



# The City of Madison's **Budget** & The American Rescue Plan Act (ARPA)



Virtual Town Halls  
Thursday, July 22: 4:30-6:00pm  
Tuesday, July 27: 4:00-5:30pm

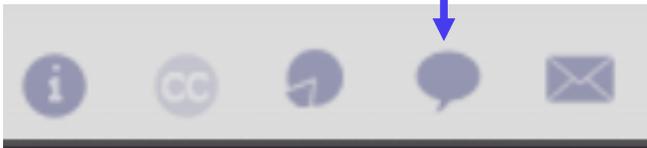
# Housekeeping

- Town Halls are being livestreamed
- 2 sessions: 7/22/2021 @ 4:30pm and 7/27/2021 @ 4:00pm
- Recordings and copies of the presentation will be posted on the City website: <https://www.cityofmadison.com/arpa>



## Questions?

Click the speech bubble icon in the livestream:



**OR** submit via the following link:

<https://bit.ly/madison-arpa>

We will post an FAQ to the website after the town hall series.

# Agenda

## Part 1

### **Budget 101: Overview of the City Budget**

- Operating & Capital Budgets
- City Services
- Annual Timeline

## Part 2

### **Current Situation: 2022 Budget**

- Impact of COVID-19
- Fiscal challenges and the 2022 Budget

## Part 3

### **American Rescue Plan Act (ARPA)**

- Federal funding during COVID-19
- Proposals for ARPA funding



**OUR MISSION** is to provide the highest quality service for the common good of our residents and visitors.

## OUR VALUES



### Equity

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



### Civic Engagement

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



### Well-Being

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



### Shared Prosperity

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



### Stewardship

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

# Part 1. Budget 101



What is the budget? How is it funded? What does it pay for?

# What is the Budget?

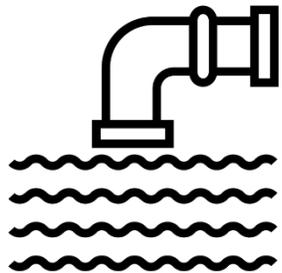
The City has two budgets: the **capital budget** and **operating budget**. Both are **planning documents** that outline and authorize how the City will spend money in the upcoming year.

- Required by state law
- Covers spending for 1 year (Jan. 1 – Dec. 31); capital improvement plan has a 5 year outlook
- Developed by City Staff
- Reviewed, amended, and approved by Common Council
- Annual operating budget must be balanced (revenues = expenses)

# Capital Budget

## What is it:

The capital budget funds physical infrastructure like roads, bike lanes, building improvements, affordable housing development, and other projects.



## Why is it important:

Capital projects are long term investments that ensure infrastructure is safe & effective and helps us advance city goals on climate change, housing, and other key issues.

## How is it funded and paid for:

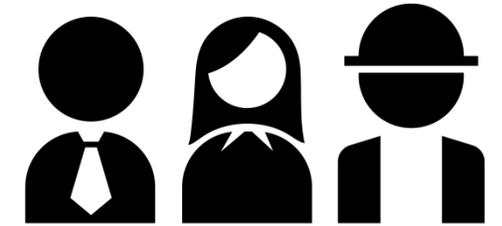
These items are primarily paid for through borrowing. Special assessments, impact fees, user fees and federal and state grants also help finance capital projects.



# Operating Budget

## What is it:

The operating budget pays for the City's daily services to City residents through paying salaries of City staff, funding community based organizations who deliver services on behalf of the city, and paying for other costs.



## Why is it important:



The operating budget allows the city to provide core services including library and park programs, job training and child care services, garbage and recycling collection, and public safety.

## How is it funded and paid for:

The operating budget is primarily funded by property taxes. Charges for services, user fees, and federal and state aid also contribute to the budget.



# Comparing the City Budget to a Personal Budget

## Capital Budget

Think of the capital budget like buying a house or a car.

- When you take out a mortgage or a car loan, you are using debt to invest in a long-term asset – your home or car.
- You pay back the mortgage or car loan on a regular basis, usually in monthly installments. At the end of payment period, you own the asset.

## Operating Budget

Think of the operating budget like paying for your daily expenses with a checking account.

- Every day expenses like rent or mortgage payments, food, and utilities, are things you need to pay for on an ongoing basis.
- If you pay with a checking account, you use money you have in the bank (instead of borrowing money) to pay for these costs.

### **How capital investments show up in the operating budget**

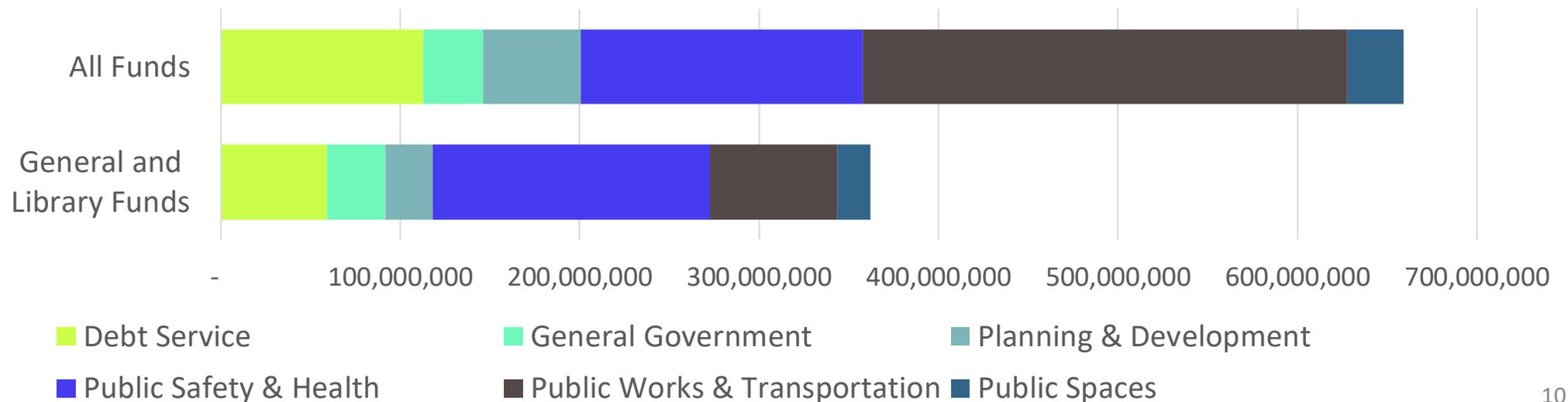
In the City Budget, repaying debt for capital investments is called “Debt Service.” Debt service payments are part of the Operating budget. This is similar to how a monthly mortgage payment becomes a recurring household bill. The asset purchased is a capital item, while monthly payments are operating expenses.

# Overview of All Funds – Expenses Only

The City budget is made of many types of funds – utilities (sewer, storm water, water, parking); tax increment financing (TIFs), Monona Terrace, and others.

The **general and library funds** account for approximately half of the City’s total expenses, but are the basis of the local property tax levy.

2021 Budget by Function – Expenses Only



# Operating Revenues (General + Library Funds): How the Budget is Funded

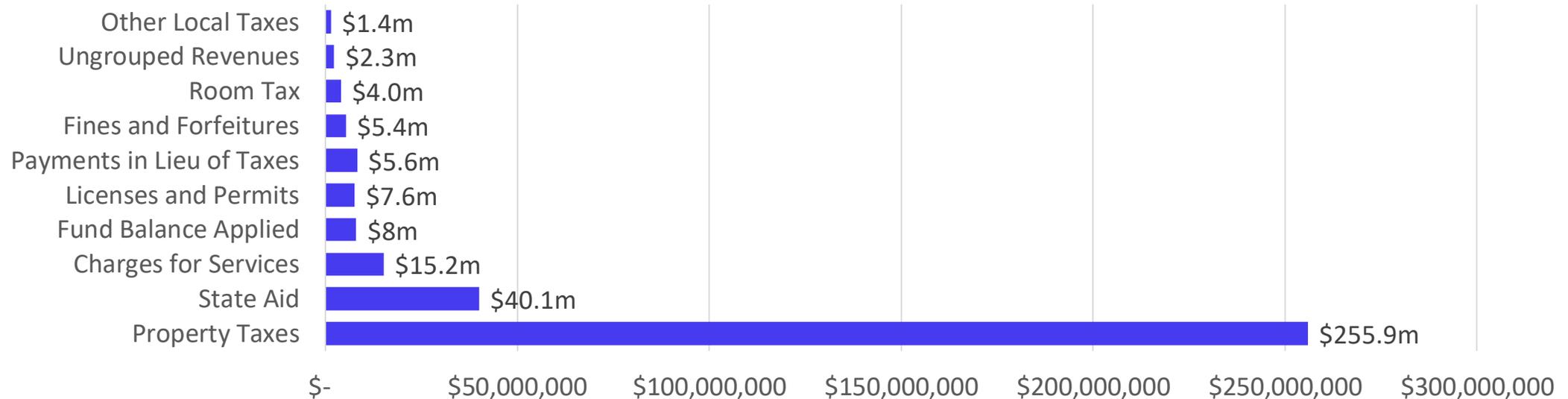
**\$349.5 Million**

*Annual Revenues*

**73 Percent**

*Funded through Property Taxes*

2021 Revenues by Source



# Operating Expenses (General + Library Funds): The Services Provided

## \$349.5 Million

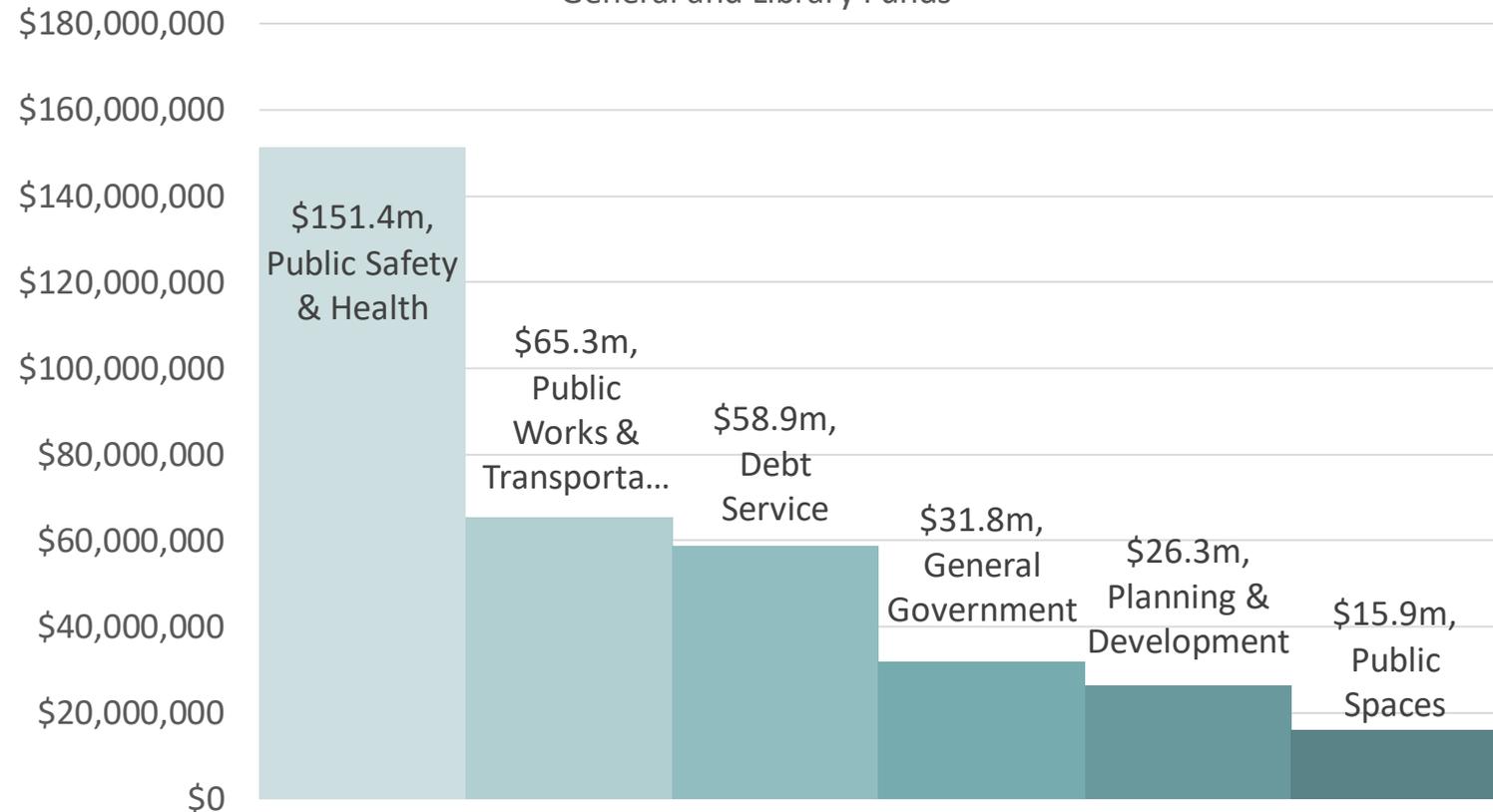
- *Expenses = Revenue*
- *Balanced Budget*

## Top Services

- *40% Public Safety (Fire + Police) & Public Health*
- *19% Public Works and Transportation = Streets and Sanitation, Metro, and more*
- *Majority of operating budget pays for salaries*

## 2021 Expenses by Service Area

General and Library Funds



# Annual Budget Development Timeline

(Capital + Operating)

Each year starts with a **“Cost to Continue”** projection. This is how much it would cost to provide the **same level of service** next year.

Council can **submit amendments** to the executive budget and has final authority to **approve the budget**.



## Public Participation in the Budget Process:

**City staff frequently engage residents to understand service needs** – through Neighborhood Resource Teams, resident surveys, participation in planning processes, and other approaches. This is a **key input** into budget priorities.

Members of the public can also participate in the budget by providing **public testimony** at budget hearings in the fall.

# Part 2. Current Situation



How has COVID-19 impacted the budget? What is a structural deficit?

# Challenge 1: The Pandemic's Impact on the City Budget

The economic impacts of the COVID-19 pandemic **resulted in significant revenue losses** for the City. To balance the 2021 budget, the City relied on an unprecedented use of fund balance (“rainy day” funds).

## General and Library Funds

- \$8.0 million of general fund balance used for 2021 budget
- \$4.8 million additional deficit anticipated for 2021
- \$18 million gap for 2022 budget

## Parking Utility

- Reserves reduced from \$32 million to \$14 million

## Room Tax Fund

- 2020 deficit of \$1.8 million despite 50% cuts to programs and no transfer of room taxes to general fund
- 2021 deficit of \$3.3 million due to slower recovery for group travel in urban centers

## Monona Terrace

- Reserves gone
- \$3.5 million cash loss through end of 2021

# Strategies for Addressing Budget Shortfalls

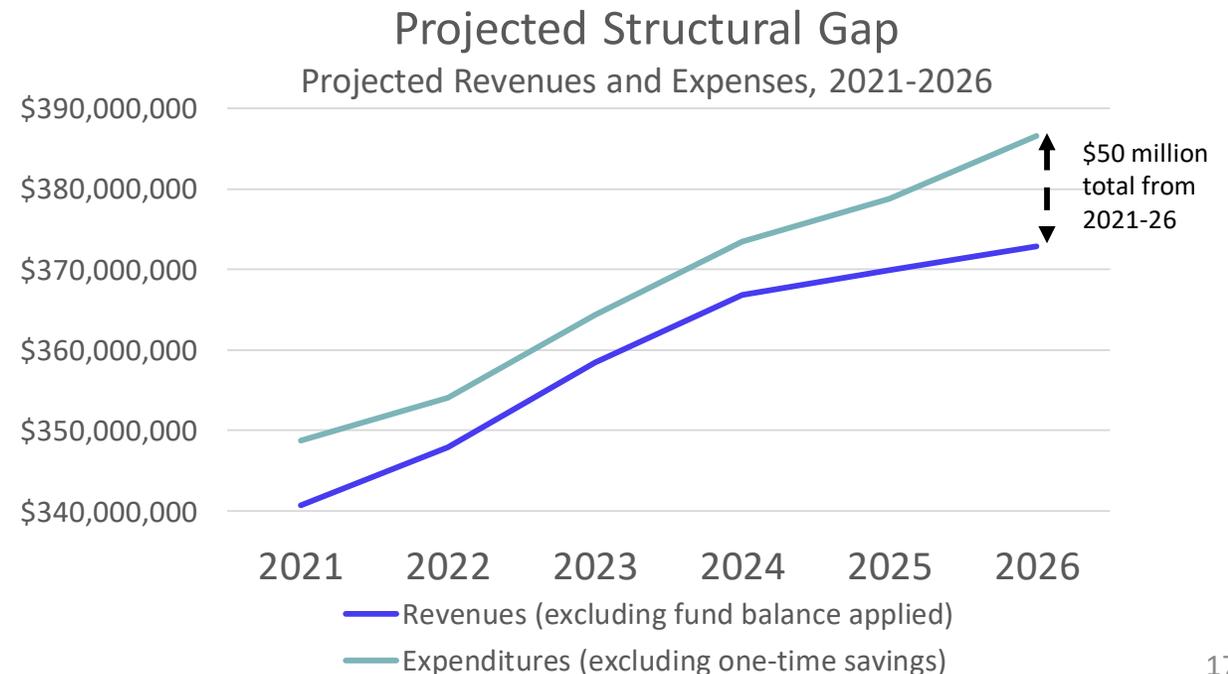
The City took many measures to reduce costs in response to the pandemic, while prioritizing health and safety.

- Reduced hours of many City staff through Workshare Program
- Delayed hiring vacant positions
- Reduced conferences, training, and mileage expenses
- Reduced equipment and supplies
- Reduced some public services (e.g. reducing library hours and overnight schedule for snow removal)
- Total reductions in 2021 = \$3.8 million in permanent and one-time cuts

# Challenge 2: Ongoing Structural Deficit

In addition to pandemic impacts, the City is facing a structural deficit. A **structural deficit** is when projected expenses are greater than projected revenues, despite external economic conditions.

- In other words, the **cost to continue** (provide the same level of service each year) is more than what we think we will bring in through taxes and other revenue.
- Despite a strong economic recovery, the City forecasts a **total deficit of \$50 million** between 2021 and 2026.



# Underlying Factors Driving the Deficit

## State Legislature Limits City Revenues

- Cities in Wisconsin need the approval of the State Legislature to raise revenues. For example, many cities around the country have a sales tax; WI law does not authorize a sales tax for cities.
- Restrictions on other sources make City revenues heavily reliant on property taxes, particularly residential property taxes.
- The State Legislature controls the growth of local property taxes through a “levy limit”. As a result, revenues do not keep pace with the cost of services to the public.
- State Aid has not kept pace with costs -- state revenue to cities in 2021 is nearly \$100 million **lower** than it was in 2003.
- Last month, the State Legislature cut transit aid to Madison in half.

## Local Service Needs Continue to Expand

- Population is growing at ~1%/year = greater need for services, greater array of service
  - Includes things like community services, expanding bus services, libraries, public health and safety, etc.
- Personnel costs account for 61% of the operating budget (general and library funds)
- Cost drivers
  - Competitive wages (e.g., longevity bonuses, education stipends, wage equity in the wake of Act 10).
  - Annual increases in health insurance and retirement contribution costs
- Keeping pace with cost of living for city staff and non-profit organizations

# What to expect from the 2022 budget

- Projecting an **\$18 million operating deficit** due to a combination of continuing pandemic impacts and the structural deficit
- Agencies recently submitted operating requests, including proposals for potential budget reductions
- City needs to prioritize, create efficiencies, and sometimes make hard choices on what to cut to balance the budget
- Despite this challenging climate, there is continuing focus on racial equity and social justice (RESJ). This year, agencies were asked to explain how their services advance RESJ goals.
- Beginning in 2023, the City will start implementing Results Madison – focusing the city’s budget on service outcomes and results that our residents expect.

# Part 3. American Rescue Plan Act (ARPA)



How much federal funding is the City receiving? How can the City use the funds? How will these plans advance equity?

# ARPA is one of several federal relief packages

In addition to City ARPA funds, the federal government has provided COVID-19 relief funding to the City, Dane County, Madison Metropolitan School District (MMSD), and the State of Wisconsin through other legislation. Some of the funds allocated include:

- \$70.7 million for MMSD
- \$69.5 million for Metro Transit
- \$23.2 million in Emergency Rental Assistance (City allocation)
- \$12.1 million for Public Health in 2021

# Eligible Uses for Local American Rescue Plan Act (ARPA) Funding

- ARPA is **one time** funding that will not be renewed.
- Funding proposals must fit within the eligible uses defined by the U.S. Treasury.
- The City's proposal will balance multiple priorities, with a focus on community investments (#2) and maintaining government services (#3).

1.	<b>Public Health:</b> Containing COVID-19 and addressing other urgent public health needs
2.	<b>Economic Hardship:</b> Supporting families, small businesses, and hardest-hit industries
3.	<b>Revenue Loss:</b> Providing vital public services, to the extent of revenue lost during the pandemic
4.	<b>Premium Pay:</b> Offering enhanced compensation for the health and financial risks that essential workers face
5.	<b>Water, Sewer, and Broadband Infrastructure:</b> Investing in key infrastructure to deliver clean water and reliable broadband internet access

# Proposed breakdown of City's \$47.2 million allocation

**\$47.2M**

*Total allocation*

- Disbursed in two tranches
- Will cover costs between March 2021 – December 2024, with reporting through Dec. '26

**\$22.8M**

*Community Investments*

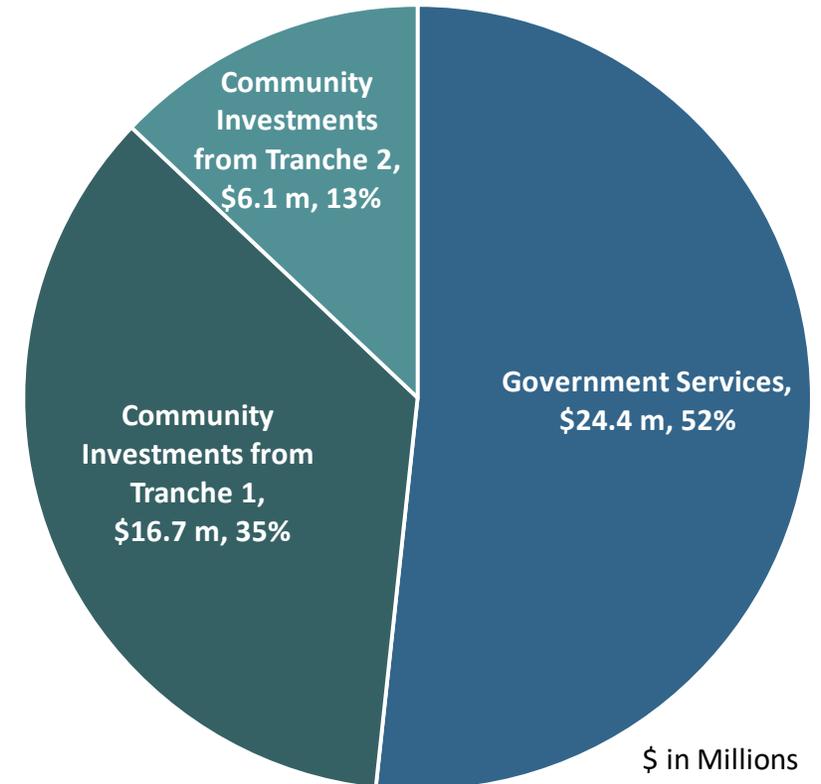
- Intended to address immediate needs
- One time funding; not designed to pay for ongoing operating expenses
- Majority of funding (\$16.7m) will be allocated from first tranche to have greater impact on community needs

**\$24.4M**

*Government Services*

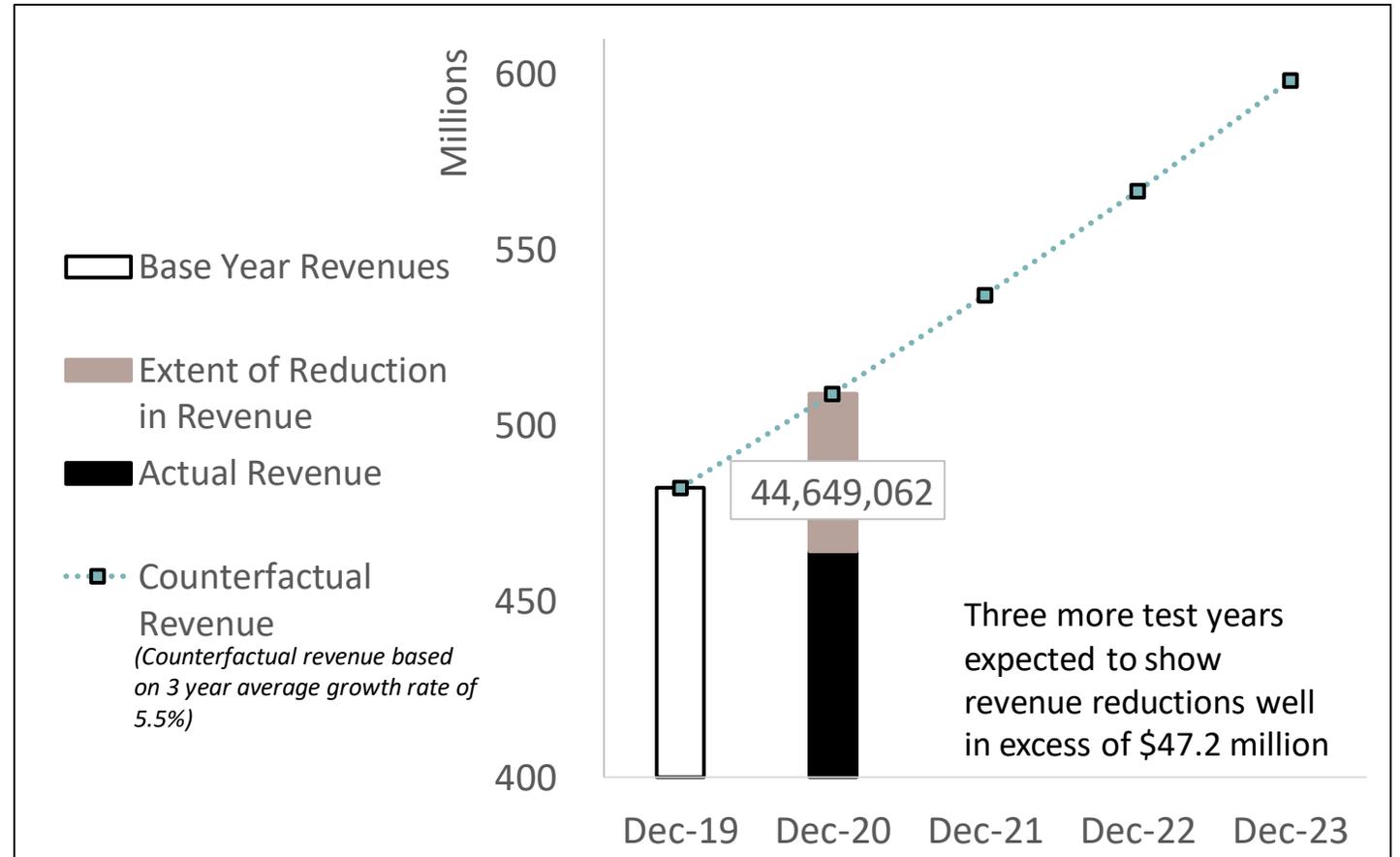
- Use funds to replace lost revenue, balance General Fund budget and avoid use of fund balance in 2022
- Stabilize Monona Terrace and Room Tax Fund

Proportion of ARPA funds for Community Investments and Government Services

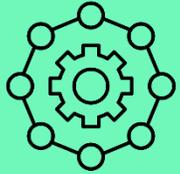


# The need for revenue replacement

- Under Treasury rules, it would be allowable to allocate full \$47.2 M on revenue replacement
- Allocating ARPA funds to revenue replacement is critical for the City's financial health and ability to maintain operations at current levels



# Priority areas for ARPA Funding



## Violence Prevention and Youth Engagement

**\$2,585,000**

*Funding supports youth employment, violence prevention initiatives, and evaluation of the CARES alternative crisis response team.*



## Homelessness Support

**\$8,650,000**

*Funding support a variety of strategies to support persons experiencing homelessness including a permanent shelter and additional tiny homes.*



## Affordable Housing

**\$6,650,000**

*Funding expands low-cost housing choices, supports a tenant assistance fund, and expands housing assistance to Madison residents.*



## Neighborhood and Small Business Support

**\$3,915,000**

*Funding increases grants to small businesses, supports neighborhood business districts, and brings art to vacant storefronts downtown.*

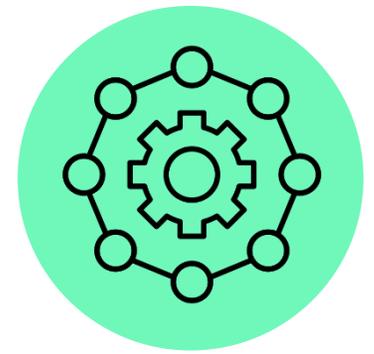


## Basic Needs and Emerging Issues

**\$1,000,000**

*Funding helps members of our community, including undocumented residents and seniors, gain access to services that meet their basic needs.*

# Supporting Public Health Violence Prevention Initiatives



Lead Agency	<ul style="list-style-type: none"> <li>Public Health Madison Dane County</li> </ul>
ARPA Allocation	<ul style="list-style-type: none"> <li>\$160,000 in 2021</li> <li>\$1.2 million total</li> </ul>
What will the funds support?	<ul style="list-style-type: none"> <li>Holistic approach to violence prevention</li> <li>Priorities identified through <b>Madison and Dane County Violence Prevention Roadmap</b></li> <li>Strategies to be selected by <b>Madison and Dane County Violence Prevention Coalition</b></li> </ul>
How will funds be disbursed?	<ul style="list-style-type: none"> <li>Requests for Proposals (RFPs) will be issued for initiatives, services, and programs prioritized by the Coalition</li> <li>RFPs will be announced later this year</li> </ul>
Who are community stakeholders?	<ul style="list-style-type: none"> <li>Coalition includes broad representation from individuals and organizations</li> </ul>

## Why is this a priority?

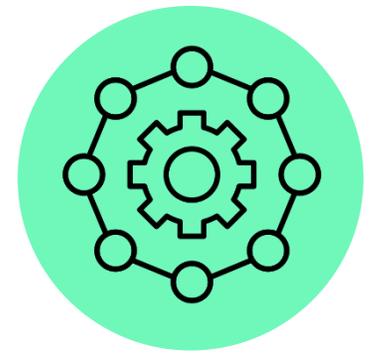
The issues we are seeing surrounding violence are not new, but have been made worse by the COVID-19 pandemic.

Building on the work of the Roadmap and Coalition to support holistic approaches to violence prevention are important investments for safe and resilient communities.

For more information:

<https://www.publichealthmdc.com/community-initiatives/violence-prevention>

# Expanding Youth Employment and Engagement Opportunities



Lead Agency	<ul style="list-style-type: none"> <li>Community Development Division</li> </ul>
ARPA Allocation	<ul style="list-style-type: none"> <li>\$585,000 in 2021</li> <li>\$1.24 million total</li> </ul>
What will the funds support?	<ul style="list-style-type: none"> <li>Expanding youth employment programs in 2021 and 2022</li> <li>Structured summer engagement opportunities in City parks in 2021</li> </ul>
How will funds be disbursed?	<ul style="list-style-type: none"> <li>Through awards to community partners who requested funds in a spring request for proposals process but for whom funds were not available</li> </ul>
Who are community stakeholders?	<ul style="list-style-type: none"> <li>Youth</li> <li>Community based organizations</li> <li>Employers</li> </ul>

## Why is this a priority?

COVID-19 has deprived youth of many traditional outlets for inter-personal interactions. Social isolation has exacerbated mental health concerns such as anxiety and depression.

Expanding youth employment and youth reengagement activities will provide additional opportunities to low-income youth and youth of color who, even under normal circumstances, often lack access to available jobs.

RFP documents available here:

[https://www.cityofmadison.com/dpced/communitydevelopment/funding/documents/VP%20and%20COVID%20Relief%20DRAFT%2003\\_12\\_21%20FINAL.pdf](https://www.cityofmadison.com/dpced/communitydevelopment/funding/documents/VP%20and%20COVID%20Relief%20DRAFT%2003_12_21%20FINAL.pdf)

# Homelessness Support



Lead Agency	<ul style="list-style-type: none"> <li>Community Development Division</li> </ul>
ARPA Allocation	<ul style="list-style-type: none"> <li>\$4.15 million in 2021</li> <li>\$8.65 million total</li> </ul>
What will the funds support?	<ul style="list-style-type: none"> <li>New, permanent men's shelter</li> <li>Unsheltered homeless support</li> <li>Occupy Madison solar projects</li> <li>Additional 2022 investments</li> </ul>
How will funds be disbursed?	<ul style="list-style-type: none"> <li>Add to planned capital projects               <ul style="list-style-type: none"> <li>Ex. Increase the City's contribution toward a purpose-built men's shelter</li> </ul> </li> <li>Contract directly with community partners               <ul style="list-style-type: none"> <li>Ex. Occupy Madison</li> </ul> </li> <li>Through Request for Proposals process that allocate funds to non-profit community partners that provide services to persons experiencing homelessness</li> </ul>
Who are community stakeholders?	<ul style="list-style-type: none"> <li>Residents who are unhoused or experiencing housing insecurity</li> <li>Community Based Organizations</li> </ul>

## Why is this a priority?

The challenges around homelessness are not new, but have been made worse by the COVID-19 pandemic.

Addressing homelessness will require many different strategies – from shorter term approaches like supporting **Occupy Madison's Tiny House Villages**, to investing in long-term projects like **building a purpose-built shelter**. These large investments require time to implement and extensive community engagement.

# Affordable Housing



Lead Agency	<ul style="list-style-type: none"><li>• Economic Development Division</li></ul>
ARPA Allocation	<ul style="list-style-type: none"><li>• \$400,000 in 2021</li><li>• \$6.65 million total</li></ul>
What will the funds support?	<ul style="list-style-type: none"><li>• Expanding capacity for Emergency Rental Assistance Operations</li><li>• Additional 2022 investments</li></ul>
How will funds be disbursed?	<ul style="list-style-type: none"><li>• In 2021, the City will hire 3 full-time, temporary staff to help manage an emergency rental assistance program</li><li>• Disbursement plans &amp; timelines for Request for Proposals for 2022 investments will be detailed in the budget process.</li></ul>
Who are community stakeholders?	<ul style="list-style-type: none"><li>• Low-to-Moderate Income households facing housing instability or seeking home ownership</li><li>• Community Based Organizations</li></ul>

## Why is this a priority?

The challenges around affordable housing are not new, but have been made worse by the COVID-19 pandemic.

Addressing affordable housing will require many different strategies – from shorter term approaches like helping residents access **rental assistance**, to investing in long-term projects like **building affordable housing** and **reducing structural barriers** to renting and ownership. These large investments require time to implement and extensive community engagement.

# Neighborhood and Small Business Revitalization

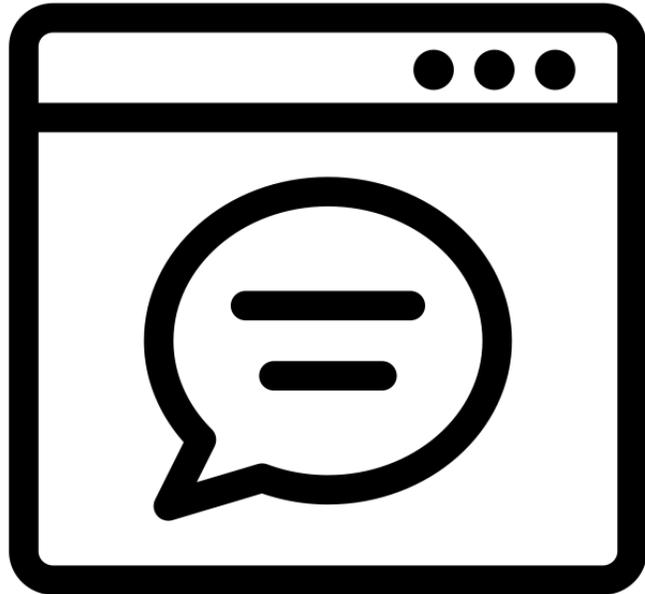


Lead Agency	<ul style="list-style-type: none"> <li>Economic Development Division</li> </ul>
ARPA Allocation	<ul style="list-style-type: none"> <li>\$1.95 million in 2021</li> <li>\$3.95 million total</li> </ul>
What will the funds support?	<ul style="list-style-type: none"> <li>Small business equity and recovery (SBER)</li> <li>Retail Building Improvement Grant</li> <li>Public Market Foundation support</li> <li>Neighborhood Business District Support</li> <li>Downtown Vacant Storefront Art</li> </ul>
How will funds be disbursed?	<ul style="list-style-type: none"> <li>Application processes for small businesses and business districts/ associations</li> <li>Direct contract with the Public Market</li> <li>Contracting with artists</li> </ul>
Who are community stakeholders?	<ul style="list-style-type: none"> <li>Small business owners</li> <li>Immigrant entrepreneurs</li> <li>Chambers and associations</li> <li>Artists and the creative economy</li> </ul>

## Why is this a priority?

COVID-19 has and will continue to have a devastating impact on small businesses, brick and mortar retail, and our neighborhood business districts. Additionally, there is a disproportionate impact on small businesses owned by people of color and other underrepresented groups.

The City has invested in small business support throughout the pandemic. However, the impacts of the pandemic will continue for years, and ARPA investments will allow us to build back our vibrant commercial districts.



## Send us your feedback:

<https://www.surveymonkey.com/r/62GNQZW>

- Let us know what you thought of the Town Hall and how we can improve communications about the budget process.

# Where to find additional info

The City's ARPA Webpage will be the main resource for ARPA Updates: <https://www.cityofmadison.com/arpa>

## Additional Resources:

- [Resolution](#) adopted by the Common Council on the allocation of ARPA funds
- [Report](#) on 2021 ARPA allocations, with additional information on processes for distributing funds

Thank You

STRONGER

TOGETHER

@RAYMAWST  
@OHYASTUDIO