



# City Budget Overview

Presentation to the Common Council | May 20, 2025

# Agenda

**Objective of today's presentation:** Establish a common understanding of the City budget process and opportunities for alder and public engagement.

1. City Budget Overview
2. Operating Budget Highlights
3. Budget Process and Timeline
4. Additional Background: The Structural Deficit and Referendum
5. Additional Background: City Debt

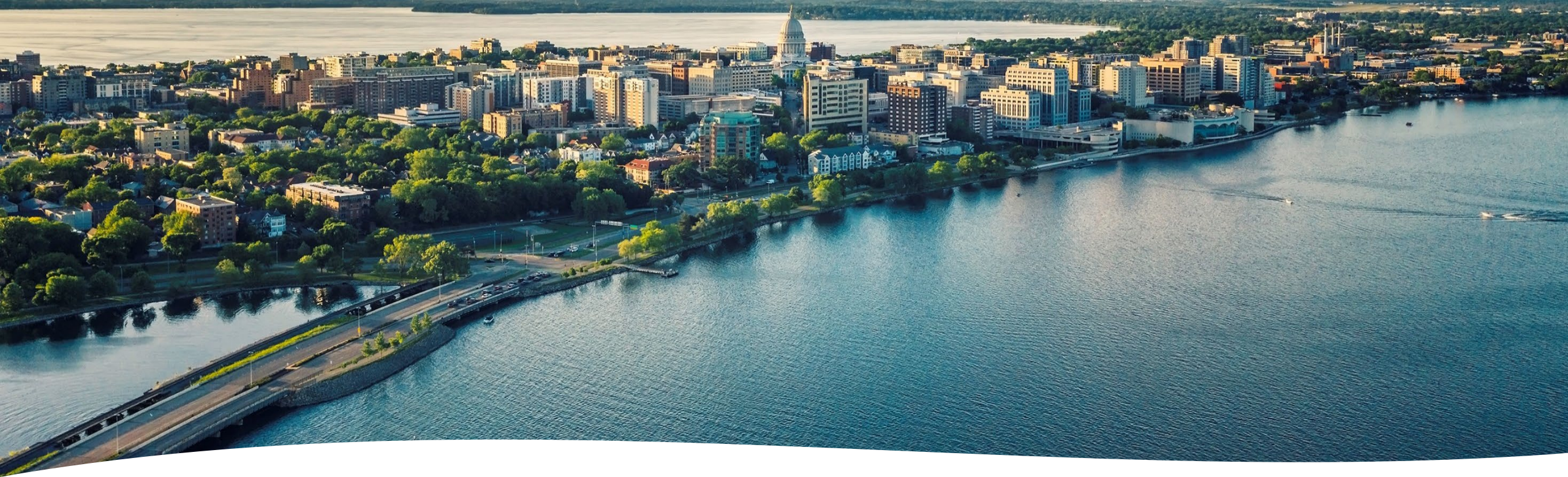


# City Budget Overview

## Takeaways:

- The City has two budgets: a capital budget and an operating budget.
- The capital budget primarily funds physical infrastructure and equipment. The operating budget primarily funds staff and services.
- Property taxes are the main revenue source for the general fund operating budget.
- Personnel and Debt Service are the largest operating expenses.





# What is the City Budget?

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 and Operating Budgets covers spending for 1 year (Jan. 1 – Dec. 31)
- Introduced by the Mayor and amended/ approved by the Common Council
- Operating Budget must be balanced (expenditures = revenues)





# Capital Budget

- **What is it:** The capital budget funds physical infrastructure like roads, bike lanes, building improvements, affordable housing development, and other projects.
- **Why is it important:** Capital projects are long term investments that ensure infrastructure is safe & effective and helps us advance city goals on climate change, housing, and other key issues.
- **How is it funded and paid for:** These items are primarily paid for through borrowing. Special assessments, impact fees, user fees and federal and state grants also help finance capital projects.

# Operating Budget

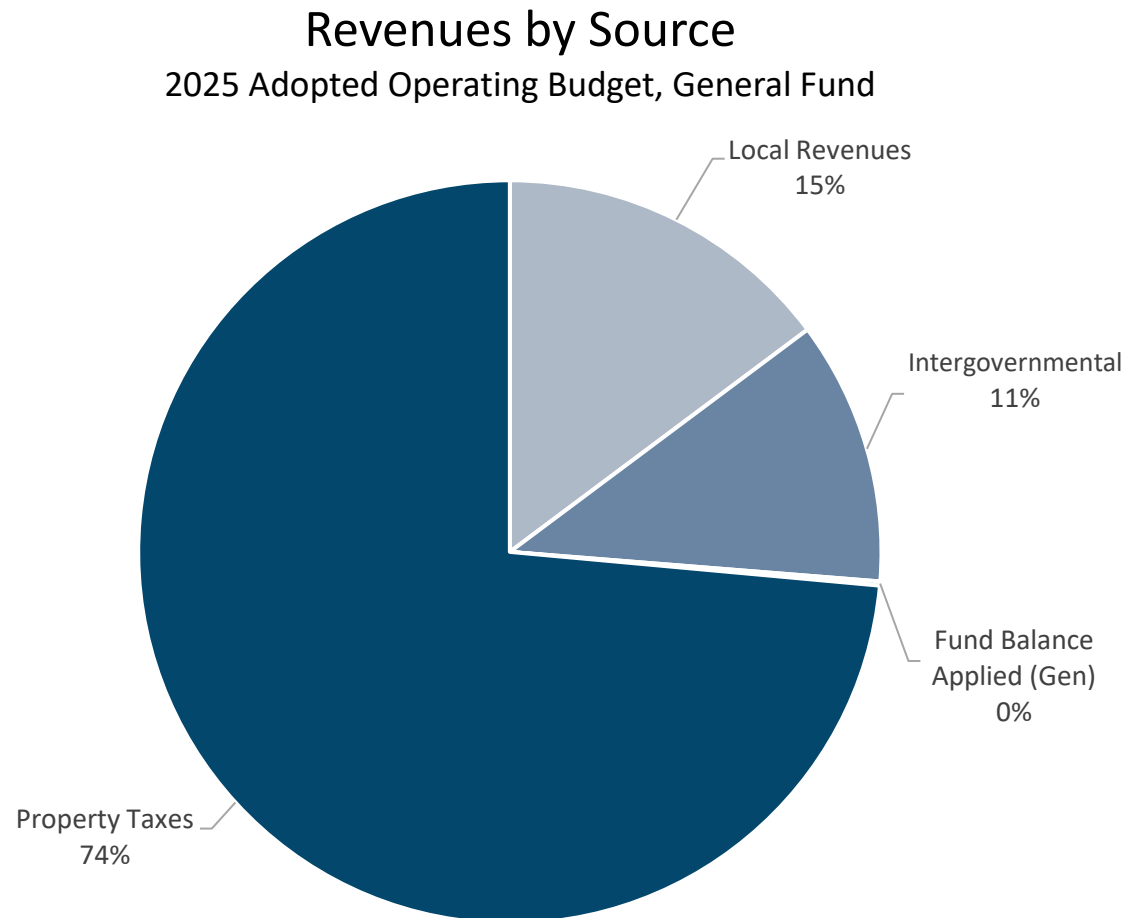
- **What is it:** The operating budget pays for the City's daily services to City residents. This includes paying staff salaries, community-based organizations who deliver services on behalf of the city, and other costs.
- **Why is it important:** The operating budget supports core services including police, fire, emergency medical services, library and park programs, garbage and recycling collection, snow and ice removal, and more.
- **How is it funded and paid for:** The operating budget is primarily supported by property taxes. Other funding sources include charges for services, user fees, and federal and state aid.





# Property Tax is more than 70% of Revenues

2025 General Fund Budget = \$432.5 million



- **Property Taxes:** Primary source of revenue for the operating budget; Accounts for 74% of total (\$318.1m)
- **Local Revenues:** Includes payments in lieu of taxes; fines and forfeitures; licenses and permits; and other local taxes; Accounts for 15% of total (\$64.0m)
- **Intergovernmental (State Aid):** Includes shared revenue, general transportation aid and other state aid; accounts for 11% of total (\$49.6m)
- **Fund Balance:** Includes \$779,400 related to one-time funds for certain programs; accounts 0.2% of total

Source: 2025 Adopted Operating Budget

# The largest expenditure categories are Personnel (62%) and Debt Service (16%)

**Personnel** = \$267.2 million, 61.8%

- Pays for staff salaries and benefits

**Debt Service** = \$70.5 million, 16.3%,

- Pays back borrowing for capital projects

**Non-Personnel** = \$54.8 million, 12.7%

- Purchased services and supplies

**Other** = \$36.2 million, 8.4%

- General fund subsidy to Metro Transit (\$18.4 m), City's share of the joint City-County Public Health Agency (\$10.8 m), and the contingent reserve (\$2.4 m)

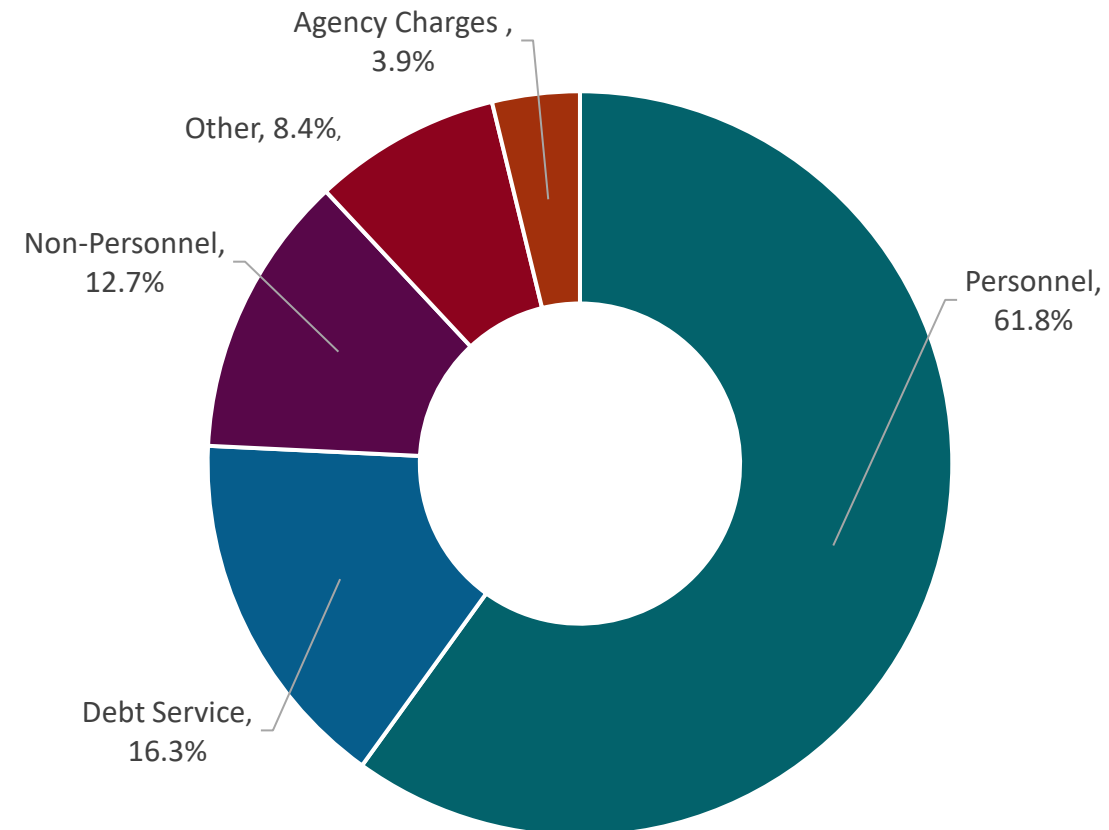
**Agency Charges** = \$16.9 million, 3.9%

- Inter-departmental billings and charges including Insurance, Workers Compensation, and Fleet Services

**Agency Revenues** = -\$13.2 million, -\$3.1%

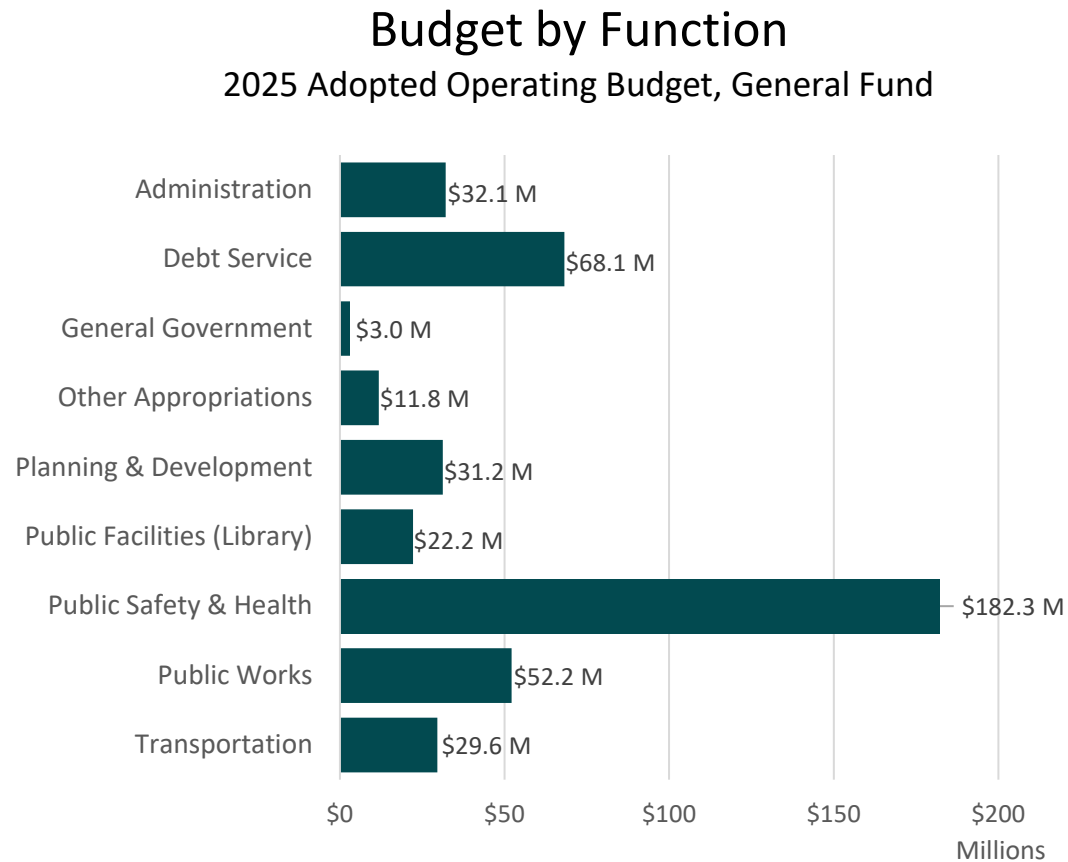
- Charges for services, facility rentals, permits, and other sources that offset expenses

Expenditures by Type  
2025 Adopted Operating Budget, General Fund





# Public Safety & Health agencies account for the largest share of budget (42.5%)



- Public Safety & Health accounts for the largest share of the budget (\$182.3 million; 42.1%). Majority is for Police (\$91.0 million) and Fire/ EMS (\$70.6 million)
- General Fund Debt Service (\$68.1 million; 15.8%). Library Debt Service is in the Library Agency budget
- Public Works is the third largest functional area (\$52.2 million, 12.1%)
- Other Appropriations are centrally budgeted functions that address city-wide expenses, including transfers to the capital fund and the contingent reserve



# Process & Timeline

## Takeaways:

- Budget development is a collaborative process that involves the Common Council, Mayor, Finance Department, and agency staff.
- Staff will provide regular updates to the Finance Committee throughout the year.
- There are five public engagement sessions on the budget in June.



# 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.

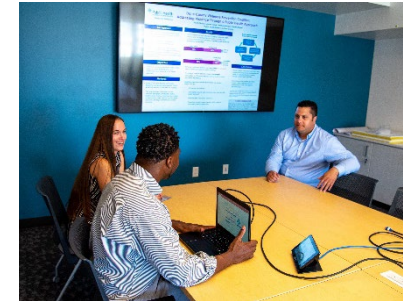
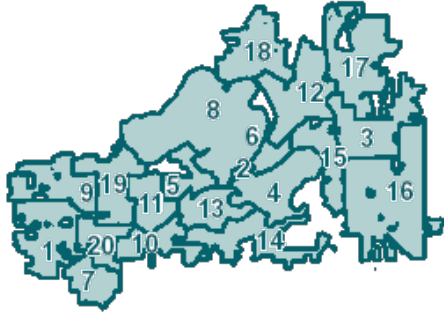
Council can **submit amendments** to the executive budget and has final authority to **approve the budget**.



### Alder and Public Engagement:

- Finance Dept. engages alders through regular budget updates to Finance Committee.
- City staff engage residents through planning processes, public meetings, and other approaches. Staff consider resident service needs when developing budget requests.
- Members of the public can provide public testimony at budget hearings.
- Staff will host a series of in-person budget engagement meetings Summer 2025.

# Roles and Responsibilities



## Common Council

- Provides policy direction on the budget
- Reviews and amends the Executive budget
- Adopts the final budget and approves legislation to levy taxes and issue bonds to fund the budget

## Mayor

- Establishes the priorities and guidelines for the executive budget, based on input from alders, residents, and staff, and alignment with citywide strategic plans
- Develops and presents the Executive Budget for consideration by the Common Council

## Staff

- **Finance Department** coordinates and facilitates citywide budget process and provides independent fiscal analysis of requests
- **Departments and Divisions** prepare budget requests based on priorities and operational needs



# Key Dates for 2026 Budget Development

	Capital	Operating
<b>Agency Request Period</b>	March 18 – April 18	Jun 16- July 18
<b>Agency Requests and Service Level Priorities Available on Webpage</b>	Week of May 5	Week of August 4
<b>Executive Budget introduced to Common Council (CC)</b>	Tuesday, September 2	Tuesday, October 7
<b>Finance Committee (FC) Briefings</b>	September 8 & 9	October 13 & 14
<b>FC Amendment Meeting</b>	Monday, September 29	Monday, October 27
<b>CC Amendment Week</b>	October 27 – November 5	
<b>CC Budget Adoption Meetings</b>	November 11 – 13	

# Briefing the Finance Committee

- Tentative dates for future briefings and presentations on the 2026 Budget
- Dates may be changed throughout year; Additional topics may be added
- Finance staff will continue to provide regular briefings on the impact of federal policy on the City budget (approximately monthly)

FC Date	Topic
5/27/2025	<ul style="list-style-type: none"> <li>• Capital Request Overview</li> <li>• Operating Budget Outlook and Cost to Continue</li> </ul>
6/9/2025	
6/23/2025	<ul style="list-style-type: none"> <li>• Operating Budget Guidance</li> </ul>
7/7/2025	
7/28/2025	
8/25/2025	<ul style="list-style-type: none"> <li>• Operating Request Overview</li> <li>• FC and CC Amendment Process</li> </ul>
9/8/2025; 9/9/2025	<ul style="list-style-type: none"> <li>• FC Agency capital briefings (9/8 includes regular business)</li> </ul>
9/29/2025	<ul style="list-style-type: none"> <li>• FC capital amendments (includes regular business)</li> </ul>
10/13/2025; 10/14/2025	<ul style="list-style-type: none"> <li>• FC Agency operating briefings (10/13 includes regular business)</li> </ul>
10/27/2025	<ul style="list-style-type: none"> <li>• FC capital amendments (includes regular business)</li> </ul>



# Five Public Engagement Sessions in June

## Upcoming Events

JUN  
11

[2026 Budget Engagement Meeting - City Administration & Facilities](#)

**Warner Park Community Recreation Center**  
1625 Northport Dr.

JUN  
16

[Budget Engagement Meeting - Public Safety](#)

**Sequoia Library**  
4340 Tokay Blvd

JUN  
18

[2026 Budget Engagement Meeting - Transportation](#)

**Pinney Library**  
516 Cottage Grove Rd

JUN  
24

[2026 Budget Engagement Meeting - Community & Economic Development](#)

**The Hub**  
2352 Park Street

## 2026 Budget Engagement Meeting - Public Works



Wednesday, June 4, 2025

6:00pm – 8:00pm



**Madison Public Library - Central**

201 W Mifflin St  
Madison, WI 53703

[Directions](#)



Please register today!

[Register](#)

The meetings will feature an update of the 2026 budget process with Finance Director Dave Schmiedicke and presentations from the Engineering, Parks, and Streets divisions. The goal of these public meetings is to provide an opportunity for you to speak directly with City staff about your ideas, concerns, and priorities for Madison's future.

Categories: [Public Information Meetings](#)

<https://www.cityofmadison.com/mayor/events/2025-06-04/2026-budget-engagement-meeting-public-works>



# The Structural Deficit & Property Tax Levy Referendum

## Takeaways:

- The City has faced a structural deficit since 2011, when the State of Wisconsin enacted strict levy limits. As a result, the growth in revenues is slower than the growth in expenditures.
- The 2025 budget was balanced through the adoption of a \$22 million property tax levy referendum. The budget included a 5-year plan to maintain a balanced budget.

# The City faces a persistent 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.

## 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 \$142/resident)

### 2 Increasing Expenses

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

### 3 Impact of COVID Pandemic

- City revenues have not fully recovered from the pandemic
- Federal COVID relief funding helped with revenue losses in prior years, but relief funding ended in 2024

# The Structural Deficit in 2025

**CONTEXT:** Madison has faced a budget deficit **every year** since the State imposed strict levy limits in 2011. At the beginning of the 2025 budget development process, the City projected a larger deficit than before because of the lasting impacts of the pandemic and end of federal recovery funds (specifically, the end of American Rescue Plan Act (ARPA) funds which balanced prior year budgets).

## How much was the 2025 deficit?

**\$22 Million**

The 2025 Executive Operating Budget presented a **structural budget deficit of \$22 million**. This amount reflected the gap between the cost to continue existing services and projected revenues.

## How was the 2025 operating budget balanced?

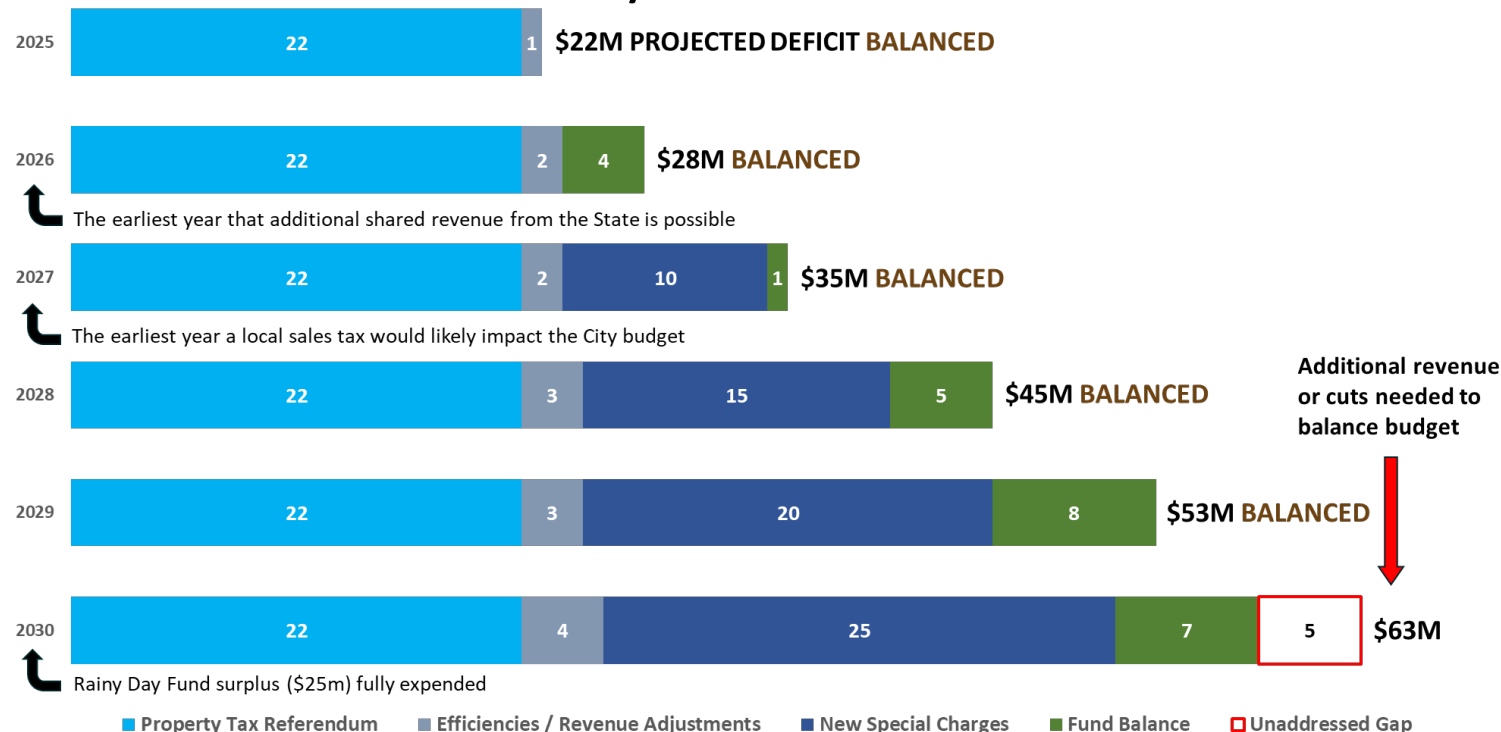
**Referendum**

Ultimately, the budget was balanced by voter **approval of a property tax levy referendum** to exceed the state limit on the property tax levy by \$22 million to continue City services without significant cuts.



# Five Year Outlook

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



The 2025 Adopted Budget includes a 5-year plan to address future deficits.

- The referendum amount is fixed (\$22 million) so it will not grow with inflation or keep pace with increasing costs.
- Due to the structural nature of the deficit, this means a budget gap will reemerge in future budgets.
- Additional strategies will be needed to balance future budgets.
- The 5-year plan will be updated annually.



# Background on City Debt

## Takeaways:

- The city issues debt to finance infrastructure needs, including street improvements, public buildings, and equipment.
- Debt is repaid from a number of revenue sources, including the property tax, user fees, tax increment, etc. Repayment of principal and interest on City debt is a cost in the operating budget and is called “Debt Service”.
- The City’s general obligation debt is rated Aaa (triple A), which allows it to receive the lowest possible interest rate. The City’s debt level is limited by the State Constitution, and is measured in a number of different ways.

# Background on City Debt

## Purpose of Debt

- Debt issued to finance the cost of capital projects and programs.

## Repaying Debt

- Principal and interest payments (“Debt Service”) reflected in operating budget.
- Debt Service is excluded from the levy limit calculation

## Different Types of Debt

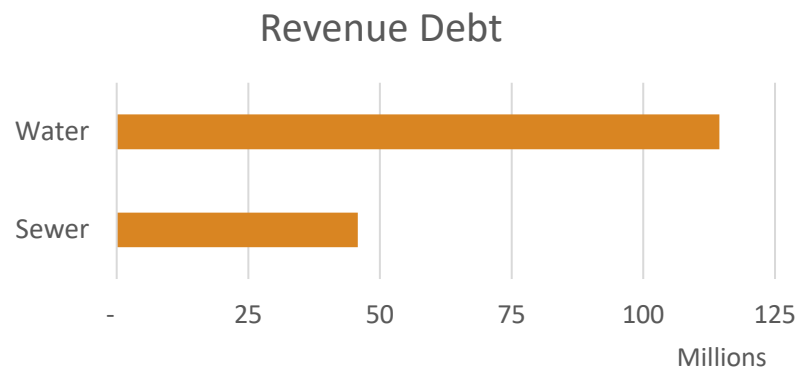
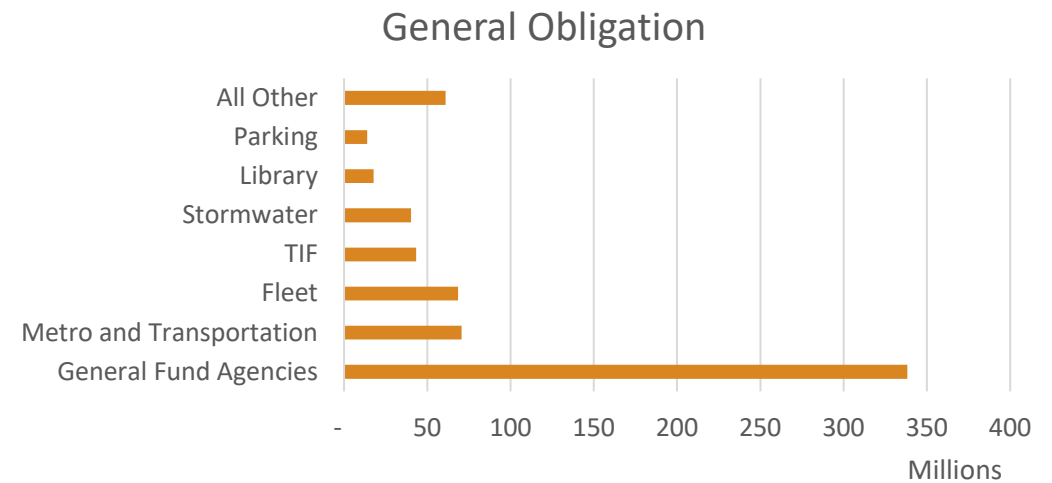
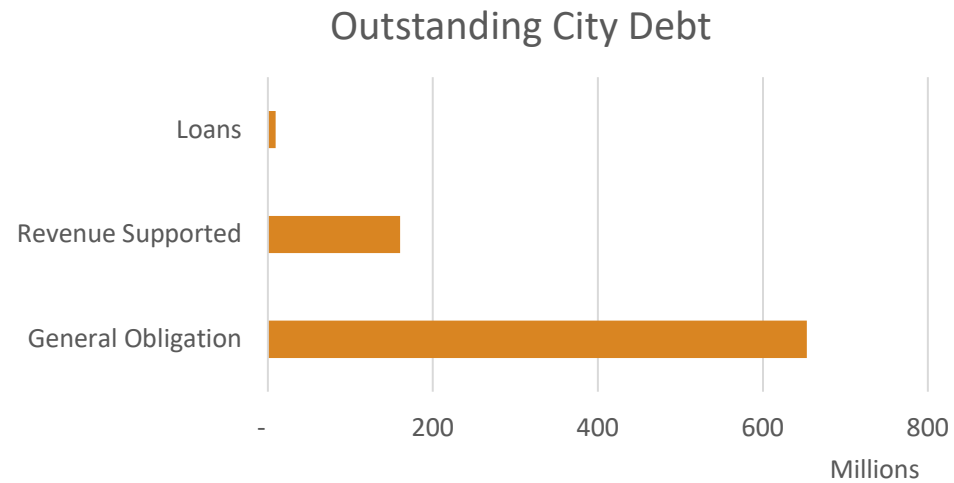
- “General Obligation” – backed by full faith and credit of the City – property taxes; actual funding sources vary. Limited to 5% of total property value in city.
- “Revenue Debt” – backed by specific revenues pledged to repay the debt (e.g., Sewer user fees)
- “Loans” – specific agreements to repay amounts loaned (e.g., State Safe Drinking Water loans).

## City GO Debt Rated Aaa by Moody’s Investors Service

- Highest rating allows lowest interest cost on debt

# Outstanding City Debt by Type/Agency

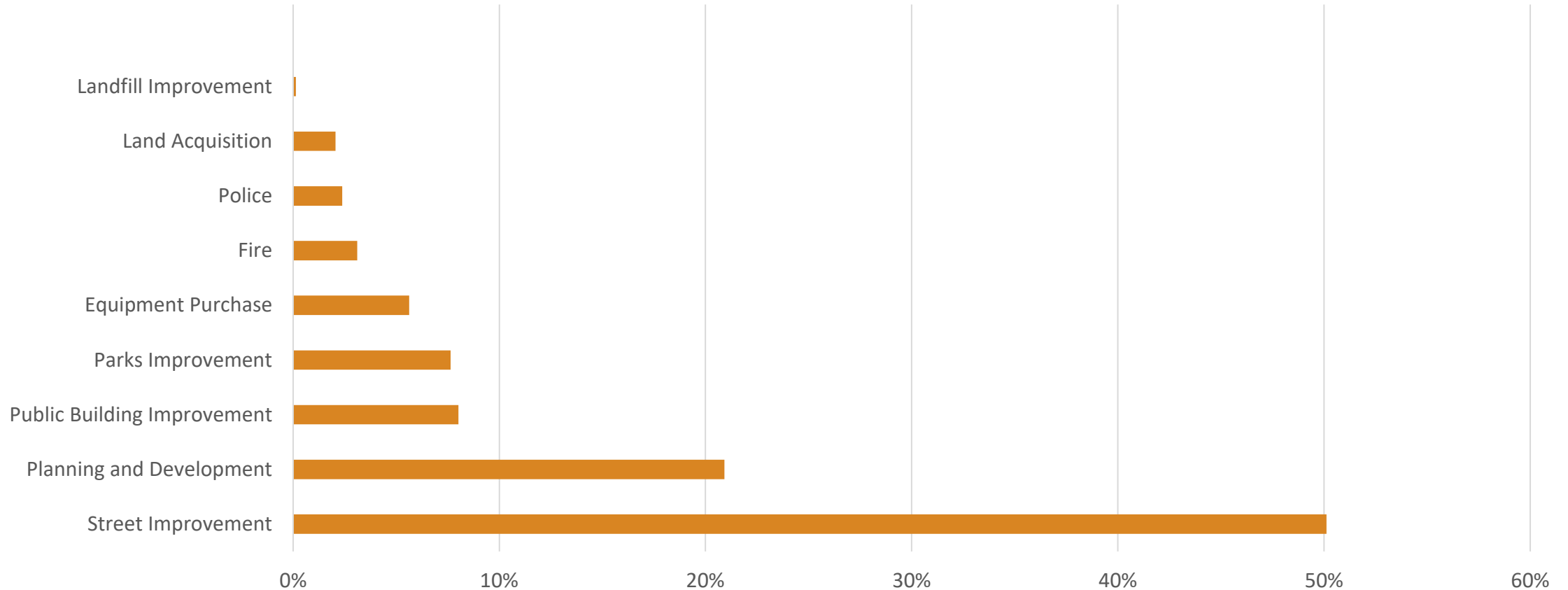
(excludes CDA loans and notes)



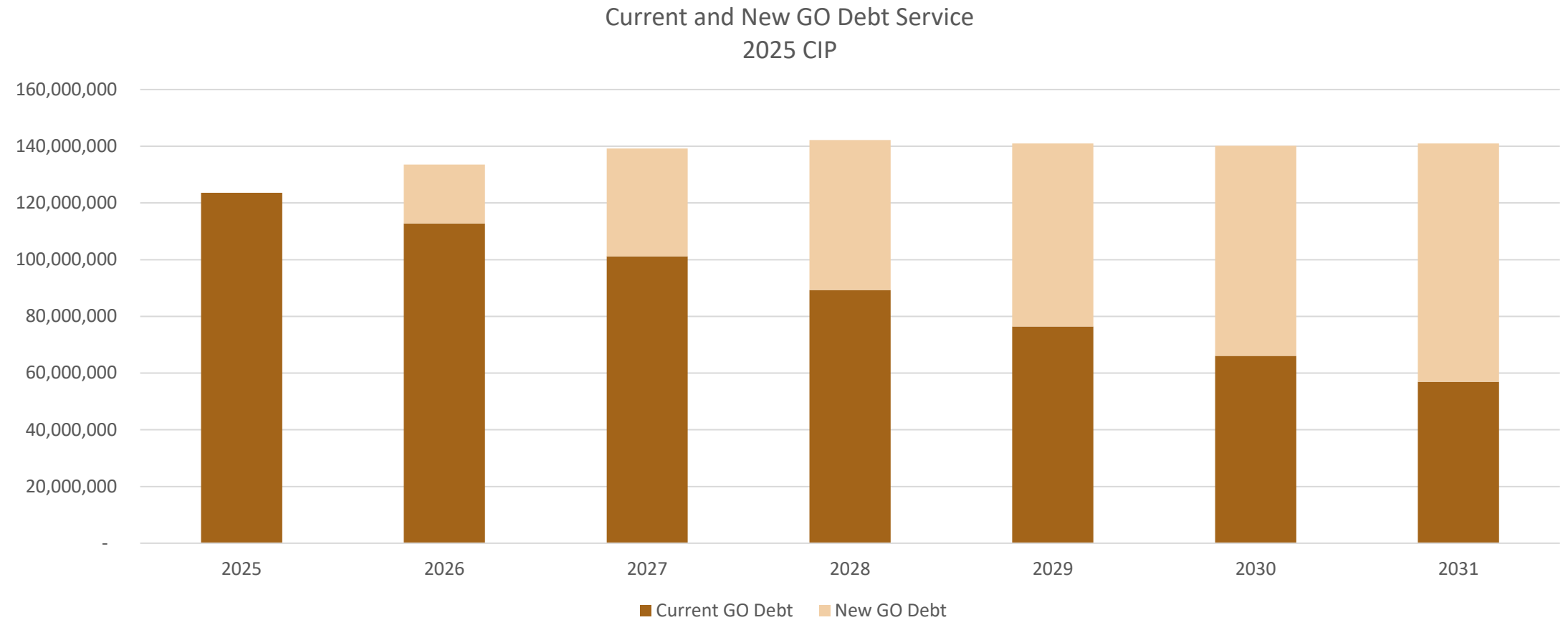


# GO Debt by Purpose – 2005 to 2024

Unweighted Average Share of Debt by Purpose

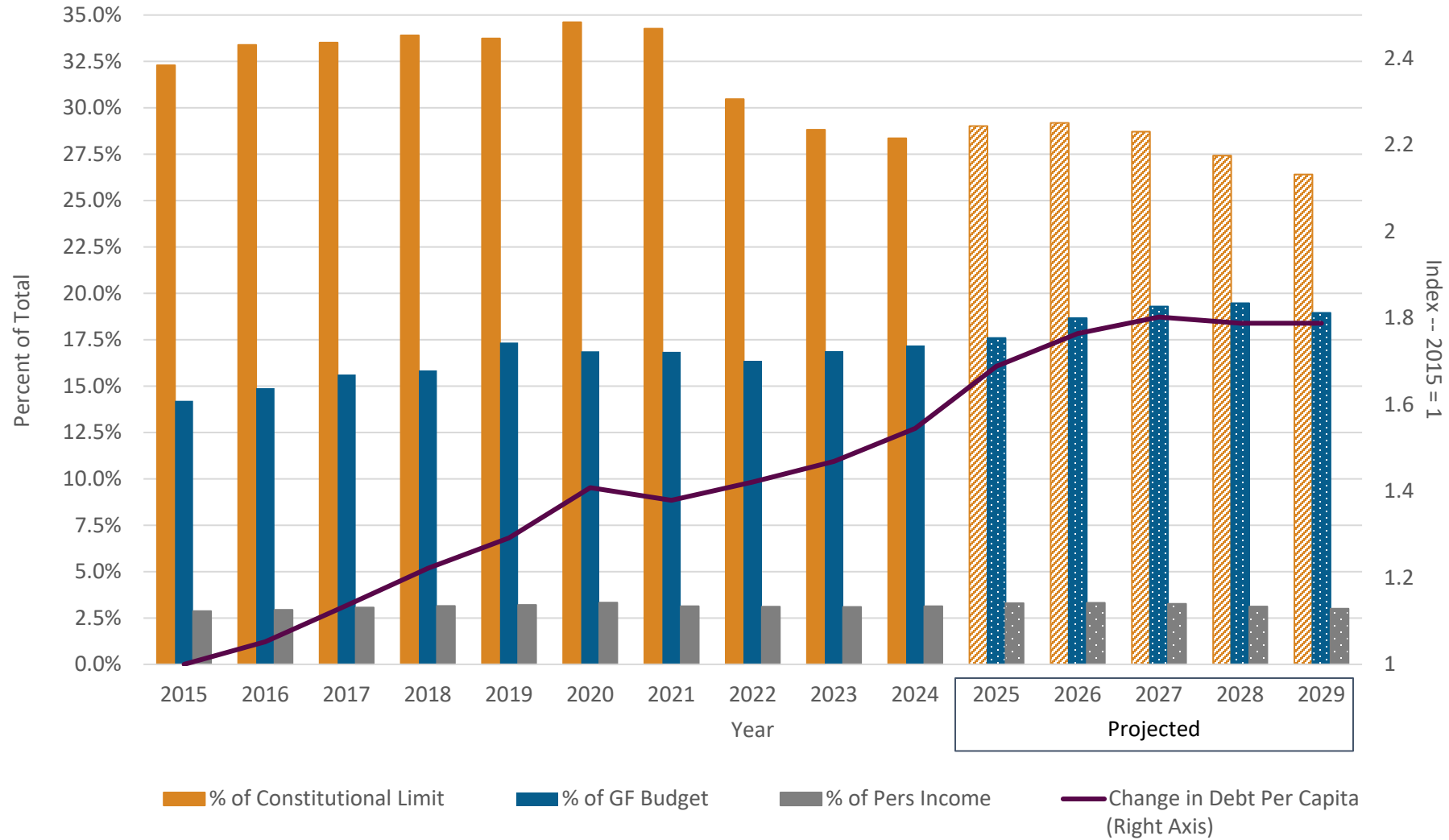


# Impact of Capital Improvement Plan



# City's Debt Profile through Different Lenses

Share of Constitutional Limit, Share of Budget, Share of Personal Income, Per Capita  
2025 Capital Improvement Plan



# Debt Rating

- General obligation rated Aaa by Moody's Investors Service
- Rating factors:
  - level of reserves
  - liquidity
  - financial management and governance
  - local/regional economy
  - overall debt levels
- Highest rating allows lowest interest cost on debt





# Resources

## Key Websites:

- Current and prior year budgets are available on the Finance Budget webpage:  
<https://www.cityofmadison.com/finance/budget>
- Audited financial statements are available on the Finance Accounting webpage:  
<https://www.cityofmadison.com/finance/accounting>

# Navigation Tip: Expand the Menus

## Budget

The City of Madison's Operating and Capital Budgets are planning and financial documents that detail how the City pays for services and infrastructure that benefit City residents. The Operating Budget funds daily operations, including staff salaries, community-based organizations that deliver services on behalf of the City, and other costs such as supplies and equipment. The Capital Budget funds physical infrastructure like roads, bike lanes, building improvements, affordable housing developments, and other projects.

Budget development is a multi-step process that involves City agencies, the Finance Committee, and Common Council. To review each phase of the budget, click on each year to expand the timeline and view additional details.

About the City Budget	<a href="#">Expand all</a>
2026 Budget	+
2025 Budget	+
2024 Budget	+

The budget homepage shows multiple budgets:

- Next year's budget: Documents will be added throughout the year as the budget is being developed
- The current year's budget
- Past budgets

Click the “+” sign or “Expand all” to see the full menu and detailed timelines of each budget phase

<https://www.cityofmadison.com/budget>

# Navigation Tip: Explore the Budget Phases

## 2026 Budget

### Capital Budget



### Operating Budget



Each budget year has a separate landing page. From this landing page, you can go to a specific budget phase to view original budget requests, the executive budget, amendments, and the adopted budget.

This landing page will also include links to significant legislation that amend the budget throughout the year.

- [2025 budget page](#)
- [2026 budget page](#)

\*Requests are posted 2-3 weeks after the listed due date.

# Navigation Tip: Review the Overview Documents

## 2025 Operating Budget

### Adopted Budget

[Full Adopted Budget](#) PDF

### Overview and Summaries

- [Madison's Mission & Values](#) PDF
- [Operating Budget Overview and Policies](#) PDF
- [Summary of Local Property Tax Levies](#) PDF
- [City Tax Rate Computation](#) PDF
- [General Fund Revenue Summaries](#) PDF
- [Expenditure Summaries](#) PDF
- [General Obligation Debt Service Summary](#) PDF
- [Statement of Indebtedness and Debt Service](#) PDF

Both the capital and operating budgets have an “Overview and Policies” section that reviews the specific guidance for the fiscal year and key financial policies.

These overview documents also include a one-page “How to Read Agency Budgets” section that explains how the budget is organized. This can be a helpful resource for understanding the layout of the agency sections.

The 2025 [Operating Budget Overview](#) and [Operating Executive Summary](#) provide a detailed explanation of the structural deficit, referendum, and process for developing the adopted budget.