



2024 Budget Overview



Finance Committee
Monday, April 24 @ 4:30pm

Agenda

- Overview of Timeline
- Navigating Budget Resources
- Structural Deficit and Budget Limitations

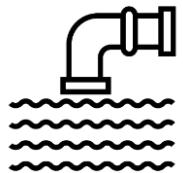
Budget Overview

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

Capital Budget



- Funds physical infrastructure like roads, bike lanes, building improvements, and affordable housing.
- Investments ensure infrastructure is safe and advancing goals on climate change, housing, and other issues.
- Primarily paid for through borrowing. Special assessments, impact fees, user fees and federal and state grants also help finance capital projects.



Operating Budget



- Pays for daily services to City residents by paying salaries of staff, funding community organizations who deliver services on behalf of the City, and other costs.
- Funding ensures residents have access to core city services.
- Primarily funded by property taxes.
- Charges for services, user fees, and federal and state aid also contribute to the budget.

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.

Key Dates for 2024 Budget Development

(All dates in 2023)

	Capital	Operating
Kick-Off Meeting	Tuesday, March 21 11:00am	Tuesday, June 20 11:00am
Agency Requests Due	Friday, April 21	Friday, July 21
Agency Briefings with Mayor's Office	May 8 – 19	August 7 – 18
Executive Budget introduced to Common Council (CC)	Tuesday, September 5	Tuesday, October 3
Finance Committee (FC) Briefings	September 11 – 12	October 9 – 10
FC Amendment Meeting	September 26	October 23
CC Amendment Week	October 30 – November 10	
CC Budget Adoption Meetings	November 14 – 16	

Detailed Timeline for FC and CC Hearings

Capital

Operating

1.	Mayor Introduces Executive Budget	<ul style="list-style-type: none"> September 5 	<ul style="list-style-type: none"> October 3
2.	Finance Committee (FC) Hearings	<i>Agencies present budget; alders have opportunity to ask questions</i>	
		<ul style="list-style-type: none"> September 11 & 12 	<ul style="list-style-type: none"> October 9 & 10
3.	FC Amendment Week	<i>Alders submit requests to budget analysts; analysts review and publish amendments</i>	
		<ul style="list-style-type: none"> September 13 – 20 Alders submit by Weds., Sept. 20 at 12pm Analysts publish by Fri., Sept 22 at 12pm 	<ul style="list-style-type: none"> October 11 – 18 Alders submit by Weds., Oct. 18 at 12pm Analysts publish by Fri., Oct 20 at 12pm
4.	FC Vote on Amendments	<ul style="list-style-type: none"> September 26 (Tues) 	<ul style="list-style-type: none"> October 23
5.	City Council Amendments	<i>City Council has the opportunity to propose amendments to capital and operating budgets</i>	
		<ul style="list-style-type: none"> October 30 – November 8 Alders submit by Weds., Nov. 8 at 12pm Analysts publish by Fri., Nov 10 at 12pm 	
6.	City Council Adoption	Up to three (3) CC meetings to vote on amendments and adopt budget	
		<ul style="list-style-type: none"> November 14, 15, 16 	

Resources

Main Webpage (<https://www.cityofmadison.com/finance/budget>)

2024 Budget

- Will be updated with 2024 budget timeline and agency capital requests in early May
- Alders will be notified when requests are posted
- [Mayor's Message](#) and [Kickoff Presentation](#) for 2024 capital request phase available now

2023 Budget

- All phases of [2023 budget](#) (request, executive, adopted) available online
- Agency highlights and summary pages are a good starting point for understanding budget
- Recommend reviewing executive summaries for [Capital](#) and [Operating](#)

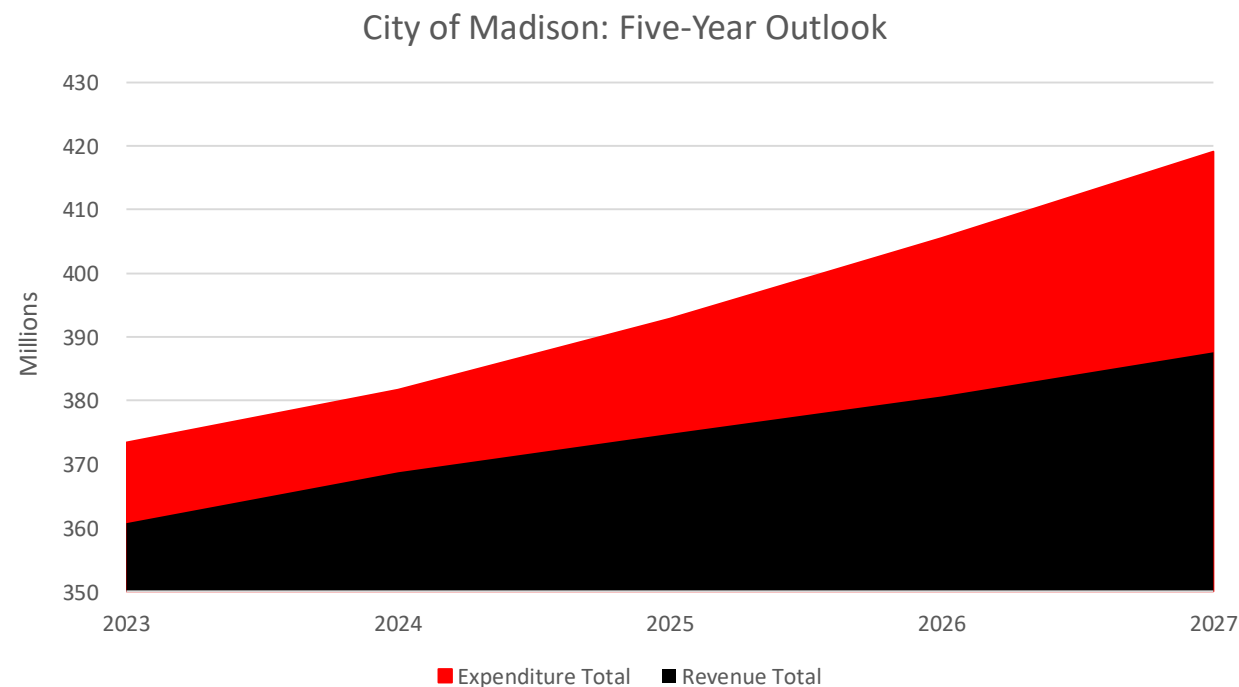
Staff Contacts

- Christine Koh (ckoh@cityofmadison.com), Budget and Program Evaluation Manager
- Budget analyst contacts available on [EmployeeNet](#)

Key Issues

5-Year Projection Shows Structural Deficit

Structural Deficit: Projected expenses are greater than projected revenues, despite external economic conditions. In other words, the cost of providing the same level of services next year is more than what we think we will bring in through taxes and other revenues.



- \$12m-\$13m deficit in 2023 and 2024 can be partially offset by one-time funds
- Deficit projected to grow to \$18m in 2025, \$25m in 2026, and \$31m in 2027

Model Assumptions:

Wage growth of 1% after current agreements and GME resolution horizon

Position growth of 1% per year (follows historic trends and population growth) – 20.0 FTE positions per year

Benefit growth: health insurance = 3%; WRS = flat (could grow faster)

Net New Construction / Levy Limit: 2% annually (historical trends; faster growth in equalized value will dampen net new construction)

Fleet/utilities growth based on historical trends plus growth for anticipated inflation

Debt service: current CIP amounts

Underlying Factors Driving the Deficit

State Legislature Limits City Revenues

- Many cities around the country have a sales tax; WI law does not authorize a sales tax for cities.
- Very reliant on residential property taxes.
- “Levy limit” results in revenues not keeping pace with the cost of services to the public.
- State aid to cities in 2021 is nearly \$100 million **lower** than it was in 2003.
- In the most recent state budget, the State Legislature cut transit aid to Madison in half on a one-time basis.

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
 - Benefit costs
 - Personnel costs of non-profit organizations under contract with the city

Limitations on the City Budget: Operating

- Nearly three-fourths of the city's General Fund budget is supported by property taxes
- Very few other revenue options due to state law
- State aid a declining share of the budget
- State law limits growth in property taxes and spending
- Annual operating budget must be balanced (revenues = expenses)
- Larger capital budget = larger share of operating budget for debt service

Prior Budget Balancing Strategies

Allowable levy increases do not keep pace with cost growth

2012	2013	2014	2015	2016	2017
<ul style="list-style-type: none"> • Debt premium • Police and fire pension contributions • Premium stabilization surplus 	<ul style="list-style-type: none"> • Room tax growth • Ambulance fee 	<ul style="list-style-type: none"> • Room tax – shift from MT projects • Building Permit revenue • Urban forestry special charge 	<ul style="list-style-type: none"> • Room tax • Building permits • Urban forestry special charge 	<ul style="list-style-type: none"> • Room tax – Overture shift • Urban forestry special charge • Health Insurance Plan Design 	<ul style="list-style-type: none"> • Room tax • Ambulance fee • Transit fund surplus • Snow and ice removal budget • Urban forestry special charge
2018	2019	2020	2021	2022	2023
<ul style="list-style-type: none"> • Increased Room Tax rate • Cost Allocation • Increased investment revenue 	<ul style="list-style-type: none"> • TID 32 Closure • Increased interest revenue • Shift Library Collection to capital 	<ul style="list-style-type: none"> • Vehicle Reg Fee • Shift Parking Enforcement to Parking Enterprise • Increased Forestry staff time to Urban Forestry • Debt premium 	<ul style="list-style-type: none"> • \$8 million from fund balance • \$6 million in cuts / Workshare / service efficiencies / “furloughs” • \$2 million in fee increases / TOM fire/EMS contract 	<ul style="list-style-type: none"> • \$13.1m in one-time ARPA funding • \$1.5m revenue from Resource Recovery Special Charge (RRSC) • \$1.4m in cuts 	<ul style="list-style-type: none"> • \$3m RRSC • One-time reduction in Metro subsidy (\$7.7m) • \$6.9m TID 25 proceeds

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

Limitations on the City Budget: Capital

- Unlike the operating budget, capital budget is not restricted by the levy limit or expenditure restraint
- The Wisconsin Constitution limits general obligation (GO) debt to 5% of equalized value
 - In 2022, City's GO Debt is \$601 million, or 1.7% of equalized value
 - 5% of the City's equalized value is approximately \$1.7 billion
- Considerations for setting a borrowing target:
 - Maintain City's Aaa debt rating (Moody's) to ensure lowest possible interest costs
 - Maintain current level of debt service as a share of operating budget
 - 2024 budget guidance focused on fiscal responsibility, leveraging federal funding, and continuing maintenance programs