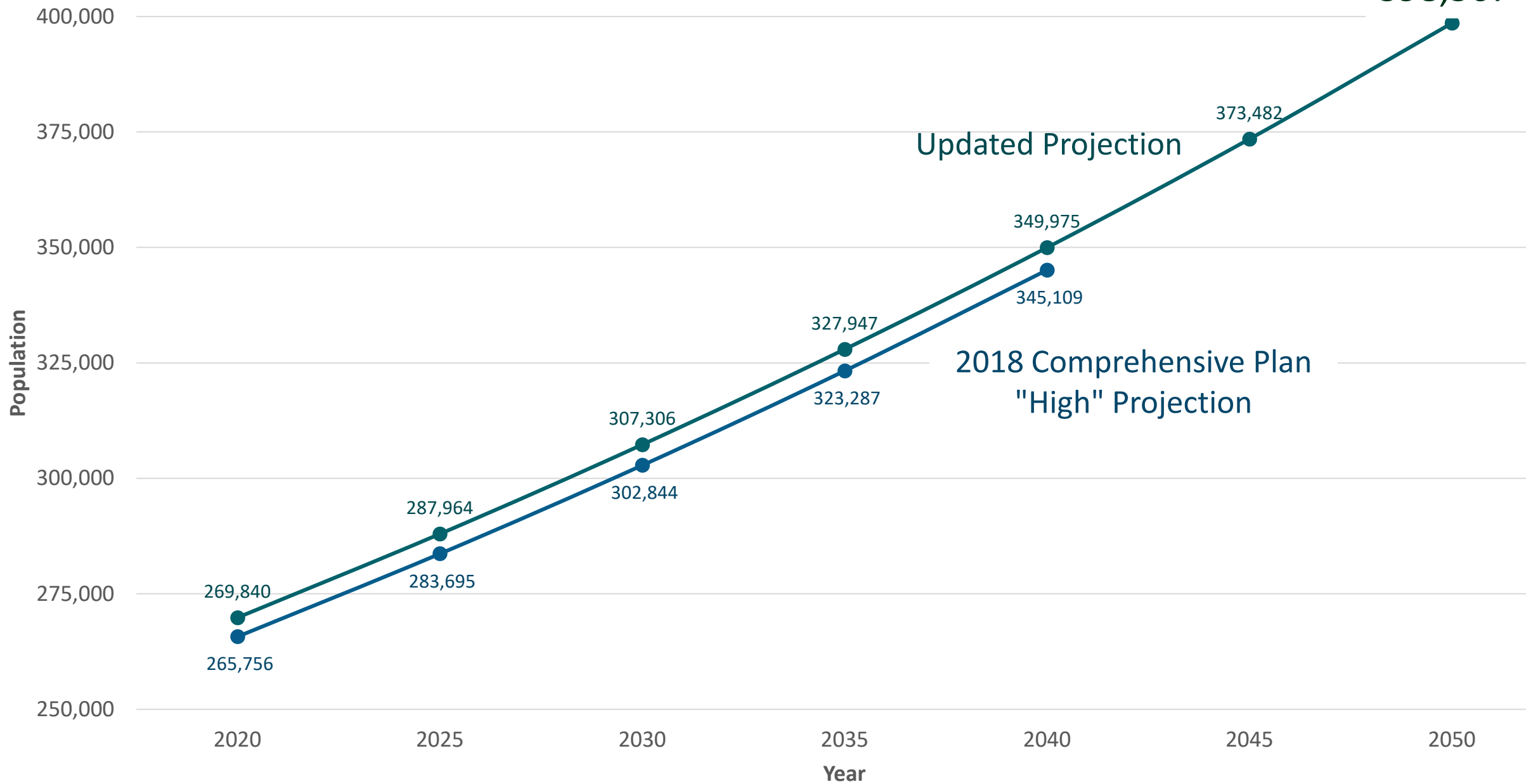




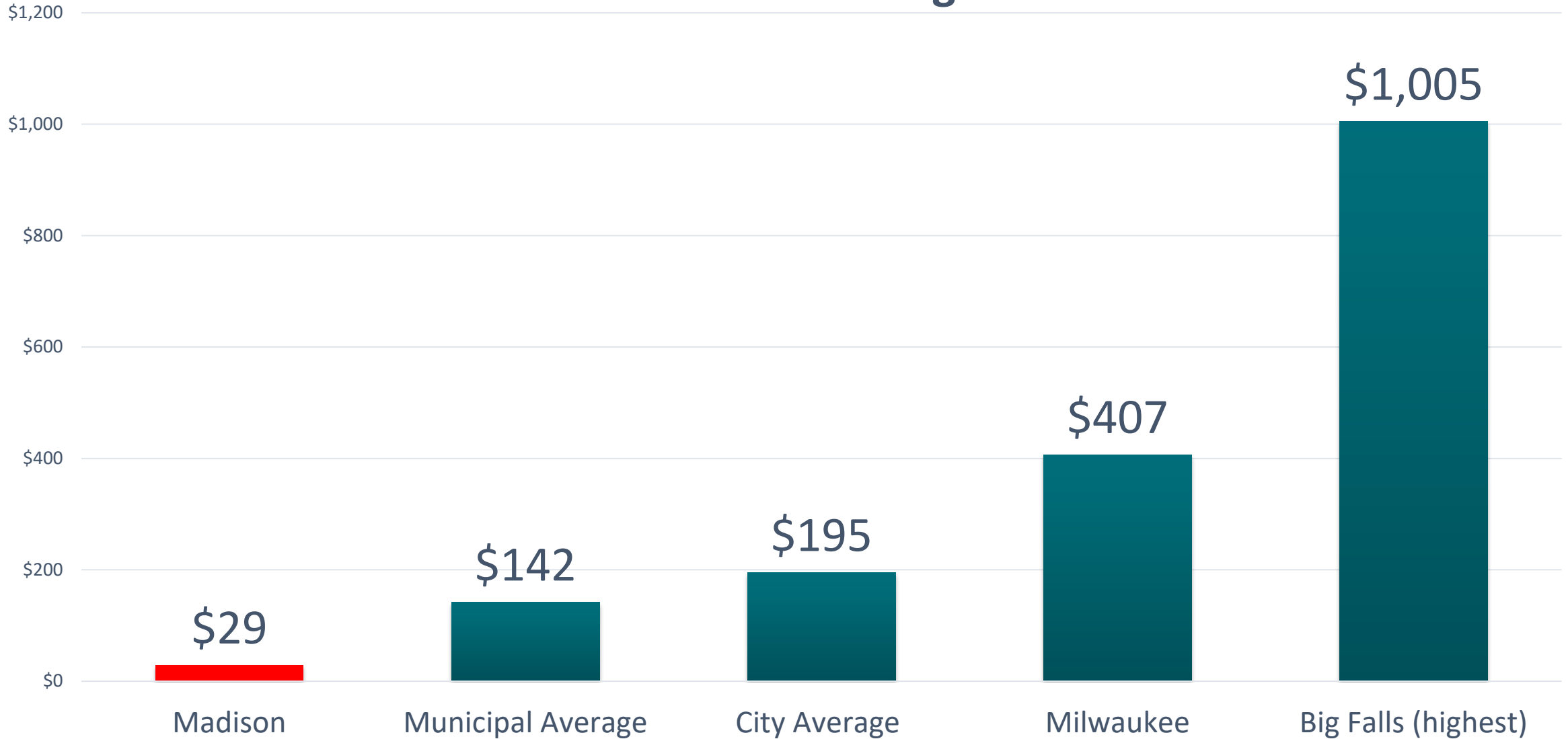
2025 City of Madison Budget & Referendum Update

September 2024

Madison is Growing Even Faster than Predicted

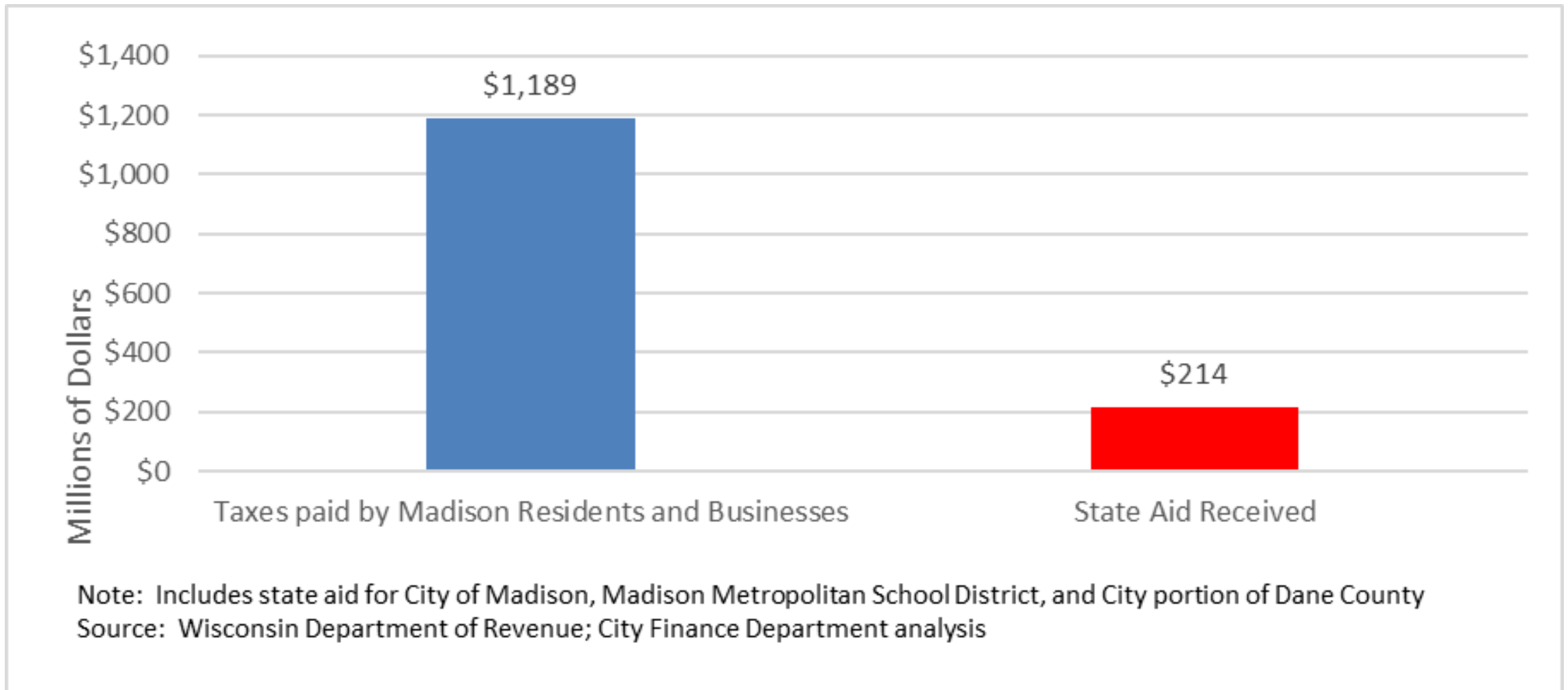


Madison Receives Lowest Amount Of Shared Revenue Per Resident From State Legislature



Source: Wisconsin Policy Forum

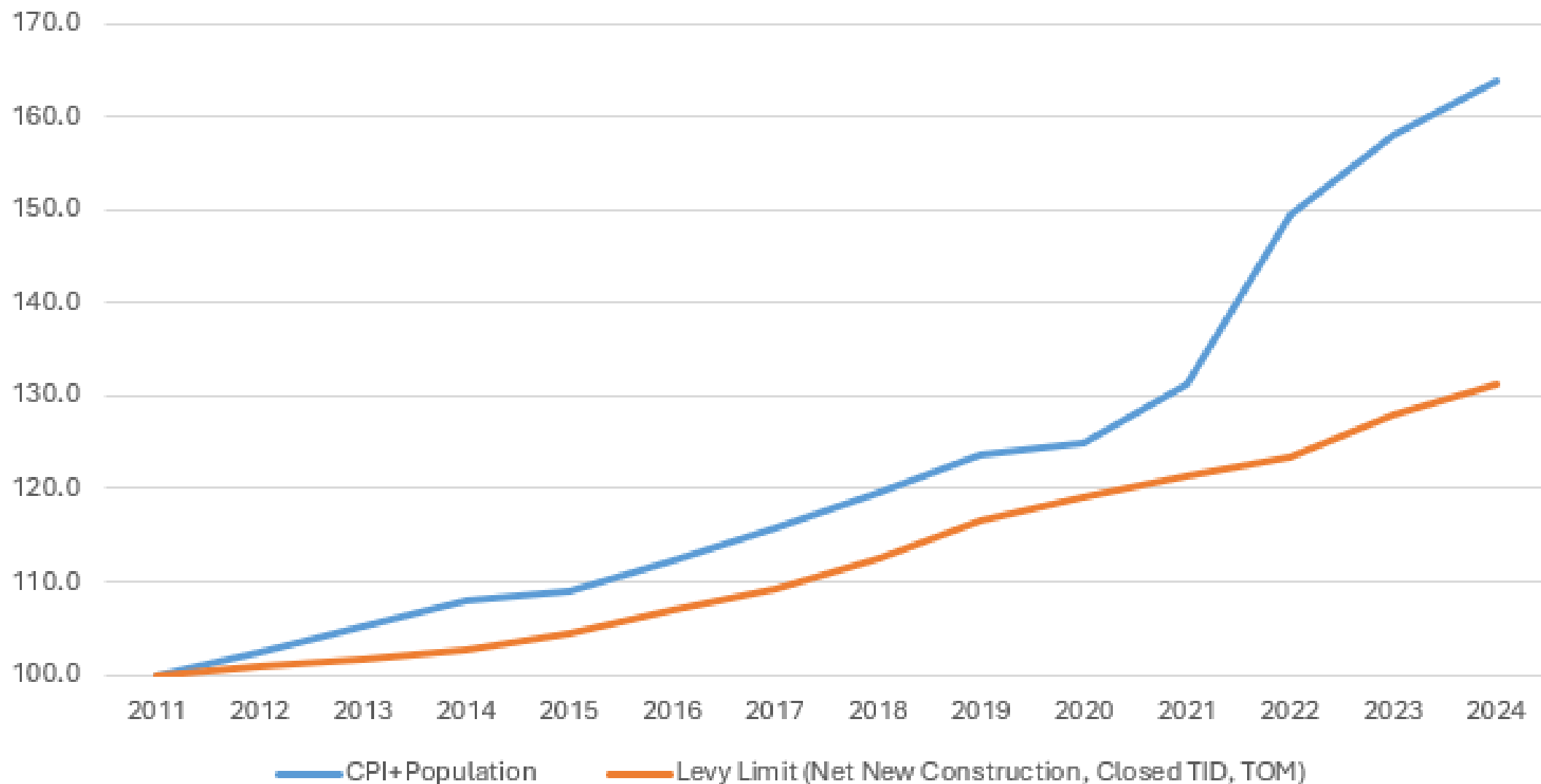
State Legislature Shortchanges Madison: We get back only 18 cents for every \$1 of State Taxes Paid





Levy Limit has not Kept Pace with Inflation plus City Population Growth

Indexed -- 2011 = 100



Current Situation:

The City faces a serious structural deficit

What is a structural deficit?

- A structural deficit is when projected expenses are greater than projected revenues, despite economic conditions. The cost to provide the same level of services next year is more than we think we will bring in through revenues.

How much is the projected deficit for 2025?

- Currently, the deficit is estimated to be \$22 million.

Why are we in this situation?

1 Limited Revenues

- State of WI places strict limits on revenues, so revenues do not keep pace with inflation
- Madison receives less State Aid (\$29/resident compared to statewide average of \$195/resident)

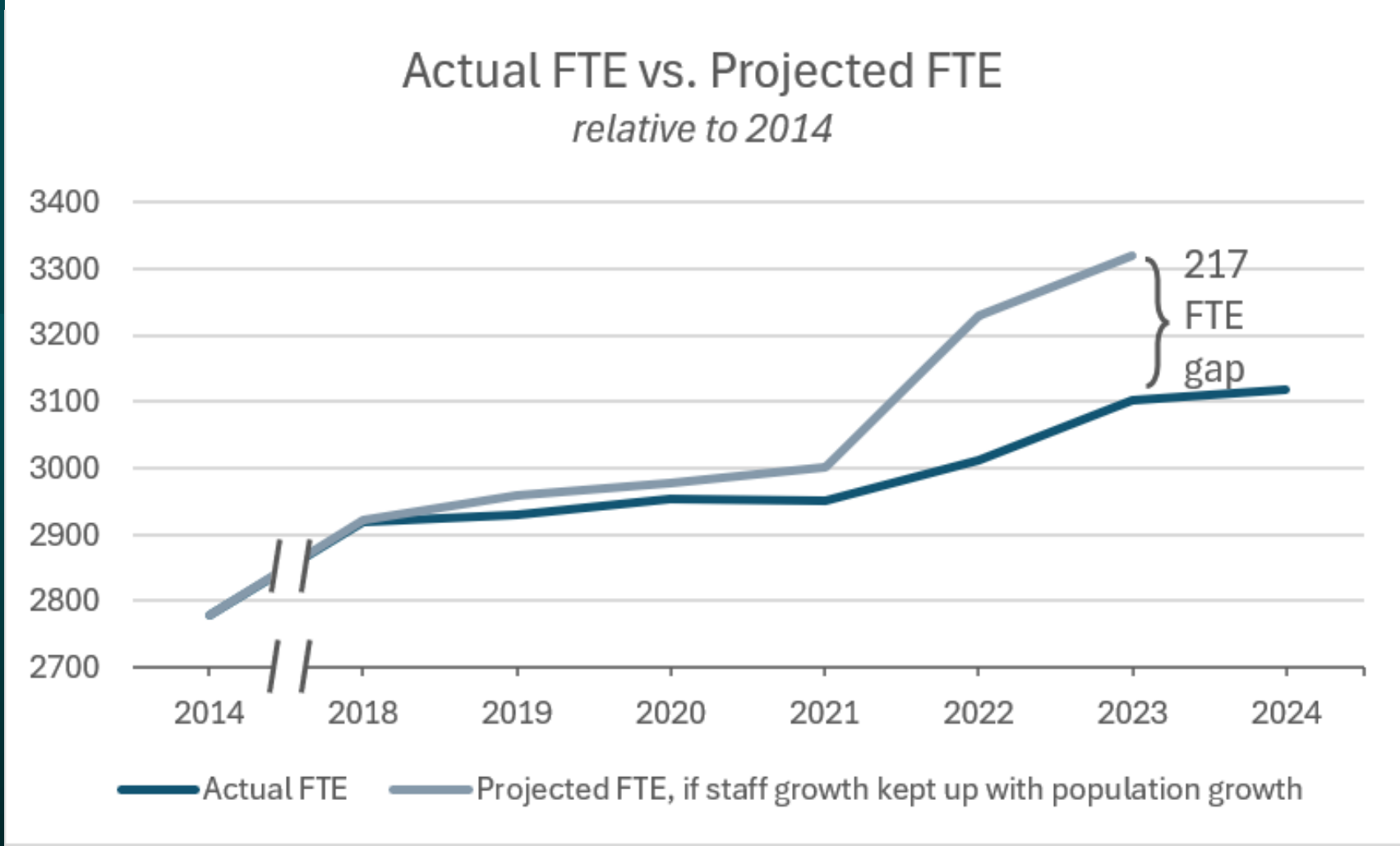
2 Growing City

- Expanding services to meet resident needs as the City grows (for example, maintaining emergency response times)
- Annual increases for cost of living adjustments, higher healthcare costs, and inflation

3 Impact of COVID Pandemic

- City revenues have not fully recovered from the pandemic – property taxes limited compared to county and state sales taxes
- Federal COVID relief funding helped with revenue losses in prior years, but this ends in 2024

The City Has Been Doing More With Less for Years: Currently Has 217 Fewer Staff Than Needed to Keep Up With Growth



Source: Wisconsin Department of Administration, adopted budget books

What has the City done so far?

Madison has faced a budget deficit **every year** since the State imposed strict levy limits in 2011. The problem is bigger in 2025 than before because of the lasting impacts of the pandemic and end of federal recovery funds.

2012	2013	2014	2015	2016	2017	2018
<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 – shift Overture • 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 	<ul style="list-style-type: none"> • Increased Room Tax rate • Cost Allocation • Increased investment revenue
2019	2020	2021	2022	2023	2024	
<ul style="list-style-type: none"> • TID 32 Closure • Increased interest revenue • Shift Library Collection to capital 	<ul style="list-style-type: none"> • Vehicle Registration Fee • Shift Parking Enforcement to Parking Enterprise • Increased Forestry staff time to Urban Forestry Special Charge • Debt premium 	<ul style="list-style-type: none"> • \$8 m in fund balance • \$6 million in cuts, Workshare/'furloughs', service efficiencies • \$6.1 million American Rescue Plan Act (ARPA) • \$2 m in fee increases, Town of Madison fire & EMS contract 	<ul style="list-style-type: none"> • \$13.1 million ARPA • \$1.5 million Resource Recovery Special Charge (RRSC) • \$1.4m in cuts 	<ul style="list-style-type: none"> • \$6.9 million TID proceeds • \$3 million Resource Recovery Special Charge (RRSC) • \$7.7 million one-time reduction to Metro subsidy 	<ul style="list-style-type: none"> • \$9.2 million in fund balance • \$5.6 million ARPA • \$3.1 million TID proceeds • \$3.0 million reduction to all agencies • \$2.4 million savings from vacancies/ salary savings 	
<p><i>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.</i></p>						



With A Referendum, Madison Can Avoid Significant Cuts or the Need for More Revenue for Another Five years

With a referendum, Madison will avoid significant cuts to services while minimizing new special charges in future years. There will also be more time for the State to approve additional revenue sources before the City faces an unaddressed budget gap.



↶ The earliest year that additional shared revenue from the State is possible



↶ The earliest year a local sales tax would likely impact the City budget



Additional revenue or cuts needed to balance budget



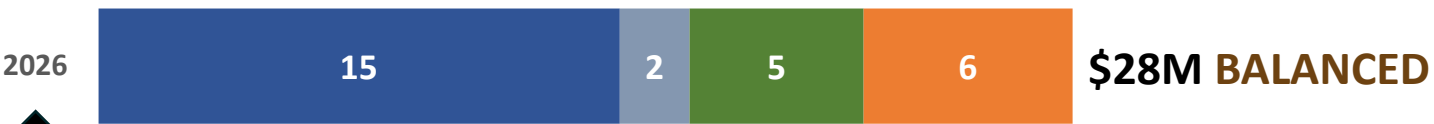
↶ Rainy Day Fund (\$25m) fully expended



Without a Referendum, the City Would Need Additional Cuts and Revenue by 2027



Without a referendum, Madison will need additional cuts by 2027 – even with annual increases in special charges and significant cuts to services in 2025.



The earliest year that additional shared revenue from the State is possible



The earliest year a local sales tax would likely impact the City budget

Additional revenue or cuts needed to balance budget



Rainy Day Fund (\$25m) fully expended



■ New Special Charges ■ Efficiencies / Revenue Adjustments ■ Fund Balance ■ Permanent Cuts to Services ■ Unaddressed Gap

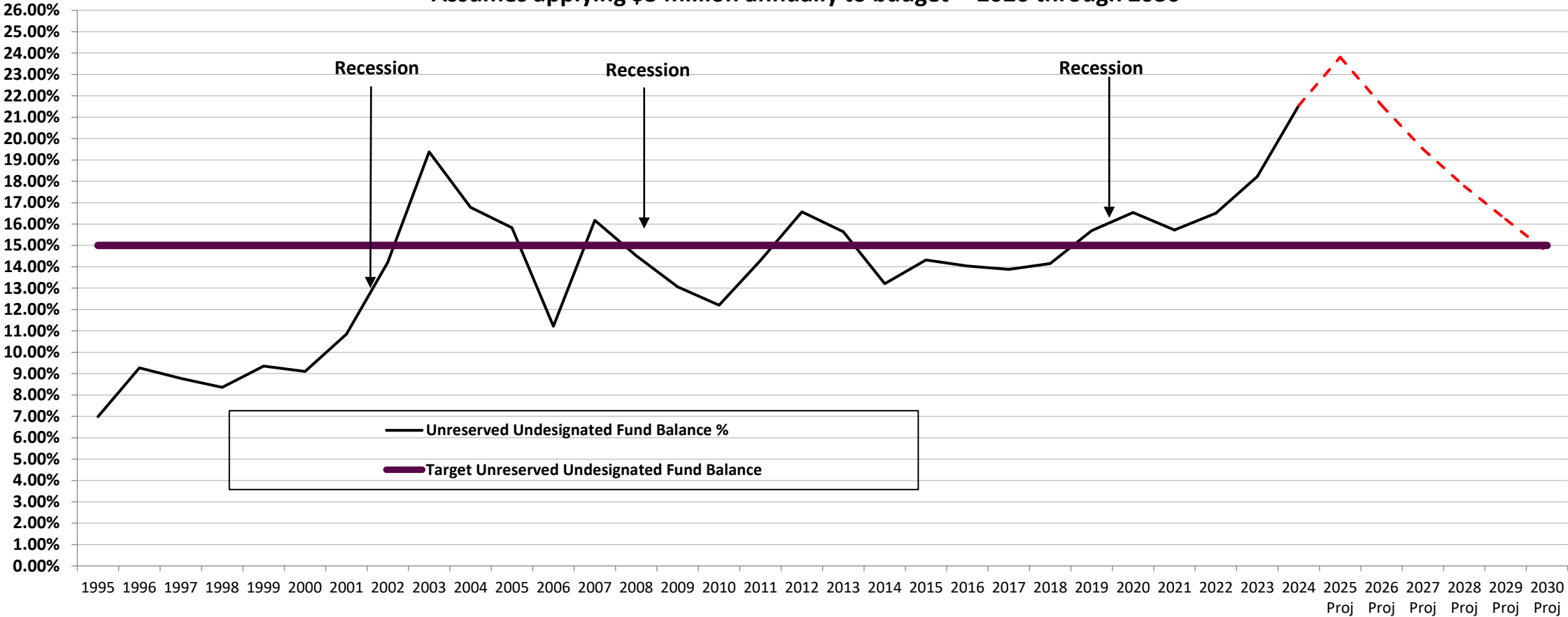
General Fund Unassigned Balance (“Rainy Day Fund”)

General Fund Unassigned Balance

(as of January 1)

1995 to 2030 Projected

Assumes applying \$5 million annually to budget -- 2026 through 2030





Potential Service Cuts

Eliminate the City's **property look up service**. Reduction of 2 FTE (\$216,046)

Eliminate Code Enforcement Officer, Housing Inspector, and Information Clerk positions. Would **slow down inspection** and approval process. Reduction of 3.0 FTE (\$264,647)

Increase various fees: sign permit, tourist rooming house, and first Certificate of Occupancy (\$50,000)

Reduce poll workers to minimum required levels, increasing wait times. (\$149,969)

Reduce **alder expense accounts for community engagement** (\$16,240)

End City's financial contribution to agencies providing **Youth Restorative Justice** Services (\$180,000)

Reduce the City's financial contribution to case management and **outreach services for persons experiencing homelessness** (\$438,000)

Discontinue City contribution to various economic development activities including the **Downtown BID, MadREP, Summer Meals program, and the Community Gardens Network** manager (\$132,225)

Reduce CARES program from three teams to one resulting in the loss of coverage on weekends and holidays and less capacity during the week. Reduction of 5 FTE (\$848,000)

Remove **one fire engine company** from service resulting in longer response times and decreased safety for civilians and firefighters. Reduction of 18 FTE (\$2,883,499)



Potential Service Cuts

Discontinue or reduce coverage of various BCC meetings, discontinue edited podcast support, discontinue show productions, reduce event coverage and special project requests. Reduction of 1-2 FTEs (\$88,877 – 177,754)

Reallocate **sustainability staff** in Mayor's Office from the operating budget to grant funding (\$74,339)

Eliminate **Sunday and evening hours at libraries**, making access more challenging for some residents. (\$764,899)

Eliminate **Parks Aquatics** Program. Reduction of 1 FTE (\$318,312)

Eliminate **Parks ice rink** program, **beach cleaning** service, reduced restroom support, reduced maintenance of Forest Hill Cemetery. Reduction of 3.75 FTE (\$381,810)

Discontinue the **Arts Grants** program and the **Neighborhood Grants** program and reduce consultant services to support **public engagement for Area Plan processes**. Reduction of 0.5 FTE (\$202,000)

Close police district windows and reduce services provided by records staff; experiment with private transcription service for police reports. Reduction of 8 FTE (\$324,387)

Eliminate **Police Department Community Outreach** section which would require the repayment of the federal COPS Grant. Reduction of 12 FTE (\$805,955)

Eliminate **Gang & Neighborhood Crime Abatement Team** (GNCAT). Reduction of 10 FTE (\$1,048,800)

Reduce staffing for **police patrol services and Community Policing Teams**. Reduction of 15 FTE (\$1,561,800)



Potential Service Cuts

Eliminate daytime **Traffic Safety and Enforcement Team** (TEST). Reduction of 7 FTE (\$699,265)

Reduce funding for **Safe Communities-Substance Use and Injury Prevention** – funding provides training, education and coordination of community efforts to prevent substance misuse, overdose and abuse. (\$78,278)

Reduce funding for **Access Community Health** Center (ACHC) - the City of Madison has provided support to ACHC for over 20 years. These resources provide care for almost 200 individuals who have no other access to health care services. (\$188,000)

Eliminate **Violence Prevention** Contract - Focused Interruption Coalition has been the recipient of this funding since the funds were allocated. Funding provides hospital-based intervention and prevention services to those involved in violent incidents. (\$210,000)

Reduce **brush collections** to 3 times pre year instead of 5. Reduction of 4.5 FTE (\$641,000)

Reduce **street repair** by 52%. Reduction of 5.5 FTE (\$790,564)

Close **Streets Sunday drop-off sites** (\$18,851)

Reduce **Metro Transit night/weekend service** (\$3.2m)

Reduce **crossing guard** program. (\$79,624)

Form of Potential Referendum Question

"Under state law, the increase in the levy of the City of Madison for the tax to be imposed for the next fiscal year, 2025, is limited to **[2.5%]**, which results in a levy of **[\$296,296,440]**. Shall the City of Madison be allowed to exceed this limit and increase the levy for the next fiscal year, 2025, for the purpose of funding police, fire, garbage collection, parks and library operations and other City services and operations, by a total of **[7.4%]**, which results in a levy of **[\$318,219,440]**, and on an ongoing basis, include the increase of \$22,000,000 for each fiscal year going forward?"

% = Net New Construction and adjustment for any closed TIDs; \$ = levy limit worksheet amount

Must state the purpose of the additional levy.

% increase over maximum allowable and new levy amount

Type of increase (one-time, on-going, short-term) and additional levy amount

Impact of the Referendum

- Raising property tax levy by \$22 million
- \$5 increase for each \$100K of home value
- It's at the discretion of landlords whether they pass the increase cost renters

Average Valued Home (\$457,300)



Referendum cost for Homeowners:

- 60 cents a day
- \$19 a month
- \$219 a year



Referendum Cost for Renters:

- 23 cents a day
- \$7 a month
- \$85 a year



Budget Timeline

Council meeting - 5 year plan presented	July 16
Agency Requests due	July 19
Finance Committee – 5 year plan and referendum discussed	July 22
Council meeting – public comment on referendum	August 6
Agency Briefings with Mayor’s Office	August 12-14
Common Council (Special Meeting) – vote on referendum	August 20
Executive Budget Introduced to Common Council (CC)	October 8
Finance Committee (FC) Briefing	October 14-15
FC Amendment Meeting	October 28
CC Amendment Week	October 30-November 8
Election Day	November 5
CC Budget Adoption Meetings	November 12-14