



## Office of the Mayor

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Colleagues,

As we embark on the 2027 Operating Budget process, the priority will be to maintain essential services that our community depends on while minimizing the burden on already-stressed City taxpayers. We achieved this goal last year with the lowest property tax rate in 40 years. We did so without sacrificing the important role City government plays in the success of our local economy and the high quality of life Madisonians enjoy, and while anticipating the needs of a growing city. This year, it will be even more difficult to do this, but we must keep these priorities top of mind as we put together the 2027 operating budget.

Once again, uncertainty at the federal level remains a huge challenge. Continued inflation and the high cost of basic goods and fuel due to foreign conflicts and other federal policy choices is a serious and growing concern for our residents and our own operations. It's particularly disturbing that the needs of our community will likely grow even as our own budget tightens. When the federal government abdicates its responsibilities, local governments are forced to do more with less. I recognize the fundamental unfairness of this situation and appreciate the extra efforts of our staff to creatively solve problems.

On the other hand, we have some reason to be cautiously optimistic that the State government may provide some financial relief to local governments in the years ahead. We saw some success in the last State Budget with an increase in funding for the Municipal Services Program, which reimburses local governments for providing services to state properties. This was accomplished, in part, because Oshkosh, Waukesha, Green Bay and other communities also benefited. Local governments across Wisconsin are making it clear that the way they are funded isn't working — especially for cities like Madison that have a growing population. We will keep working with other cities to encourage the State to increase funding to our communities, lift punitive restrictions and allow funding options for local governments besides increasing property taxes.

Residents deeply value the basic services that local governments provide and cutting these services harms our communities. It's irresponsible and counterproductive to let basic infrastructure crumble or to force localities to cut back on the programs that expand opportunities for all residents to thrive. I'm hopeful for better treatment for local governments in the next state budget. What helps Madison will help every municipality in the state and this is an issue state lawmakers can no longer ignore. Until then, we are still far too dependent on property taxes and must be extremely mindful of the burden it places on our residents.

The five-year plan adopted by the Common Council in 2025 was an important change to our Operating Budget process. That plan called for the City to continue to find efficiencies and use the fund balance (or "Rainy Day Fund") and new special charges to address our projected shortfalls so that we would not need another referendum. Thankfully, our fund balance and the City's overall fiscal state still remains healthy. I intend to follow the plan and do not believe we will need drastic revenue measures like referenda in the next five years.

Unfortunately, the state limits the City's ability to budget effectively in two significant ways: first, we cannot exceed the property tax levy limit, and second, via the Expenditure Restraint Incentive Program (or ERIP) which penalizes the City millions of dollars for increasing expenditures beyond the rate of inflation (currently estimated at 4.6%). This limits our ability to continue to provide our current level of service and precludes any new spending. This year, our cost to continue providing current services exceeds both the levy limit and the ERIP limit, largely due to inflation and fuel costs. As a result, I'm directing agencies to prepare 2 percent budget reduction scenarios and to forgo supplemental requests of any kind. This directive is for all agencies, including enterprise agencies with revenue sources outside the General Fund, since minimizing the total financial burden on our residents during this time of financial stress is a top priority.

I know it's extremely difficult to provide the same level of service to a growing populace without a corresponding increase in staffing capacity. It is taking a toll on our current staff, and I'm concerned for their wellbeing. I am very interested in any efficiencies that address this challenge as you prepare your agency request for the 2027 Operating Budget.

In this context, I am providing the following guidance for 2027 operating budget requests:

### Base Proposals for General, Library, and Fleet Funds

- Agencies will receive a base budget consistent with the cost-to-continue current services.

- The base will continue the same salary savings rate as the 2026 budget (citywide average of 3%). Rates will be tiered from 0%-4% based on agency size.
- The base will also include a 0.75% reduction to reflect underspending trends. This reduction is the same as 2026. Department heads will be expected to manage to their target budget.

### Base Proposals for Enterprise Agencies and Restricted Funds

- All Enterprise Fund Agencies and Restricted Funds must develop an operating budget plan consistent with current revenue projections for 2027.
- Revenue projections should limit the growth in user rates to the extent possible. If a rate increase is proposed, agencies must explain the components of the increase and what efforts have been made to reduce expenses. Proposed rate increases should be analyzed through an equity lens and consider affordability.
- Agencies projecting revenue shortfalls for 2027 will need to present a base budget that includes expenditure reductions to meet available revenue.
- Agencies that receive subsidies from other funds will need to carefully scrutinize and reduce spending levels where necessary, consistent with constraints on the funds providing the subsidy.

### Reduction Scenarios (All Funds, excluding grants)

- All agencies, including enterprise funds and restricted funds, must propose service reductions equal to at least 2% of the department's 2027 base budget.
- Department heads are directed to review all services and activities. Our goal is to preserve core services while identifying lower priority services that could be eliminated.
- Enterprise and restricted funds have been excluded from prior cut exercises based on the availability of revenue sources aside from the property tax. However, it is priority to examine affordability of all City services. The target for enterprise and restricted funds will be 2% of the request budget, excluding debt service and certain fixed costs determined by external entities. These exclusions will vary by agency.
- The only funds exempted from submitting a reduction proposal are grant-funded activities (Funds 1220 and 1205).
- Department heads must provide information on services recommended for elimination and should make such recommendations through an equity lens.
- Department heads should review any fees or charges for services, balancing service provision, equity, affordability and impact on the general fund. Departments considering changes to fees or charges should consult with their assigned budget analyst.
- Department heads should focus on efficiencies and lower priority services in developing the reduction plans. Plans should avoid, to the extent practicable, one-time savings from holding positions vacant and reductions in administrative costs (e.g. travel, training, office supplies) that do not impact service levels.

## Reallocations and Inter-Departmental Charges (All Funds)

- Agencies may reallocate funding across services so long as the changes are net neutral and do not increase the agency's overall expenditures.
- Agencies are encouraged to scrutinize their activities and use available data on services to prioritize funding. This includes examining whether there are programs or activities that can be phased out due to shifting needs.
- Agencies cannot propose changes to centrally calculated salary savings and interdepartmental billings & charges (e.g. building use, fleet, insurance, workers compensation, and cost allocation plan charges). Additionally, agencies cannot propose new revenues that result from charging other agencies. Proposals to shift costs to other funding sources must be sustainable.

## Personnel Requests (All Funds)

- Agencies will not be allowed to submit new position requests for 2027. This applies to enterprise fund agencies in addition to general fund agencies.
- Agencies may request to recreate or reclassify existing positions. All requests for personnel reclassifications (except for standard career ladders) must be detailed in the budget proposal forms, even if net neutral. Agencies must discuss proposed changes with their HR analyst prior to submitting a budget request. Changes resulting in a new classification must include an updated position description.

## Supplemental Requests and Long-Range Planning

- Agencies will not be allowed to submit supplemental requests for 2027.
- Agencies may submit an optional 5-year planning document to identify future operating cost needs related to known projects (e.g. completion of a new facility, software migration to the cloud, implementation of new equipment) that should be considered for future budget cycles. Instructions will be sent separately.

## Priorities of Racial Equity, Social Justice, and Sustainability

- Agency requests should be aligned with citywide priorities, including racial equity, social justice, and sustainability. Department heads are encouraged to engage department equity teams to think about how to advance equity goals within your base budget and core services. If you have questions regarding sustainability measures, they can be directed to our sustainability staff.

## Creativity, Innovation, and Data-Informed Proposals

- Be creative in developing proposals to reduce the cost-of-service delivery. Consider ways to work across agencies and collaborate with others to create cost-saving efficiencies. If you have ideas for inter-agency coordination that do not fit directly within your budget, contact your budget analyst to discuss options.
- Agencies that have completed the Results Madison data engagement will be expected to select 2-3 service indicators to present as part of their budget. These indicators will

be published as part of the executive budget in October. Instructions will be sent separately on how to select indicators for your request.

I'm very proud of how this City has overcome daunting challenges in the past few years, and that is a credit to our talented and dedicated employees, as well as your leadership. I know we will rise to the occasion again. I am hopeful that the next state government will take seriously the central role cities play in our state's economy and work with us to provide the investments our communities deserve. Until then, we will do what we do best – work together to serve our community to the best of our ability. I appreciate your leadership, and the work you and your teams put in, not just to craft the budget every year, but to do the work that it represents.

Sincerely,  
Mayor Satya