



Office of the Mayor

Paul R. Soglin, Mayor

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To: City Department / Division Heads
From: Mayor Paul R. Soglin
RE: 2013 Operating Budget

Last year at this time the city was faced with a number of challenges, including decisions made at the state level which reduced our revenues and forced us to increase property taxes. In total we absorbed cuts in state aids of nearly \$5.7 million.

We do not anticipate significant cuts in state aids for 2013 but the inherited problems and new challenges make your budget preparations just as difficult.

Changes in state-mandated levy limits will severely constrain the city's ability to raise revenues. Growth in the levy is limited to net new construction. Prior to the most recent state budget, the minimum growth factor was 3%. That minimum growth factor is eliminated. For next year's budget, the city's growth factor due to net new construction is estimated to be 0.7%.

In addition to the elimination of the minimum growth factor, unused carryover from previous years is eliminated. Consequently the allowable levy increase is \$8.7 million.

We are expected to maintain services and simultaneously deal with new challenges such as emerald ash borer which will cost millions of dollars in the next few years.

We are also faced with \$18.7 million in advanced commitments. These are budget items that we know will change from 2012 to 2013. These items are covered in more detail in the Finance Department presentation, but they include an increase in debt service of \$8.2 million and operating cost increases of \$8.2 million.

In addition to these increases, we face a decrease in other revenues of \$1.1 million.

Thus, the projected gap between increased costs and our allowable increase in spending is \$10,000,000. This could change when the state releases health insurance premium cost estimates for 2013.

Last year, in spite of very difficult circumstances, we put together a responsible budget that maintained city services and avoided layoffs. I appreciate your cooperation and hard work in that accomplishment and I hope that we will be able to do the same for next year.

For your 2013 budgets, I must ask that you submit a budget at 5% less than your 2012 budget, with, in some cases, adjustments provided by the Finance Department. I recognize that this will require making some very difficult choices.

Thank you for your commitment and dedication to providing Madisonians with a safe and healthy city.