



# 2023 Executive Operating Budget Overview

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Presentation to the Finance Committee  
Monday, October 17 @ 4:30pm

# Agenda

## 1. Highlights of the Executive Operating Budget

- Revenue and Expense Summaries
- Priority Areas
- Balancing the Budget

## 2. Agency Budgets

- Centrally budgeted agencies; Common Council; Mayor's Office; Office of the Independent Monitor

## 3. Timeline and Schedule of Agency Briefings

# Executive Operating Budget = \$381.9 million

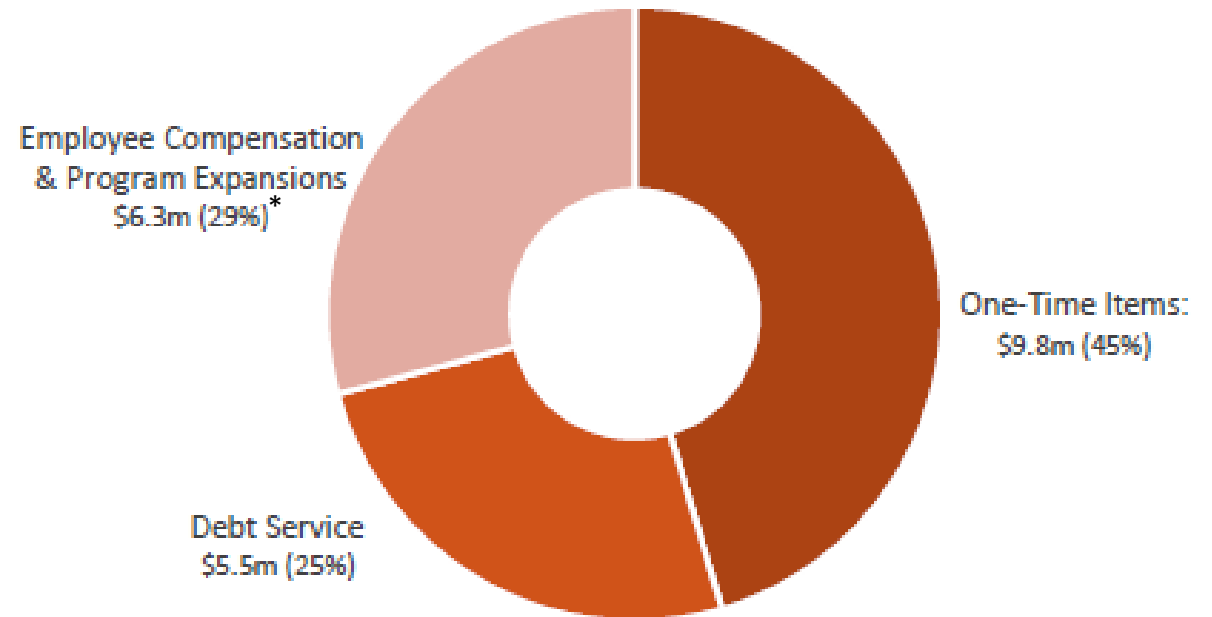
## General and Library Fund Expenses

- General and Library funds are the basis of the local property tax levy; City budget includes other types of funds (e.g. utilities, grants, internal services)
- 2023 Executive Budget is \$21.6 million (6.0%) more than from 2022 Adopted Budget
- Increase attributable to one-time expenses, debt service, employee compensation, and program expansions

**Remaining Levy Limit: \$415,439**

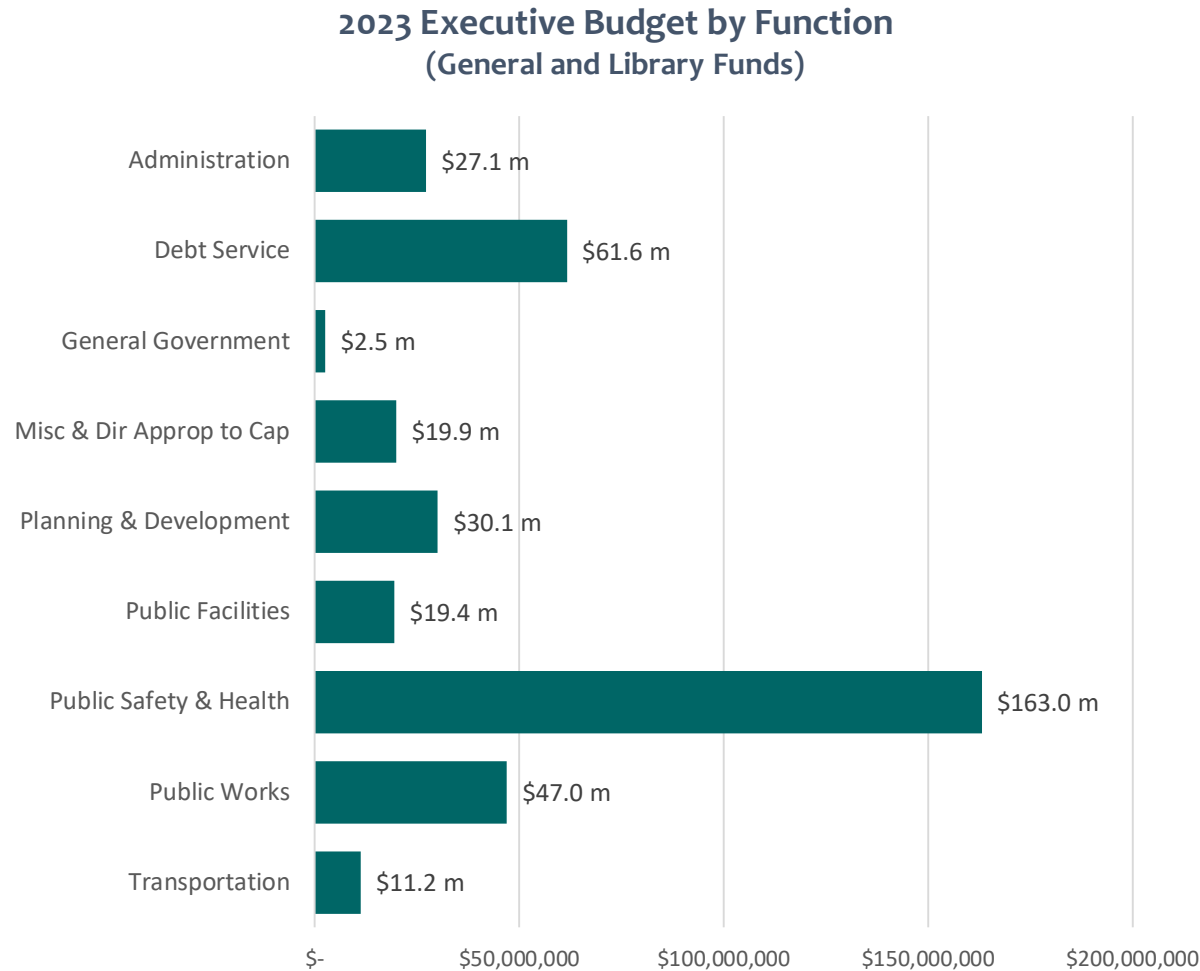
- Amount remaining for Council amendments

Primary Components of 2023 Expenditure Increases  
General & Library Funds



\*Increase is net of \$7.7m reduction in subsidy to Metro Transit.

# Operating Expenses (General + Library Funds): *How the money is spent*



## Agencies by Function:

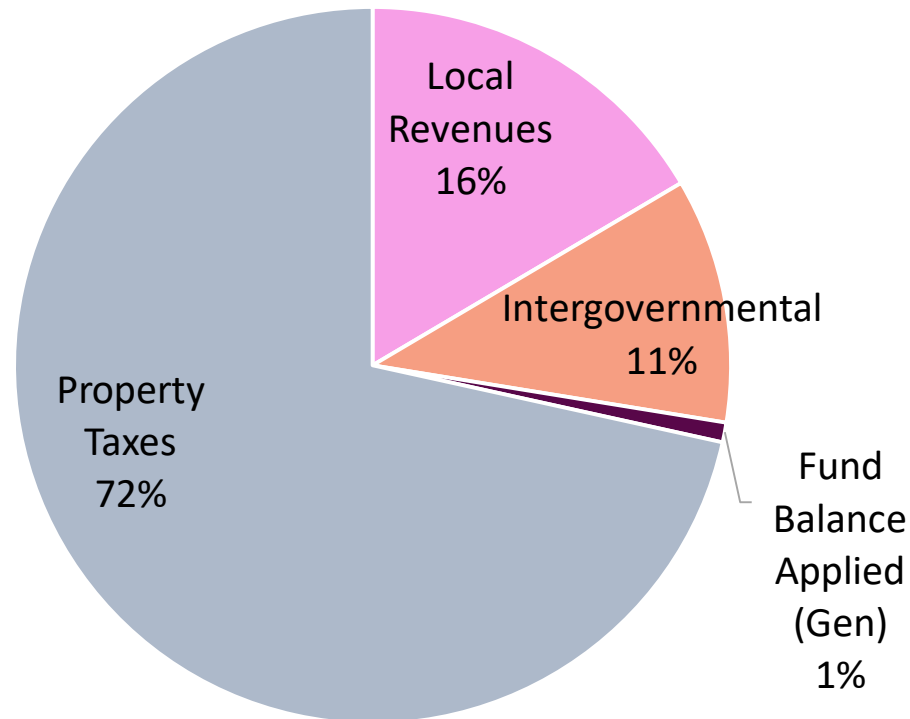
- Public Safety & Health account for largest share of budget (\$163.0 million; 42.7%)
- General Fund debt service is the second largest function (\$61.6 million; 16.1%)
- Miscellaneous and direct appropriations to capital are centrally budgeted functions that address city-wide expenses, including 2023 reserves for compensation increases

## Expenditure Type:

- Personnel costs account for largest share of operating budget (\$244.4 million, 64.0%)

# Operating Revenues (General + Library Funds): *Where the money comes from*

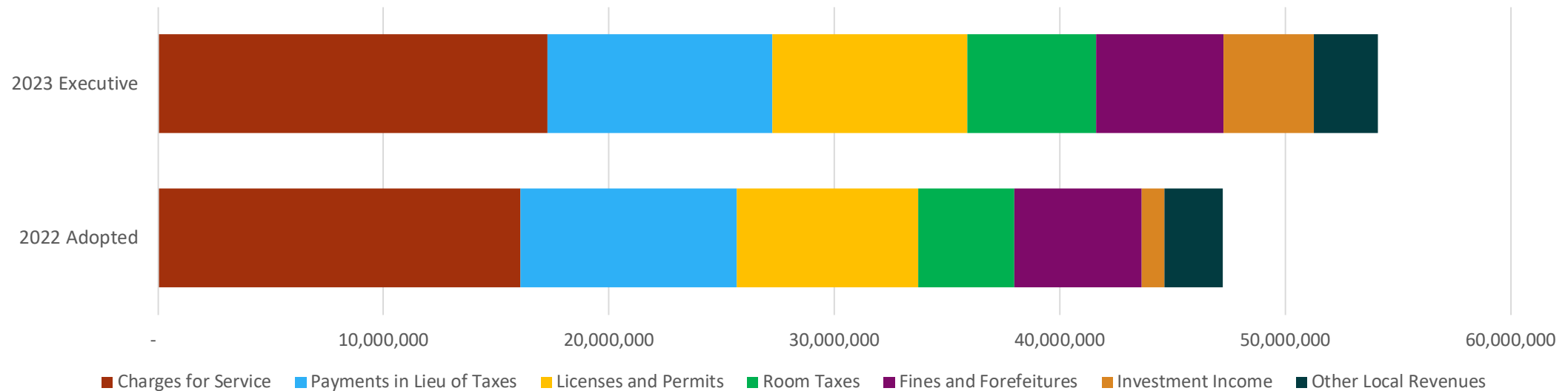
General Fund Budget by Funding Source



- **Property Taxes:** Primary source of revenue for the operating budget; Accounts for 72% of total (\$273.2m)
- **Local Revenues:** Includes payments in lieu of taxes; fines and forfeitures; licenses and permits; and other local taxes; Accounts for 16% of total (\$63.0m)
- **Intergovernmental Revenues:** Includes state aid; Accounts for 11% of total (\$42.2m)
- **Fund Balance:** Includes one-time funding from surplus in life and wage insurance programs; Accounts for 1% of total (\$3.4m)

# Local Revenues Recovering

Local revenues, including charges for services (e.g., ambulance fees), licenses and permits (e.g., building permits), room taxes and investment income are up nearly 15 percent (\$6.9 million) in 2023 over 2022. These revenues represent about 14 percent of total General Fund revenues. This growth excludes one-time ARPA and TID surplus revenues.



# Operating Budget Priority Areas

## Safer Communities

- Expands CARES mental health response & adds Emergency Manager (*Fire*)
- Supports holistic, evidence-based approaches to violence prevention (*PHMDC, CDD*)
- Includes prospective grant funding for Vision Zero project manager (*TE*)

## Healthier Neighborhoods

- Provides ongoing funding for core services – **no proposed service level reductions** (*All*)
- Expands reproductive health access (*Public Health*)
- Continues funding for affordable housing and unsheltered homeless support (*CDD*)
- Includes proposed affordability program for municipal services (*Streets, Utilities*)

## Opportunities for Youth

- Fully funds Parks Alive! Program, including staff, interns, and supplies (*Parks*)
- Expands young adult employment opportunities for 18-26 year olds (*CDD*)

# Components of the Property Tax rate

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**1**

## **Property Tax Levy is increasing by 5.5%.**

- State law limits the maximum allowable increase in the property tax levy (“levy limit”).
  - The allowable increase is based on the percentage of the total property value associated with net new construction and other adjustments.
  - Debt service on general obligation debt is excluded from the levy limit calculation.
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**2**

## **Total Assessed Value of property is increasing by 14%.**

- The total assessed value of property drives the property tax rate.
  - Current year data is the basis for the upcoming budget. As of September 2022, the total assessed value of property is approximately \$35.5 billion.
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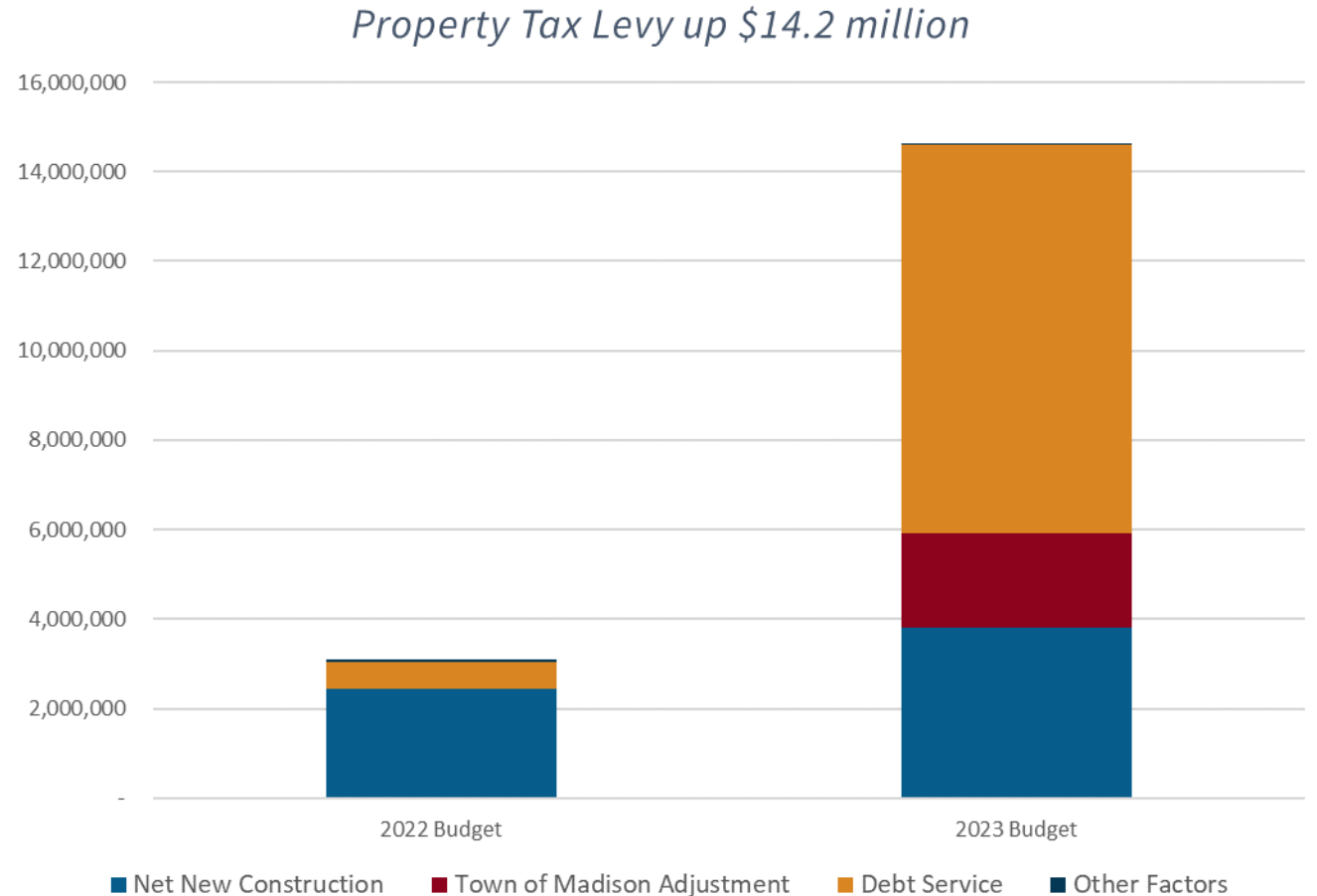
## **The mill rate (tax rate) is decreasing by 7.5%.**

- While the 2022 property tax levy is up 5.5%, the overall increase in the assessed value of property in the City reduces the mill rate (tax rate) by 7.5% (to 7.69 mills).
  - The annual mill rate is calculated by dividing the property tax levy by the total net taxable property value.
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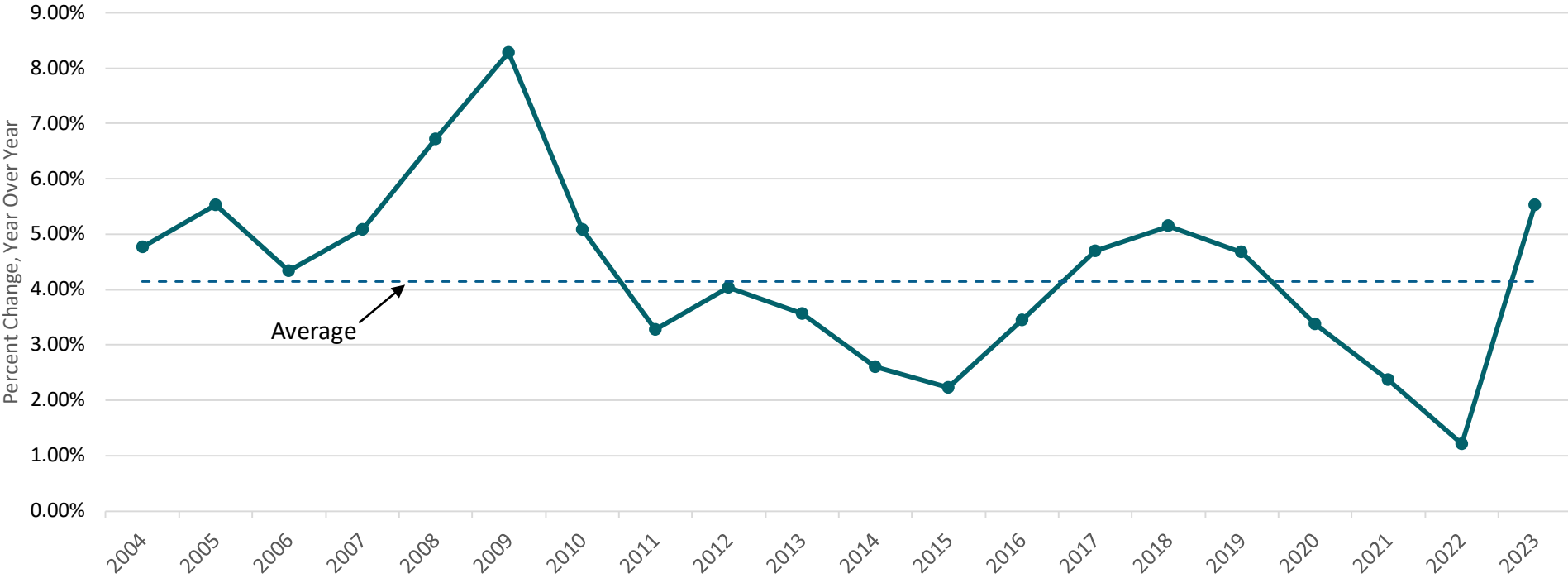
# Strong Growth in Property Taxes

- Property taxes are increasing by \$14.2 million (5.5 percent) compared to 2022.
- Factors include adding the levy from the Town of Madison, stronger net new construction, and rising debt service to pay for infrastructure and other capital projects.
- Approximately one-third of the increase in debt service is attributable to refinancing \$29 million of revenue bond debt of the Water Utility with lower cost general obligation debt.



# Year over Year Change in Property Tax Levy

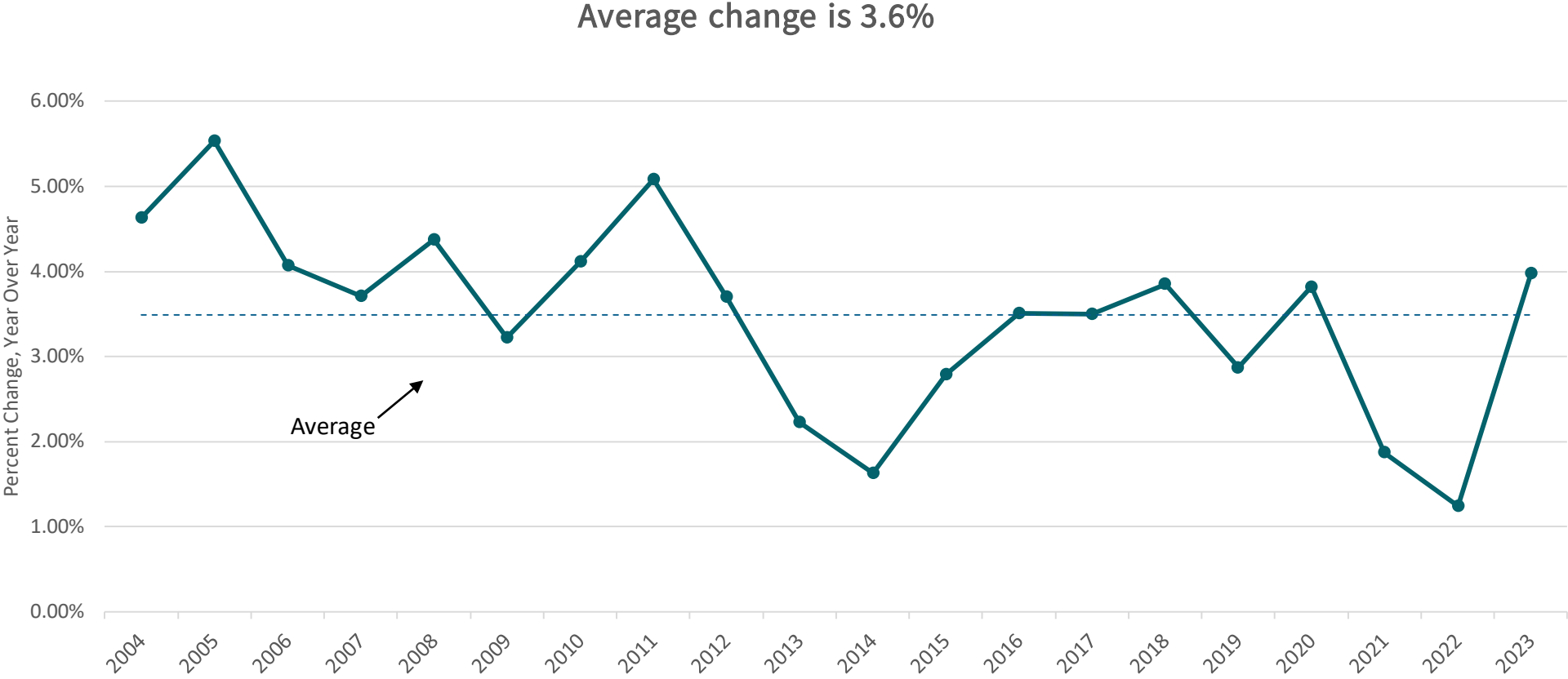
*Average 20 year increase is 4.1%*



# Strong Growth in Real Property Valuations

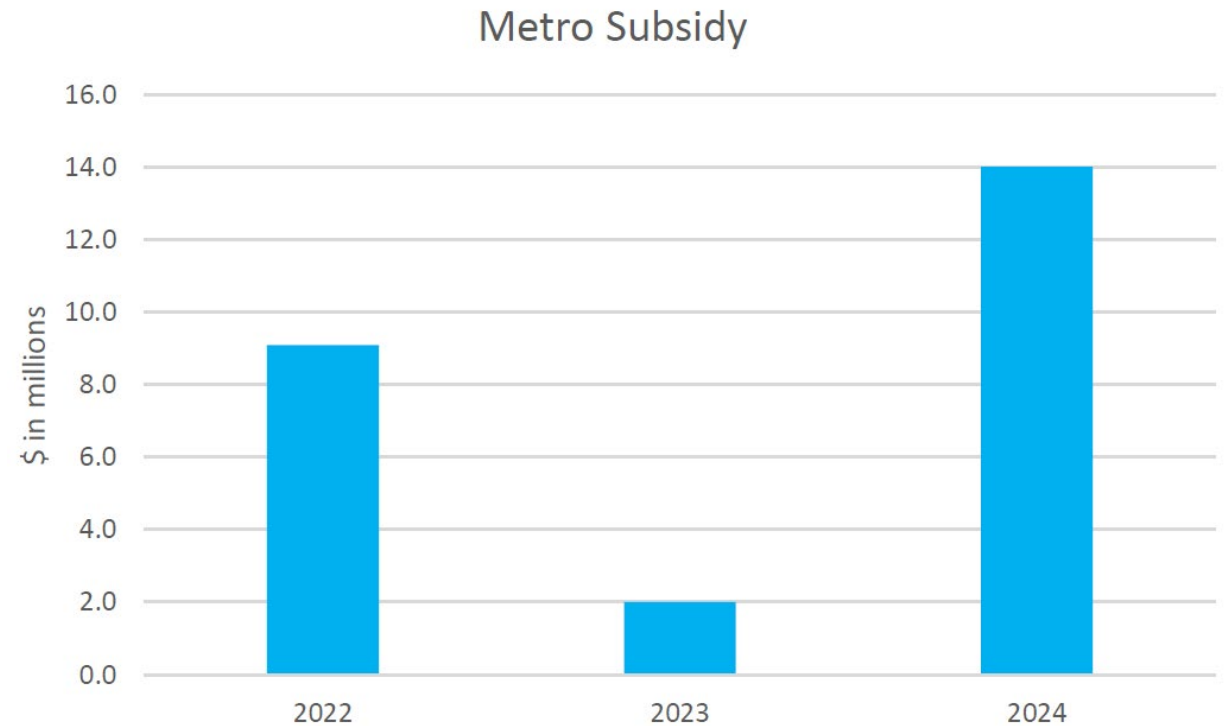
- As of September 2022, the net value of assessed property is \$35.5 billion, which is 14% higher than basis of 2022 budget
- Value of the average home has increased by 12.4%
  - 2022 Average Home Value = \$335,200
  - 2023 Average Value Home = \$376,900
- Residential real property accounts for a majority of the property in the City (\$22 billion; 61%), followed by commercial real property (\$13.3 billion; 35%). Manufacturing, agriculture, and personal property account for the remaining 4% of property.

# Year over Year change in Taxes on the Average Value Home (TOAH)



# Metro Subsidy

- Budget proposed one-time reduction of General Fund subsidy to Metro Transit to allow Metro to utilize federal funds as rapidly as possible (reduction: \$7.7 million)
- Subsidy would be restored in 2024, and 2023 reduction would be repaid over 3 years (2024 – 2026)



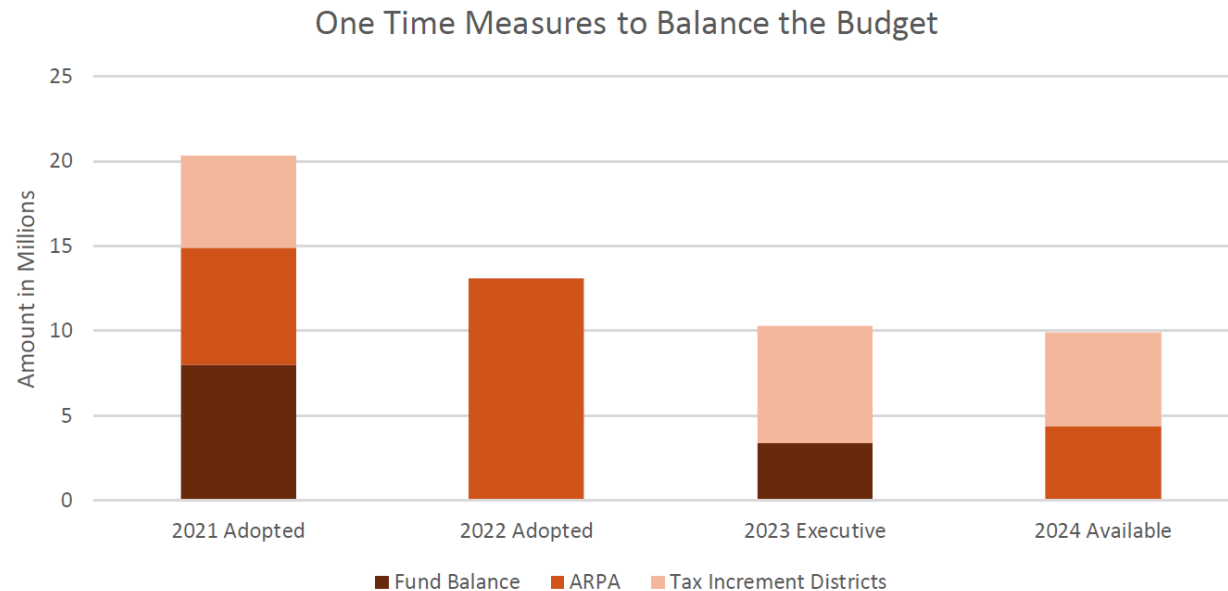
# One-Time Expenses in the 2023 Budget

- Savings from reduced Metro subsidy will be used for various one-time expenses that will be replaced by a permanent increase in spending associated with the Metro subsidy in 2024
- Funding one-time expenses ensures the City maintains eligibility for state aid under Expenditure Restraint Program (ERP)

<u>One-Time Items</u>	<u>2023 Budget</u>	<u>Source of Funds</u>
\$1,000 One-Time Payment to Employees	3,400,000	Fund Balance
Shelter Operations Costs	2,000,000	ARPA
Shelter Endowment	2,000,000	General Fund
Transfer to Insurance Fund	1,500,000	General Fund
Transfer to Affordable Housing Fund	551,000	General Fund
Compensation Study	350,000	General Fund
	<u>9,801,000</u>	

# Long Range Budget Outlook

- One-time funding has been used in the past few budgets to support on-going expenses
- 2023 budget utilizes \$3.4 million from fund balance for \$1,000 payment to employees and \$6.9 million from closed tax increment districts (TIDs)
- 2024 budget anticipates \$10 million in one-time funding (\$4.4 million of ARPA for government services; \$5.5 million from TIDs)
- Projecting significant shortfalls in 2025 and beyond



# Agency Budgets:

Centrally Budgeted Funds, Common Council, Mayor, Office of the Independent Monitor

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# Centrally Budgeted Funds: Debt Service

- **\$61,587,222** = Total General Obligation Debt Service (\$52,167,66 in principal and \$9,419,560 in interest).
- **Reoffering Premium:** The budget reflects \$6.1 million of reoffering premium received from the 2022 debt issuance.
  - Under Wisconsin Statutes, reoffering premium amounts must be used to pay debt service.
  - The \$6.1 million of 2022 premium is allocated in the Debt Service Schedule to pay General Fund debt service in 2023.
- **Direct Appropriation for Capital Projects:** The 2023 Executive Operating Budget appropriates \$1.1 million from the general fund for capital projects.
  - Under MGO 4.17, whenever an amount is applied in general debt reserves to reduce general fund debt service, an equal amount must be directly appropriated in the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds of all members during approval of the budget, votes to do otherwise.
  - The 2023 Executive Operating Budget appropriation of \$1.1 million is \$5 million less than the amount applied in general debt reserves to reduce general fund debt service.
  - As such, approval of the lower direct appropriation amount for capital projects requires a separate two-thirds vote of the Council during adoption of the 2023 operating budget.

# Centrally Budgeted Funds: Direct Appropriations

## **Debt Service & Contingent Reserve**

- Increases General Fund debt service payments (Increase: \$5.5 million)
- Increases the Contingent Reserve to maintain 0.5% of budgeted expenditures in accordance with City policy (Increase: \$85,000)

## **Employee Compensation & Benefits**

- Includes a 3% cost of living adjustment (COLA) for general municipal employees. The increase includes:
  - 2% increase to reflect bargained increases to protective service employees (General Fund: \$1.7 million; Other Funds: \$1.2 million)
  - 1% increase as a 'catch up' for prior bargaining (General Fund: \$850,000; Other Funds: \$589,900)
- Increases Compensated Absence Escrow to reflect current trends (Increase: \$750,000)
- Adds a one-time compensation study to evaluate compensation policies and procedures, to be completed with input and consultation with labor unions and associations (Increase: \$350,000)

## **Transfers to Other Funds**

- Add a transfer to the Affordable Housing fund for debt service payments (Increase: \$1.1 million)
- Includes \$1.1 million for capital projects funded by a direct appropriation from the General Fund (Increase: \$270,000)
- Adds a transfer from to the Insurance Fund to address high levels of claim payouts and the cash balance in the fund (Increase: \$1.5 million)
- Increases the transfer to Public Health to fund the expansion of Sexual and Reproductive Health Services (Increase: \$475,600)
- Makes a one-time reduction of \$7.7 million in Metro's General Fund subsidy to allow Metro to utilize remaining federal aid; the subsidy will be restored in 2024, and the 2023 reduction will be repaid over 3 years (Decrease: \$7.7 million)

# Centrally Budgeted Funds: Insurance & Worker's Compensation

## Insurance

- Increases funding for general liability insurance, property, and other insurance premiums (Increase: \$334,000)
- Increases funding added to reserves from a transfer from the General Fund (Increase: \$1.5 million)
- Maintains the rates charged to agencies based on anticipated claims

## Workers Compensation

- Maintains the rates charged to agencies based on anticipated claims
- Assumes utilizing \$573,215 in fund balance

# Common Council

## Major Changes

- Decreases hourly wages (\$4,000) to partially fund an increase in conferences and training (\$5,000) and memberships (\$250) for Council Office staff. (Ongoing increase: net \$1,250)
- Increases individual alder expense account budgets by \$250 per alder to be used as stipends for alder interns. This funding is prioritized for intern stipends but can be used for other allowed alder expenses. (Ongoing increase: \$5,000)
- Adds funding for consulting services to fund alder training on topics including communication, respectful interaction, and racial equity, as well as to fund a professional conflict mediator to be used if there are conflicts that require additional resources. (Ongoing increase: \$25,000)

# Mayor's Office

## Major Changes

- Includes a pay raise for the Mayor in accordance with Madison General Ordinances Subchapter 3C, Section 3.50. (Increase: \$5,500).
- Includes reductions of \$12,230 (or 1%) from the Mayor's Office cost to continue budget to the executive budget. These reductions reflect personnel costs charged to the capital budget for administering the Sustainability Improvements project and various supply and service reductions. (Ongoing reduction: \$12,230)

# Office of the Independent Monitor

## Major Changes

- Funds the Office's three positions, including non-personnel costs (\$377,300)
- Funds for the Police Civilian Oversight Board (\$37,600)
- Funds legal services to provide representation to aggrieved individuals in presenting and litigating complaints against Madison Police Department personnel with the Police and Fire Commission (\$50,000)

# Room Tax Commission

- The 2023 Executive Budget reflects funding allocations adopted by the Room Tax Commission.
- These adjustments reflect an overall \$4.8m increase in Room Tax revenues when compared to the 2022 Adopted Budget.

Description	Amount	Change from 2022
Room Tax Receipts	\$19 million	+ \$4.8 million
Greater Madison Convention and Visitors Bureau	\$5.5 million	+ \$1.4 million
City Tourism Marketing Activities	\$222,500	+ \$77,500
Monona Terrace Operating Costs	\$4.8 million	+ \$863,625
Overture Center	\$2.1 million	+ \$495,000
Alliant Energy Center, Henry Vilas Zoo and Olbrich Gardens	\$738,152	+ \$738,152
Room Tax revenue to be retained by the General Fund	\$5.6 million	+ \$1.4 million

# Timeline and Schedule for Agency Briefings

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# Detailed Timeline for FC and CC Hearings

## Capital

## Operating

1.	Mayor Introduces Executive Budget	<ul style="list-style-type: none"> <li>September 6</li> </ul>	<ul style="list-style-type: none"> <li>October 11</li> </ul>
2.	Finance Committee (FC) Hearings	<i>Agencies present budget; alders have opportunity to ask questions</i>	
		<ul style="list-style-type: none"> <li>September 12 &amp; 13</li> </ul>	<ul style="list-style-type: none"> <li>October 17 &amp; 18</li> </ul>
3.	FC Amendment Week	<i>Alders submit requests to budget analysts; analysts review and publish amendments</i>	
		<ul style="list-style-type: none"> <li>September 19 – 23</li> <li>Alders submit by Weds., Sept. 21 at 12pm</li> <li>Analysts publish by Fri., Sept 23 at 12pm</li> </ul>	<ul style="list-style-type: none"> <li>October 24 – 28</li> <li>Alders submit by Weds., Oct. 26 at 12pm</li> <li>Analysts publish by Fri., Oct 28 at 12pm</li> </ul>
4.	FC Vote on Amendments	<ul style="list-style-type: none"> <li>September 28</li> </ul>	<ul style="list-style-type: none"> <li>October 31</li> </ul>
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"> <li>November 7 – 11</li> <li>Alders submit by Weds., Nov. 9 at 12pm</li> <li>Analysts publish by Fri., Nov 11 at 12pm</li> </ul>	
6.	City Council Adoption	Up to three (3) CC meetings to vote on amendments and adopt budget	
		<ul style="list-style-type: none"> <li>November 15, 16, 17</li> </ul>	

# Agency Briefing Format

- Agencies will present 1-3 slides with highlights from their operating budget, including major changes from the prior year
- Presentation will be approximately 5 minutes, followed by questions from the Finance Committee
- After the briefings, alders can submit amendments to the budget team
  - Budget staff and agency portfolios are included in the [Budget Employee net page](#)
- All budget materials (executive budget and original agency requests) can be found online: <https://www.cityofmadison.com/finance/budget/2023/operating>

# Briefing Schedule

Monday, October 17th 4:30pm* -- Virtual Meeting	Tuesday, October 18th 4:30pm -- Virtual Meeting
<p><b><u>AGENCY</u></b>  <b><i>Overview**</i></b>  <b><i>Public Spaces</i></b>            Library            Monona Terrace  <b><i>PCED</i></b>            Building Inspection            CDA Housing Operations            CDA Redevelopment            Community Development            Economic Development            Planning            PCED Office of the Director  <b><i>Public Health &amp; Safety</i></b>            Fire            Police  <b><i>Administration</i></b>            Civil Rights            Finance</p>	<p><b><u>AGENCY</u></b>  <b><i>General Government</i></b>            Municipal Court  <b><i>Public Health &amp; Safety</i></b>            Public Health***  <b><i>Administration</i></b>            Assessor            Attorney            Clerk            Employee Assistance Program            Human Resources            Information Technology  <b><i>Transportation</i></b>            Metro            Parking Utility            Traffic Engineering            Transportation  <b><i>Public Works</i></b>            Engineering (including utilities)            Fleet Services            Water Utility            Streets            Parks (including golf)</p>