have discretion in how to meet the $300,000 reduction target without impacting maintenance of effort.	$(300,000)
Public Health	Cut funding for wellness mini-grants ($7,000), Narcan for businesses ($15,000), and Vivent Health contract ($27,394). (Option 1 proposes reallocating these funds to violence prevention).	$(49,394)
	Eliminate funding for contracted services with the Safe Communities Coalition for injury prevention ($20,000) and education and training on substance use, harm reduction, recovery ($78,278)	$(98,278)
Streets	Eliminate funding for all hourly staff in the general fund budget. Reduction will significantly decrease hours of operation at drop-off sites.	$(125,473)
	Reduce brush collection from 5 to 3 citywide pick-ups and eliminate collection of brush at drop-off sites. Savings is generated from lower brush processing fees ($130,000) and lower fleet costs ($303,000) related to lower service levels.	$(433,000)
	Eliminate a 1.0 vacant info clerk. Position is partially funded through allocations to other funds. Savings reflects general fund costs.	$(48,825)
	Reallocate 1.0 FTE Street Machine Operator (SMO) from the general fund to the Resource Recovery Special Charge (RRSC). This reallocation is possible due to less general fund work associated with reduced brush collection. The change would eliminate the addition of 1.0 SMO funded by the RRSC, as proposed in the main Executive Budget.	$(62,162)
Traffic Engineering	Eliminate a vacant 1.0 FTE Traffic Engineer position. The position is partially funded by Metro Transit. Savings reflects general fund costs.	$(38,182)

Infrastructure Special Charge

The City's transportation and infrastructure is served by staff in several agencies, including the Streets Division and Traffic Engineering Division. Services include bicycle and pedestrian facilities, pavement markings, traffic signals, street signing, street lighting, communications, street repair and maintenance, as well as other services such as permits. A properly maintained transportation system and corresponding support infrastructure is a foundation for the city's economy, culture, and community.

Under Wis. Stat. Sec. 66.0627 and MGO Sec. 4.09(13), the City may impose special charges against real property for current services rendered by allocating all or part of the cost of the service to the property served. The total costs of these services in the 2025 executive budget are greater than $10 million. Under the alternate executive budget, the City would seek to recover up to $10 million in costs for transportation and infrastructure services through a special charge ("Infrastructure Special Charge").

The Infrastructure Special Charge would be imposed against all parcels in the City, including City owned parcels and tax-exempt parcels, based upon parcel classification (residential or non-residential). Within those classifications, a trip generation methodology is applied, which utilizes parking space counts as a reasonable proxy measure for trip generation. The estimated monthly charge for a single-family home is about $6.35. This amount would be included on the monthly municipal services bill.

If the referendum does not pass on November 5, City staff will introduce an ordinance and policy that detail the apportionment methodology for the new special charge. The alternate executive budget proposes the infrastructure special charge go into effect on January 1, 2025. The alternate budget also authorizes the Finance Director to make administrative amendments to agency budgets to cover the cost of the infrastructure special charge for city-owned properties, which is estimated to be $146,000.

Fund Balance

The remainder of the budget gap, $6.4 million, will be closed by using one-time funding from the City's General Fund balance (also known as the "Rainy Day Fund" and "reserves"). Recent underspending in agency salary budgets due to staff turnover and retirements, along with the rapid rise in interest earnings due to Federal Reserve actions to quell inflation, have helped increase the City's reserves to $83 million at the end of 2023, or about 21.5% of the budget. The City's policy goal is to maintain reserves at a minimum of 15% of the budget. Maintaining or exceeding this goal is a key element of the City's triple-A bond rating, which helps keep interest costs on City debt as low as possible.

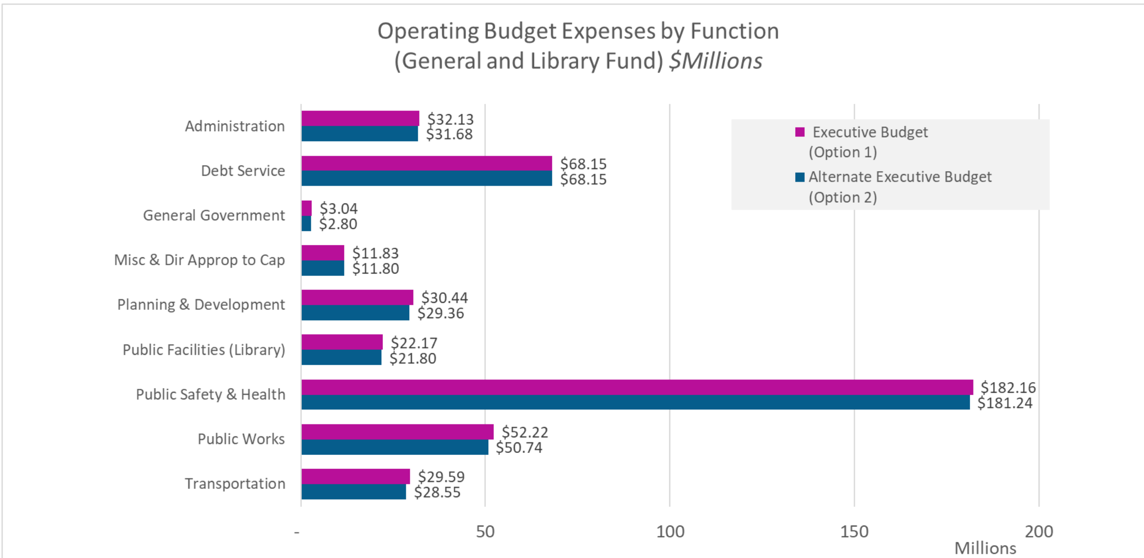
Use of reserves is a one-time source of funding. Paying for on-going operating expenses with reserves should be kept to as low a level as possible. The "Sustainable Long-Term Plan for Madison's Budget" includes the modest use of reserves above the 15% policy goal over several years.

Policy Changes Recommended Under the Alternate Executive Budget

The alternate executive budget would retain the recommendation for a policy change to raise the minimum thresholds for various procurement activities. In addition, the alternate executive budget would recommend the elimination of the Joint Campus Area Committee and Downtown Coordinating Committee and associated design work. Both committees are staffed by the Planning division and generate work for other City agencies. It is expected that eliminating these committees would save staff time that could be reallocated to other priorities. The business handled by these committees may be absorbed into other committees.

Snapshot of expenditures by function

Under both budget options, the overall distribution of expenses by functional area is similar. The largest expense is public safety and public health. This includes police, fire, emergency medical services, and public health. The second largest expense is debt service, which is how the city pays back borrowing for capital projects for long-lasting improvements in the city's infrastructure. The third largest expense is public works, which includes services like street and facility maintenance, trash pickup, snow clearance, parks, and more. The chart below compares the budget by function under the two options.



Distribution of reductions

The table below summarizes the proposed reductions by function to show how the $5.6 million in cuts are distributed ("Total proposed reductions" and "Reduction as a percentage of total cuts"). It also shows the functional area's share of the total budget, excluding debt service ("Function as a percentage of budget"). This is included as a comparison point. Public Safety and Health make up 51.8% of the total budget (excluding debt service) but account for a proportionally lower share of reductions (16.4%). This reflects a commitment to meeting maintenance of effort requirements under state law. PCED agencies make up 8.7% of the total general fund budget, but account 19.1% of total reductions. Similarly, General Government agencies (Mayor's Office and Common Council) and Transportation agencies have a higher proportion of reductions compared to their share of the total general fund budget.

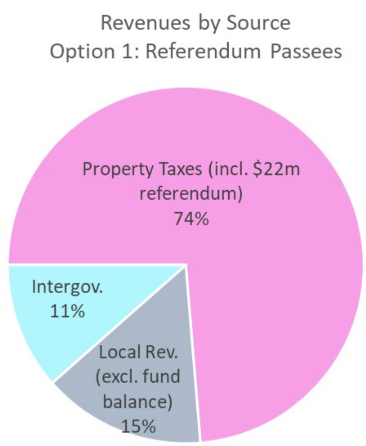
	Option 1: Executive Budget	Option 2: Alternate Budget	Total proposed reductions	Function as percentage of budget*	Reduction as a percentage of total cuts
Administration	32,134,805	31,676,997	(457,808)	9.1%	8.2%
General Government	3,037,505	2,799,014	(272,648)	0.9%	4.9%
Misc & Dir Approp.	11,831,683	11,797,526	($34,157)	3.3%	0.6%
Planning & Dev. (PCED)	30,438,522	29,363,535	(1,074,987)	8.7%	19.1%
Public Fac. (Library)	22,174,898	21,804,889	(370,009)	6.3%	6.6%
Public Safety & Health	182,158,977	181,238,751	(920,226)	51.8%	16.4%
Public Works	52,215,541	50,735,701	(1,479,840)	14.8%	26.4%
Transportation	29,588,622	28,550,440	(1,038,182)	8.4%	18.5%

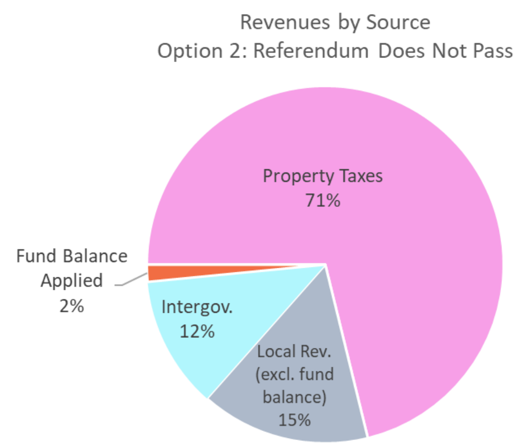
**Excludes Debt Service from total.*

Revenues in the Executive Budget

Revenues are money received from taxes and non-tax sources to pay for services. Under both budget options, the majority (more than 70%) of revenues are from property tax. Local revenues and state aid make up the remainder. The following graphs show the revenue sources under each option, followed by more detailed tables on each source.

Comparison of revenues by source in Option 1 and Option 2





Property Tax Levy

The largest source of revenue in the City budget is money collected from property taxes (property tax levy). State law limits the maximum allowable increase in the property tax levy (“levy limit”). That maximum increase is calculated based on a “net new construction” (NNC) factor, which is the percentage of the total property value in the City associated with net new construction along with other adjustments. The average rate of NNC between 2019 and 2023 was 2.1%. The average rate of inflation during the same time frame was 4.0%. The fact that the levy limit levy grows slower than the rate of inflation is a primary cause of the structural deficit.

It is important to note that debt service, or payments for money borrowed for capital investments, is excluded from the levy limit calculation. As a result, debt service is paid through the property tax but does not contribute to the structural deficit. Increasing property taxes above the levy limit requires voter approval through a referendum.

	Option 1: Executive Budget (Referendum Passes)	Option 2: Alternate Budget (Referendum Does Not Pass)
Maximum Allowable Levy	$318.1 million *Includes $22 million referendum*	$296.1 million
Increase Compared to 2024 Adopted	$31.6 million (11%)	$9.6 million (3.4%)
Percentage of total GF Revenues	74%	71%

Local Revenues

Local revenues include charges for services (e.g. ambulance fees), licenses and permits (e.g. building permits), room taxes, vehicle registration fees, transfers from other funds (includes ARPA funding from Grants Fund), and investment income. Local revenues also include use of fund balance ($9.2 million in 2024 budget and $6.4 million in 2025 no referendum budget).

	Option 1: Executive Budget (Referendum Passes)	Option 2: Alternate Budget (Referendum Does Not Pass)
Total Local Revenues	$64 million	$70.4 million
Change Compared to 2024 Adopted	$-9.2 million (-13%) *Uses no fund balance*	$-2.8 million (-4%) *Includes use of fund balance*
Percentage of total GF Revenues	15%	17%

State Aid

The property tax levy referendum does not change total state aid. Both versions of the executive budget assume $49.6 million in state aid, which is comprised primarily of:

State Aid Program	2025 Estimate
County and municipal aid (shared revenue)	$8.3 million
Expenditure restraint incentive payments	6.9 million
General transportation aid	13.0 million
Aid for exempt property	8.1 million
Municipal services payments	8.0 million

This is an increase of $3.9 million (8.6%) compared to the 2024 adopted budget. Most of the state aid increase ($3.2 million) is related to the state's recent repeal of taxes on personal property. The state provided funding to offset the loss of this tax base and avoid a shift of the property tax burden to residential and commercial property owners. The allowable increase in the property tax levy (the "levy limit") is reduced by the amount of this state aid increase. In other words, most of the 8.6% increase in state aid does not help the City's structural deficit. Excluding the aid increase for exempt personal property, the total state aid increase compared to 2024 is $700,000, or about 1.5%.

Although the total amount of state aid is the same under both options, the percentage of state aid compared to total revenues does change based on the outcome of the referendum.

	Option 1: Executive Budget (Referendum Passes)	Option 2: Alternate Budget (Referendum Does Not Pass)
Percentage of total GF Revenues	11.5%	12%

Impact on the Average Value Home

When considering the impact of these two budget options on the average Madisonian, it is important to understand the difference between property taxes and assessed values.

First, it is important to note that when taxpayers receive their property tax bill in the mail, the City's portion of the tax bill is only around 35%. The rest of the bill goes to other taxing jurisdictions including the Madison Public Schools, Dane County, and the Madison Area Technical College.

Second, the increase in property values, or assessments, does not increase the property tax levy. Under state law, the levy can only increase by a net new construction factor or through a voter referendum. Madison benefits from a strong economy and growing property values. However, the increase in property values, or assessments, does not increase the levy capacity. Assessments do determine the tax rate and what proportion of the levy a property pays.

Finally, the property tax rate is calculated by simply dividing the total amount of taxes allowed by the total assessed value of taxable property in the city (Tax Rate = Levy ÷ Total Assessed Value).

The tax rate is often expressed in terms of dollars per thousand, or as a "mill rate." The mill rate multiplied by the value of property determines how much is owed in taxes, which is issued through a tax bill. (Taxes owed = Mill Rate x Assessed Value)

Property Tax Assessment

The property tax levy referendum does not change the total assessed value of city property. Current year assessment data is used as the basis for the upcoming budget. As of September 2024, the total net taxable value of assessed property is approximately $40.3 billion ($40,282,511,400). Residential real property accounts for most of the property in the City ($25.8 billion; 61%), followed by commercial real property ($15.6 billion; 37%). Manufacturing and agriculture account for the remaining 2% of property. In total, the net taxable value of assessed property is 13.5% higher than the basis for the 2024 budget. This increase is driven by the continued strength in residential and commercial valuations.

Growth in Property Taxes

The city's growth in the property tax base can be attributed to strong net new construction and debt service to pay for infrastructure and other capital projects.

	Option 1: Executive Budget (Referendum Passes)	Option 2: Alternate Budget (Referendum Does Not Pass)
Property Taxes	$318.1 million	$296.1 million
Change Compared to 2024 Adopted	11%	3.4%

2024 Mill Rate

The mill rate is the tax rate expressed in dollars per thousand. This is calculated by dividing the property tax levy by the total net taxable property value in the City. The mill rate in 2024 is 7.11.

	Option 1: Executive Budget (Referendum Passes)	**Option 2: Alternate Budget (Referendum Does Not Pass)**
Mill Rate	7.28	6.77
Change Compared to 2024 Adopted	+2.45%	-4.6%

Taxes on the Average Value Home (TOAH)

The average value home is currently assessed at $457,300, up from $424,400 (7.75%), in 2024. This growth continues recent trends in increased residential home assessments. The TOAH in 2024 was $3,017.

	Option 1: Executive Budget (Referendum Passes)	**Option 2: Alternate Budget (Referendum Does Not Pass)**
TOAH	$3,330	$3,100
Increase Compared to 2024 Adopted	$313 (10.4%)	$83 (2.8%)

Under option 1, the additional TOAH due to the referendum is $230 ($3,330 minus $3,100). This is an additional 7.6% increase compared to 2024 taxes on the average value home (11% minus 3.4%).

Under option 2, the TOAH will increase by an estimated $83. This alternate budget would also implement a new infrastructure special charge that would add an estimated $76 annually ($6.35 monthly) to the municipal bill for a single-family home. The total increase in TOAH plus special charge would be approximately $159.

Legislative Process:

Finance Committee Briefings

The Finance Committee will hold agency briefings on **October 14 and 15**. During the briefings, department and division heads will present their Executive Budget and discuss the impact of the Alternate Executive Budget if the referendum does not pass. The Finance Committee will have the opportunity to ask questions and discuss the proposals during these meetings.

The public will have the opportunity to register to speak on the first day of Finance Committee briefings and may submit written public comment to alders at any time.

Finance Committee Amendments

Members of the Finance Committee, or all alders through co-sponsorships, may propose amendments to both versions of the budget. Amendments are due to the Finance Department for analysis on **October 23** and will be published on **October 25**. The Finance Committee will hold a hybrid meeting on **October 28** to deliberate on amendments. At the end of the meeting, the Finance Committee will refer ***both*** the “Executive Budget as Amended by Finance” ***and*** the “Alternate Executive Budget as Amended by Finance” to the Common Council.

Common Council Deliberations & Amendments

The Common Council budget hearings are scheduled for **November 12, 13, and 14**. The Common Council will only deliberate on **one** version of the budget, depending on the outcome of the referendum vote on November 5.

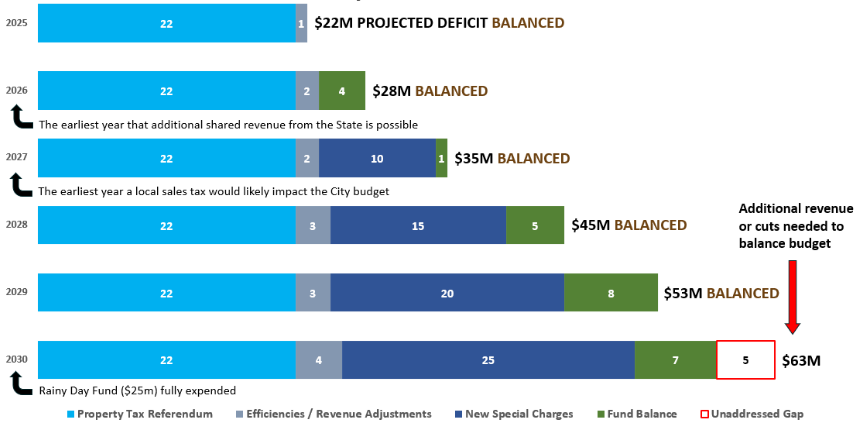
Regardless of the version that moves forward, alders will have the opportunity to propose additional amendments to the budget. Common Council amendments require two sponsors and are due to the Finance Department for analysis by November 7 (Thursday), and will be published by Friday, November 8. During the meetings on November 12 – 14, members of the Common Council will vote on amendments and adopt a resolution that authorizes the property tax levy to fund the adopted budget.

Five-Year Operating Budget Plan

Both budget options reflect the five-year plan included in the July 16, 2024 presentation, "A Sustainable Long-Term Plan for Madison's Budget." The executive budget proposes adopting this five-year plan as a framework for developing future budgets.

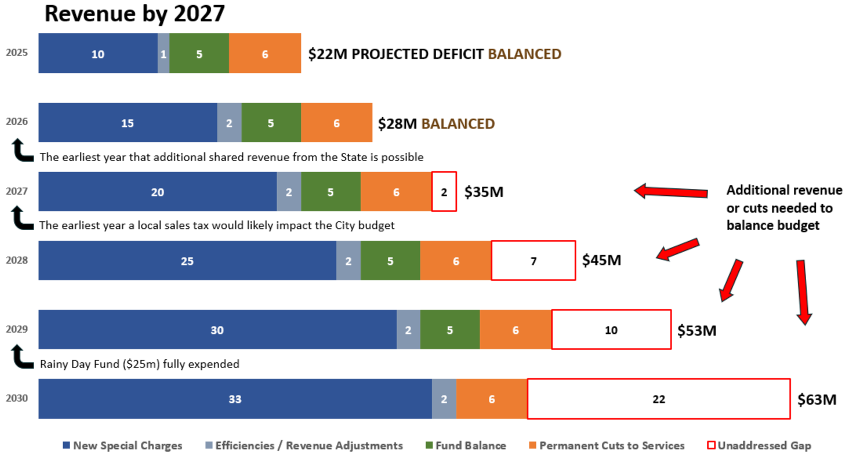
If the referendum passes, Madison will avoid significant cuts to services while minimizing new special charges in future years. This five-year plan proposes using a moderate amount of fund balance and delays new special charges until 2027. This plan will also provide more time for the State to approve 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



Without a referendum, Madison will increase special charges beginning in 2025 and will rely more heavily on one-time fund balance. This plan also requires additional cuts by 2027 – even with annual increases in special charges and significant cuts to services in 2025.

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



How to Read Agency Budgets

The "Agency Operating Budgets" section includes all agency budgets. Budgets are organized by "Functional Area," or, 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, and the 2025 executive 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.

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 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 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 a 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.