



Office of the Mayor  
Satya Rhodes-Conway, Mayor  
City-County Building, Room 403  
210 Martin Luther King, Jr. Blvd.  
Madison, WI 53703  
Phone: (608) 266-4611 | Fax: (608) 267-8671  
[mayor@cityofmadison.com](mailto:mayor@cityofmadison.com)  
[cityofmadison.com](http://cityofmadison.com)

**Date:** June 16, 2025  
**To:** Department and Division Heads  
**From:** Mayor Satya Rhodes-Conway  
**Subject:** 2026 Operating Budget: Agency Guidance

Colleagues:

We head into the 2026 Operating Budget process with a clear message from Madison residents that they value the essential services provided by your agencies. The successful adoption of last year's funding referendum demonstrates that support and will make it easier for us to provide quality services to our residents going forward. Nonetheless, we still have a responsibility to continue to find efficiencies and creative solutions that allow us to meet the needs of our community while conserving resources. And of course, we are still operating within the constraints imposed on us by the State Legislature.

Uncertainty at the federal level is an added challenge to this year's budget process. We will not know the full impact of any changes until after you have submitted your requests. Some of the federal proposals being considered will directly impact city operations. Many others will affect the wellbeing of our residents and could have an impact on our budget as a result. As the federal government abdicates its responsibilities, local governments will be called upon to take care of our communities in new ways and we must be mindful of this in our planning process.

Additionally, municipalities across Wisconsin, particularly growing cities like Madison, still face the challenge of operating under revenue restrictions that do not sufficiently account for rising costs. That is why we have seen an unprecedented number of communities make the difficult decision to either cut critical services or put referendums on the ballot, a trend that will inevitably continue until the State Legislature takes corrective action. While our successful referendum has bought us breathing room, we expect that we will continue to face challenges because of the state-imposed levy limit and expenditure restraint program.

Earlier this year, we contracted with a state lobbying firm that is helping build a coalition of local governments to find bipartisan solutions for increasing local government funding. This is a strategy that will take time but I am optimistic will eventually result in a fairer system for all taxpayers and ease the challenge of structural deficits in local government budgets. We are seeing small signs of progress that rise above Wisconsin's partisan divides. For example, the cities of Oshkosh and Waukesha have brought new attention to the state not fully funding the Municipal Services Program, which results in Madison and other cities not being fully reimbursed for millions of dollars of police and fire protection we provide to state facilities. While remaining realistic, we will be aggressively pursuing change at the state level with this coalition of local leaders.

Until then, local governments in Wisconsin will remain far too dependent on the property tax base and that must factor into our plans for the 2026 operating budget. The maximum possible restraint must be used in any adjustment to the property tax levy. The five-year plan adopted by the Common Council as part of our 2025 budget calls for us to continue to find efficiencies and use the fund balance (or "Rainy Day Fund") to address our projected shortfall in 2026. The City must also be prudent in its spending in order to continue to qualify for \$7 million in state aid under the Expenditure Restraint Incentive Program.

A silver lining of inflation and elevated interest rates is that our fund balance has exceeded our conservative projections and remains healthy. We must not treat the fund balance as a way to inappropriately expand operations, nor should we jeopardize our triple-A bond rating by spending it down all at once. We can, however, prudently use the fund balance over the next few years to avoid painful service cuts that will negatively affect our most vulnerable residents. The option to use special charges to fund services may still be necessary in future years. However, I believe we can avoid placing that extra burden on residents in the 2026 budget.

Over the last few budget cycles, I have asked agencies to craft budgets with a built-in 1 percent reduction. This reduction was based on an analysis of actual underspending trends and did not reduce services. However, the cost to maintain the same level of service continues to increase to meet the needs of our growing city, which is one of the fastest-growing communities in Wisconsin and a driving force for the state's economy. With that in mind, I have added a small amount of flexibility for agencies to account for many years of having to do more with less. This flexibility should be used modestly to meet pressing demands.

As you put together your operating budget requests, I encourage you to incorporate what you have learned from the Results Madison process. Agencies who have completed the data engagement should use those data to identify efficiencies where possible and to look for possibilities to innovate. In keeping with the City's move to 5-year budget planning cycles, I also encourage you to anticipate emerging needs and develop strategies to meet them.

I am grateful for the leadership you have shown to do right by our residents under less-than-ideal conditions. We must continue to work together and with that same spirit moving forward. Madison is leading the way when it comes to innovative thinking and best practices. I know you will once again meet this high bar while living up to the values of our community.

In this context, I am providing the following guidance for 2026 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 2025 budget. Rates will be tiered from 0%-3% based on agency size.
- The base will also include a 0.75% reduction to reflect underspending trends. This reduction is less than prior years, which required a 1% cut, to allow more flexibility in agency budgets. Department heads will be expected to manage to their target budget.

#### Base Proposals for Enterprise Agencies

- All Enterprise Fund Agencies must submit operating budget plans consistent with current revenue projections for 2026.
- Agencies projecting revenue shortfalls for 2026 will need to present a base budget that includes expenditure reductions to meet available revenue. Those 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.
- Proposed rate increases should be analyzed through an equity lens and consider resident ability to pay. If a rate increase is proposed, agencies will need to explain the components of the increase and what efforts have been made to reduce expenses.

#### Reallocations, Personnel Requests, and Other 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.
- 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

- The 2026 budget will have limited capacity to fund supplemental budget requests. Agencies may submit a supplemental request if they meet one of the following criteria: 1) funding operating expenses for a new City facility that is not included in the base budget, or 2) funding ongoing costs associated with one-time revenues that will no longer be available.

### 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.

Thank you for your continued leadership and collaboration in service to the residents of Madison. I look forward to reading your proposals on how to continue best serving this city.

Sincerely,

Satya Rhodes-Conway

Mayor