



2024 Executive Operating Budget Overview

Presentation to the Finance Committee
Monday, October 9 @ 4:30pm

Agenda

1. Highlights of the Executive Operating Budget
 - Revenue and Expense Summaries
 - Property Tax Rate
 - Balancing the Budget
2. Agency Budgets
 - Centrally budgeted agencies; Common Council; Mayor's Office
3. Timeline and Schedule of Agency Briefings

Executive Operating Budget = \$404.8 million

Remaining Levy Limit = \$224,243

General and Library Funds Only

Major Changes in the 2024 Executive Operating Budget General and Library Fund Expenditures Only

City-Wide Reductions

- Includes a 1% reduction in all agencies (-\$3.0 million) and higher savings from vacancies (-\$2.4 million)

Personnel

- 6% COLA for General Municipal Employees (GMEs). 4% will be effective January 1 and 2% will be effective July 1. These increases will close the wage equity gap between GMEs and protective service (\$4.9 million)
- 3% COLA for protective service based on negotiated agreements (\$3.0 million)
- Includes an additional \$1.5 million in the City Clerk's budget for staffing the polls and absentee voting sites. This reflects the Clerk administering 4 elections in 2024 compared to 2 elections in 2023.

Non-Personnel

- Restores the subsidy to Metro Transit and includes first year of a subsidy repayment based on the reduction in 2023 (net increase: \$13.7 million)
- Increases Debt Service to repay borrowing for capital expenditures by \$2.2 million
- Includes \$1.8 million in funding for supplemental requests, including general fund support for shelter operations (\$300,000), a 5% COLA increase for contracts with community providers in CDD (\$146,000) and funding for a 3rd Party Transit contract in Police (\$100,000)
- Increases room tax support by \$645,000 for the City's share of funding for operating the Henry Vilas Zoo and Olbrich Botanical Gardens

Expenditures by Type

Personnel = \$253.6 million, 62.7%

- Pays for staff salaries and benefits

Debt Service = \$66.4 million, 16.4%,

- Pays back borrowing for capital projects

Non-Personnel = \$50.2 million, 12.4%

- Purchased services and supplies

Other = \$30.5 million, 7.5%

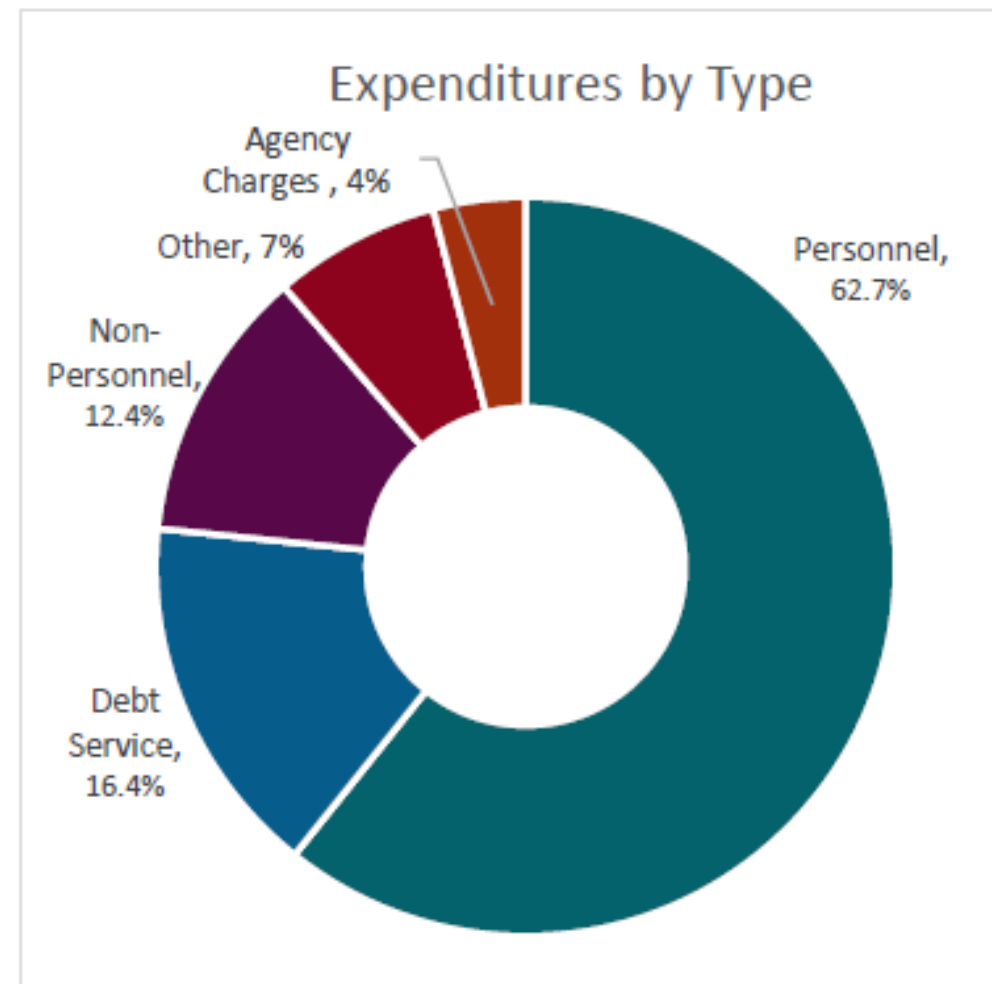
- General fund subsidy to Metro Transit (\$15.7 m), City's share of the joint City-County Public Health Agency (\$10.2 m), and the contingent reserve (\$2.7 m)

Agency Charges = \$16.8 million, 4.2%

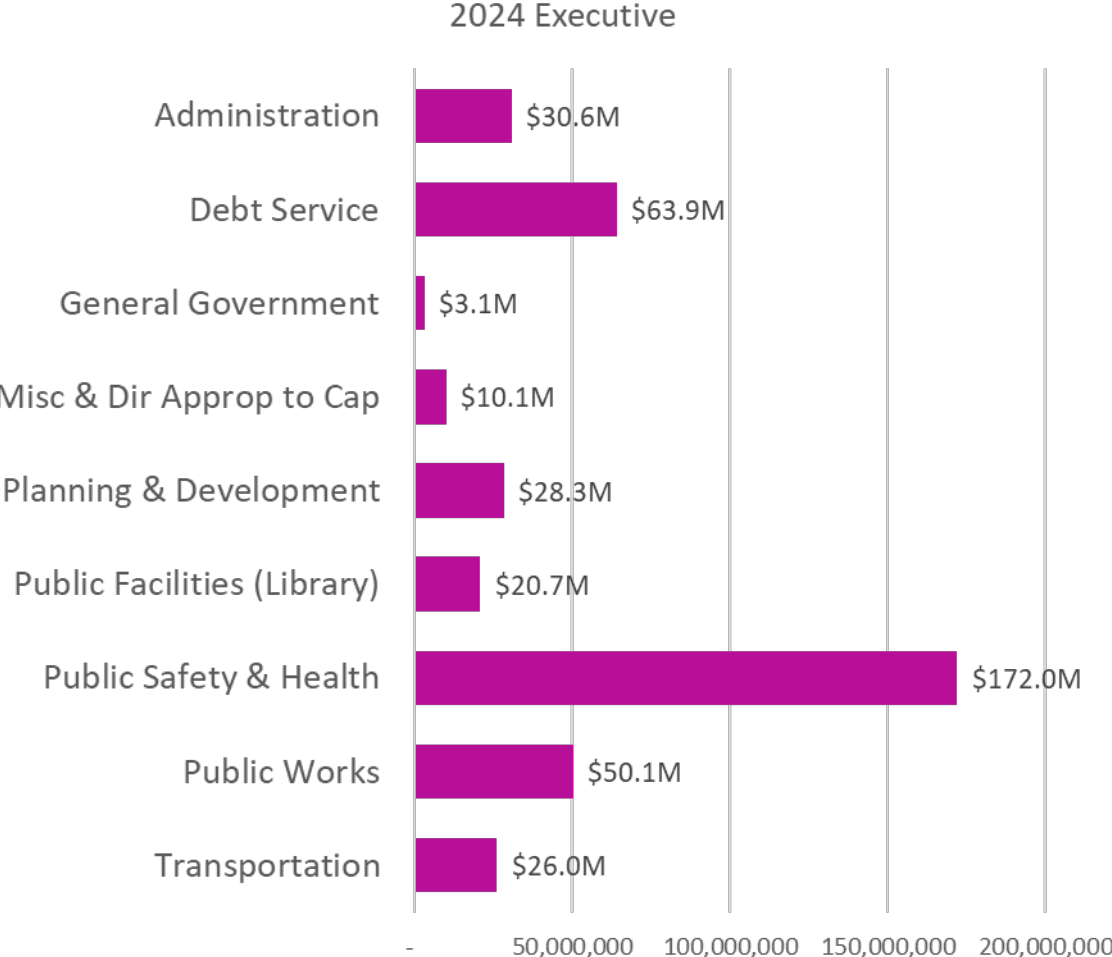
- Inter-departmental billings and charges including Insurance, Workers Compensation, and Fleet Services

Agency Revenues = -\$12.8 million, -\$3.2%

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



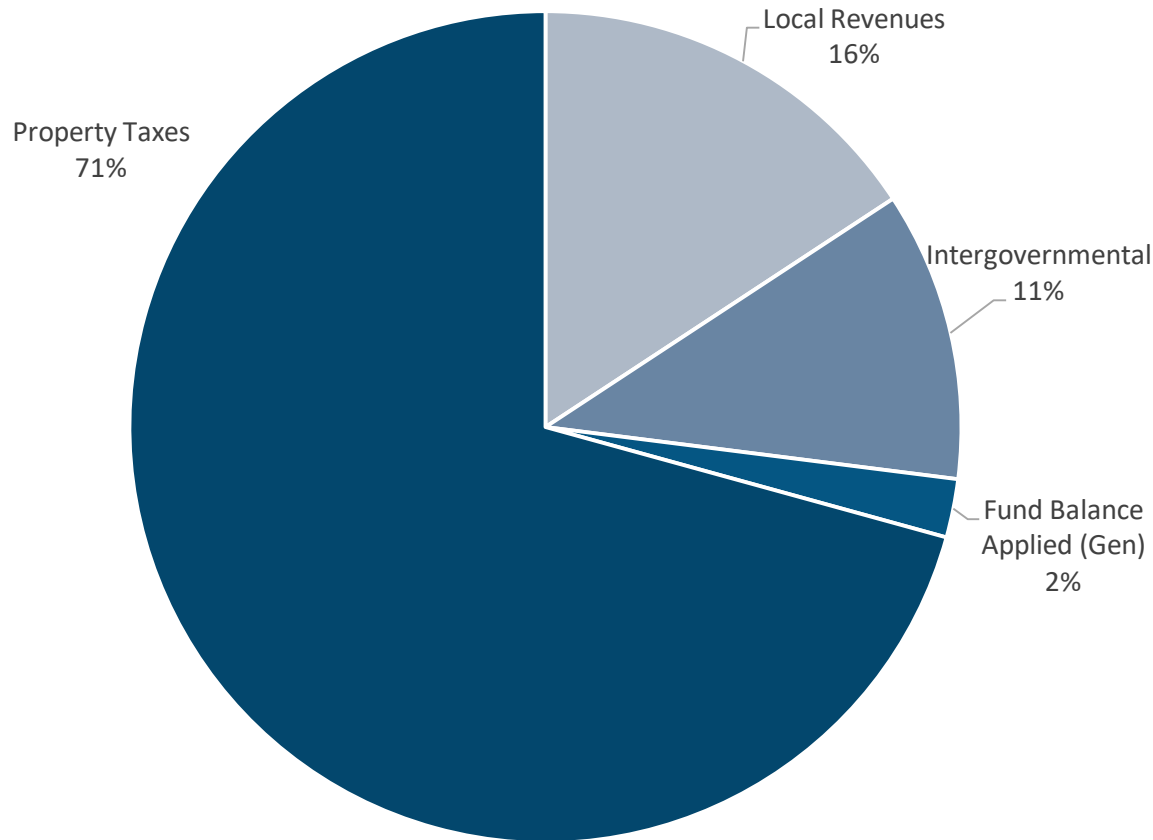
Expenditures by Function



- Public Safety & Health accounts for the largest share of the budget (\$172.0 million; 42.5%).
- General Fund Debt Service (\$63.9 million, or 15.6%). Library Debt Service is in the Library Agency budget
- Public Works is the third largest functional area (\$50.1 million, 12.4%)
- Miscellaneous and direct appropriations to capital are centrally budgeted functions that address city-wide expenses, including contingent reserve

Operating Revenues

General Fund Budget by Funding Source



- **Property Taxes:** Primary source of revenue for the operating budget; Accounts for 71% of total (\$286.3m)
- **Local Revenues:** Includes payments in lieu of taxes; transfers in from grant fund (ARPA); fines and forfeitures; licenses and permits; and other local taxes; Accounts for 16% of total (\$63.7m)
- **Intergovernmental Revenues:** Includes state aid; Accounts for 11% of total (\$45.6m)
- **Fund Balance:** Includes \$4m in lapsed funds from TID 25; Accounts for 2% of total (\$9.2m)

Components of the Property Tax Rate

1

Property Tax Levy is increasing by 4.6%.

- State law limits the maximum allowable increase in the property tax levy (“levy limit”).
 - The allowable increase is based on the percentage of the total property value associated with net new construction and other adjustments.
 - Debt service on general obligation debt is excluded from the levy limit calculation.
-

2

Total Assessed Value of property is increasing by 13.5%.

- The total assessed value of property drives the property tax rate.
 - Current year data is the basis for the upcoming budget. As of September 2023, the total assessed value of property is approximately \$40.3 billion.
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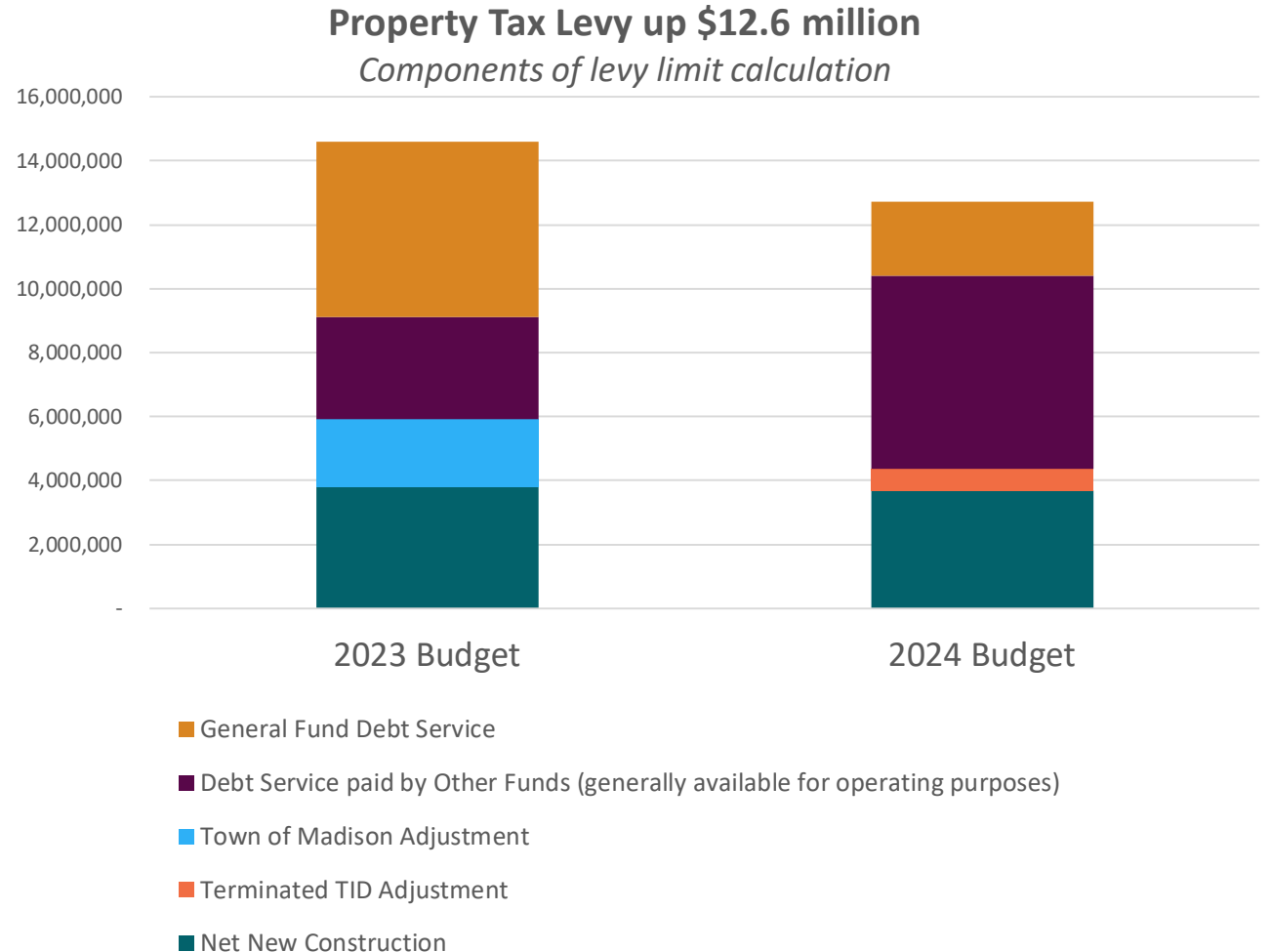
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The mill rate (tax rate) is decreasing by 7.9%.

- While the 2023 property tax levy is up 4.6%, the overall increase in the assessed value of property in the City reduces the mill rate (tax rate) by 7.9% (to 7.11 mills).
 - The annual mill rate is calculated by dividing the property tax levy by the total net taxable property value.
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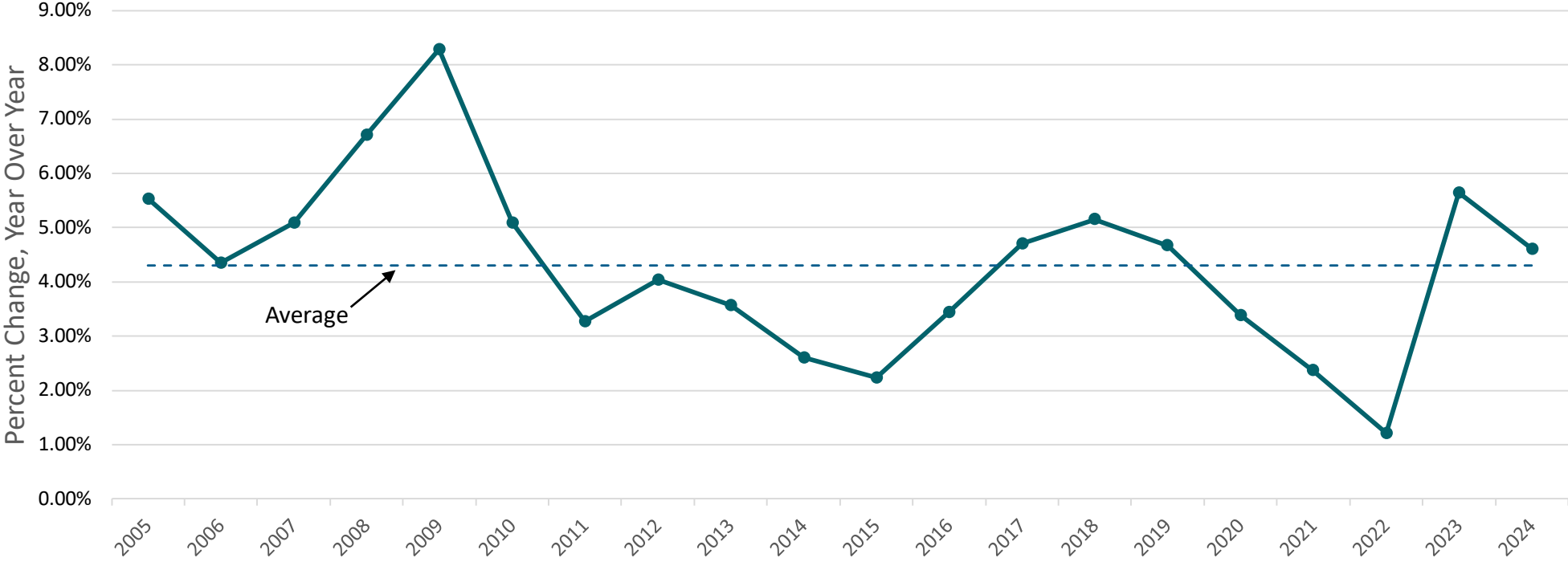
Strong Growth in Property Taxes

- Property taxes are increasing by \$12.6 million (4.6 percent) compared to 2023.
- Factors include stronger net new construction, and rising debt service to pay for infrastructure and other capital projects.



Year over Year Change in Property Tax Levy

*Year over Year Change in the Property Tax Levy
Average 20 year increase is 4.3%; 2024 increase is 4.6%*

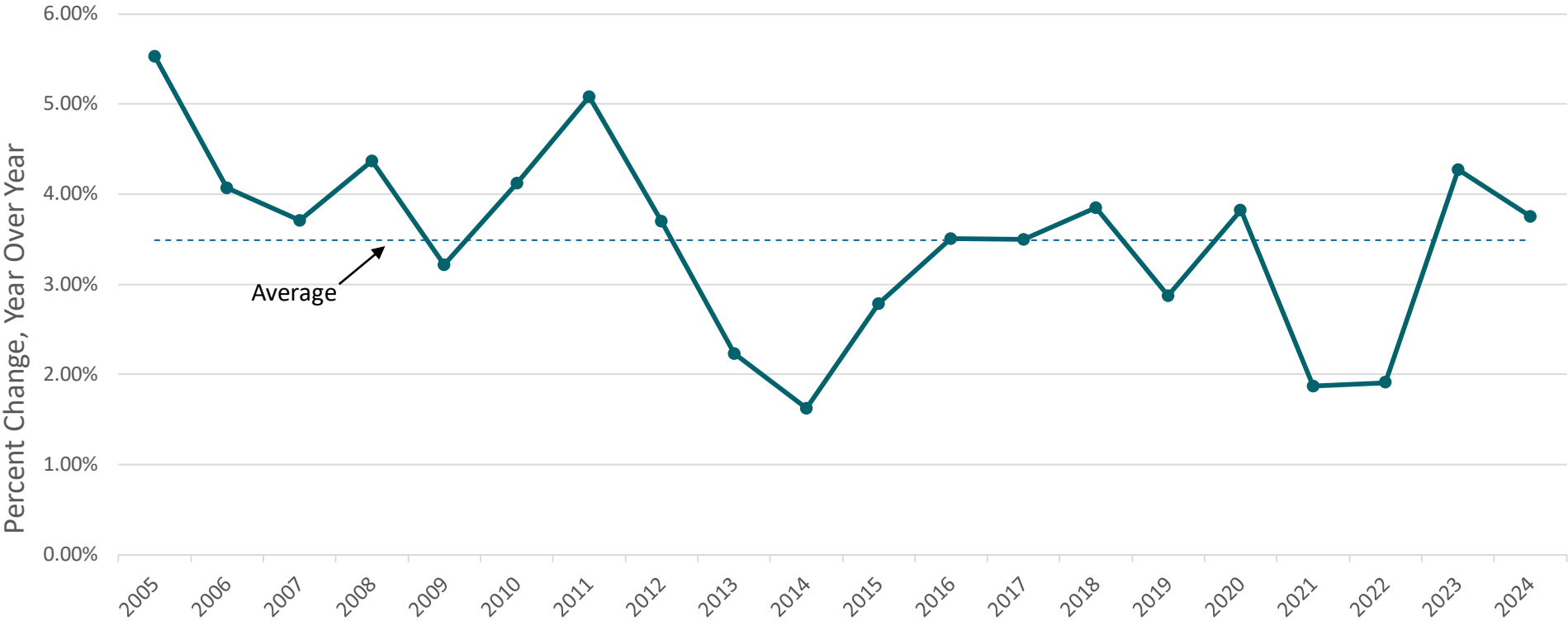


Strong Growth in Real Property Valuations

- As of September 2023, the net value of assessed property is \$40.3 billion, which is 13.5% higher than basis of 2023 budget
- Value of the average home has increased by 12.6%
 - 2023 Average Home Value = \$376,900
 - 2023 Average Value Home = \$424,400
- Residential real property accounts for a majority of the property in the City (\$25.8 billion; 61%), followed by commercial real property (\$15.6 billion; 37%). Manufacturing, agriculture, and personal property account for the remaining 2% of property.

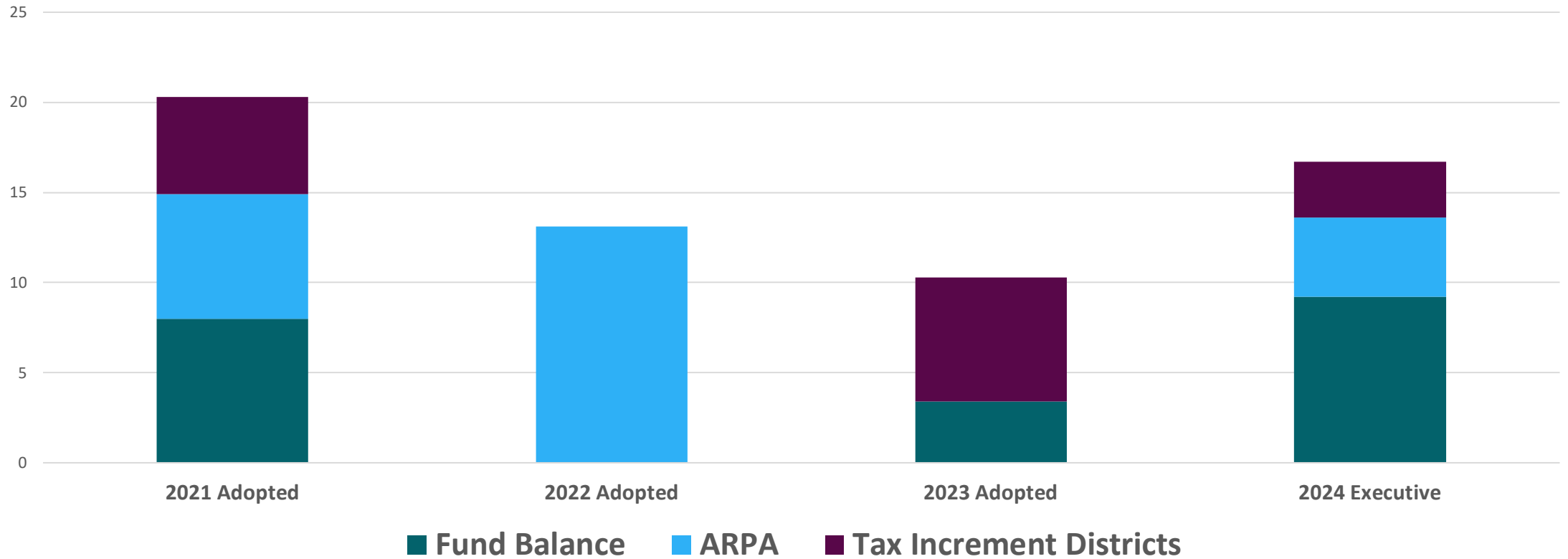
Year over Year change in Taxes on the Average Value Home (TOAH)

*Year-over-Year Changes in Taxes on an Average Value Home (TOAH)
Average 20 year increase is 3.5%; 2024 increase is 3.7%*



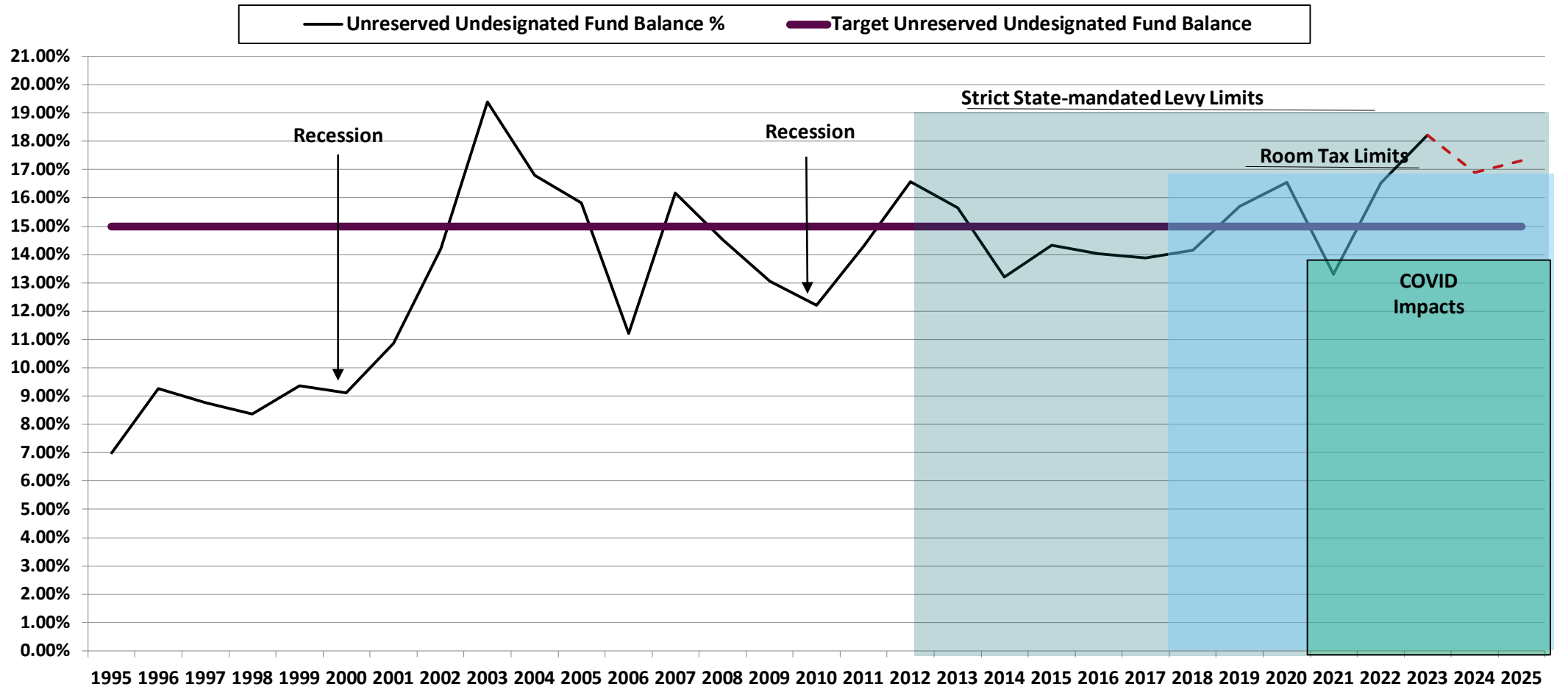
No One-Time Funds after 2024

One Time Measures to Balance the Budget



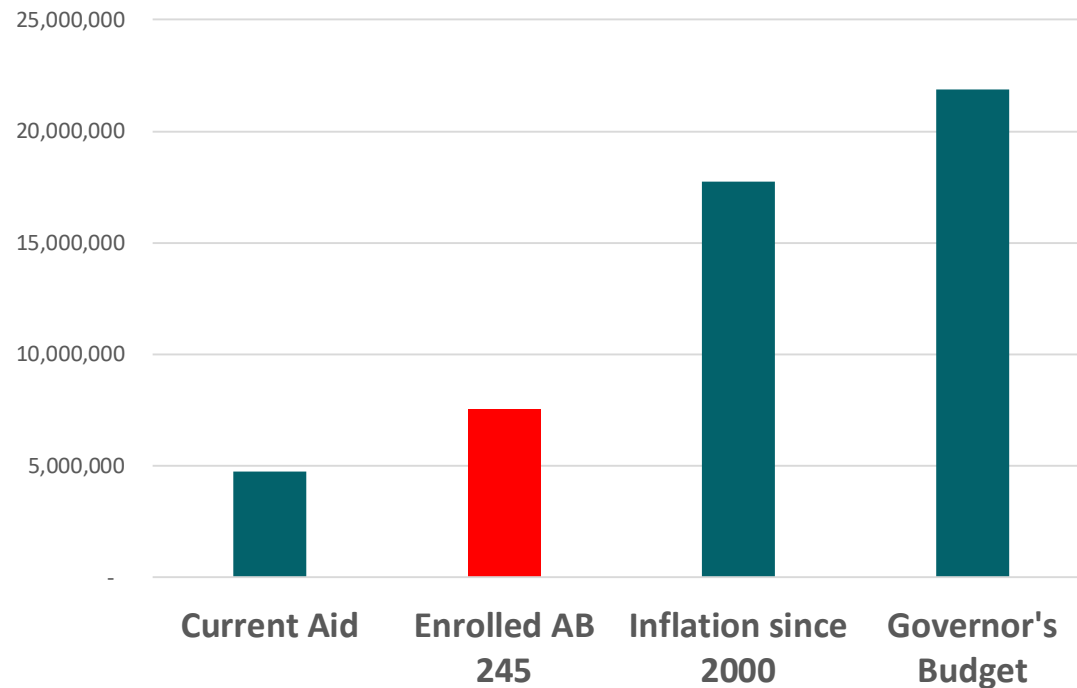
General Fund Unassigned Balance

(as of January 1)
1995 to 2025 Projected

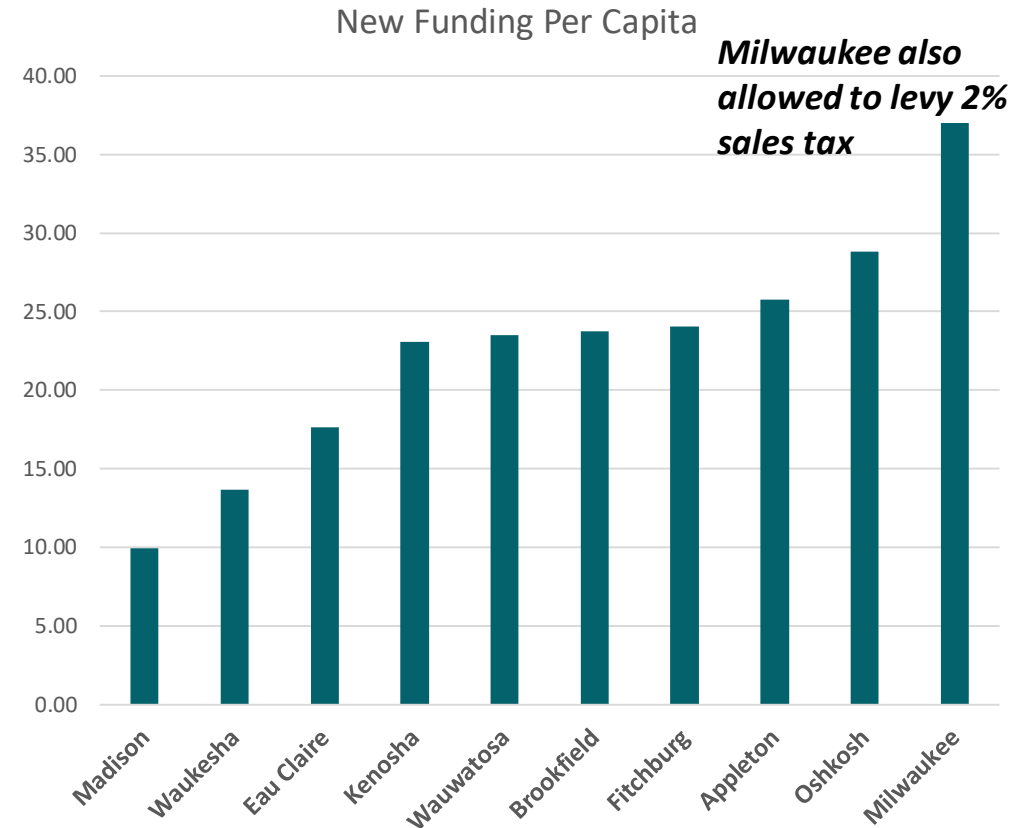


State collects sales and income taxes and “shares” with cities... *...but Madison Shortchanged in Recent State Shared Revenue Overhaul*

Much less than Inflation



Lowest increase per capita statewide



City Revenues remain below Pre-Pandemic Growth Levels

less connected to economic recovery than County and State Sales Tax



Madison is not authorized to levy local sales or income taxes

Prior Budget Balancing Strategies

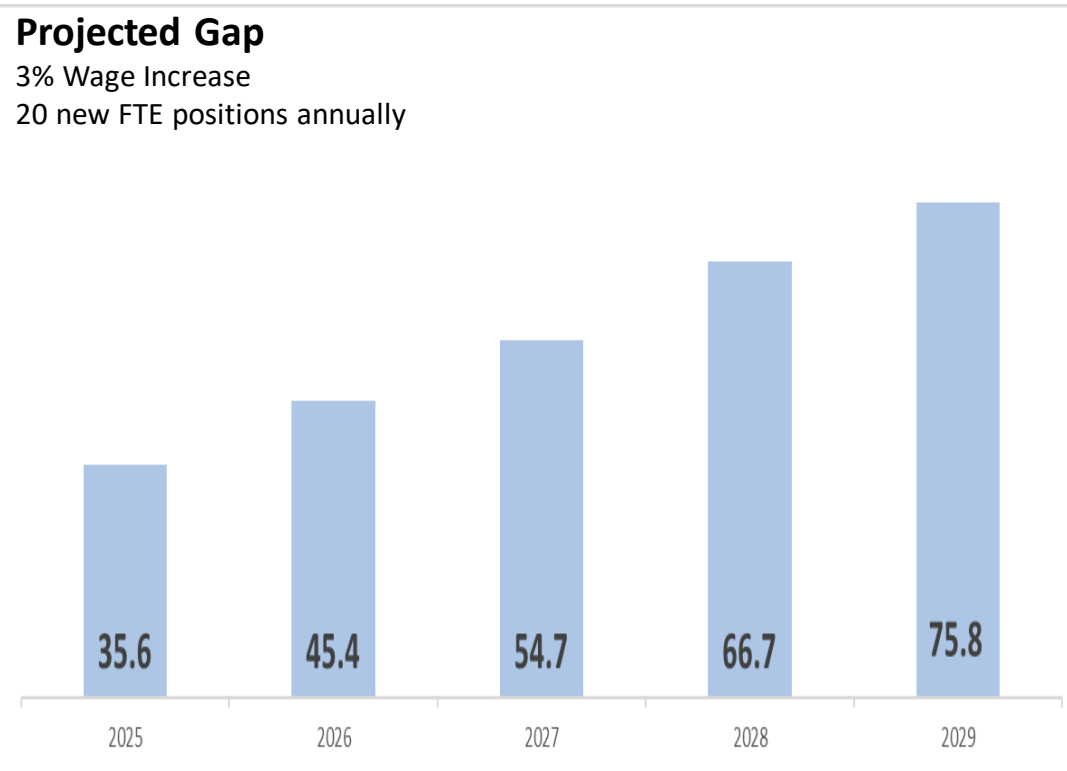
Allowable levy increases do not keep pace with cost growth

2012	2013	2014	2015	2016	2017
<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 – Overture shift • 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
2018	2019	2020	2021	2022	2023
<ul style="list-style-type: none"> • Increased Room Tax rate • Cost Allocation • Increased investment revenue 	<ul style="list-style-type: none"> • TID 32 Closure • Increased interest revenue • Shift Library Collection to capital 	<ul style="list-style-type: none"> • Vehicle Reg Fee • Shift Parking Enforcement to Parking Enterprise • Increased Forestry staff time to Urban Forestry • Debt premium 	<ul style="list-style-type: none"> • \$8 million from fund balance • \$6 million in cuts / Workshare / service efficiencies / “furloughs” • \$2 million in fee increases / TOM fire/EMS contract 	<ul style="list-style-type: none"> • \$13.1m in one-time ARPA funding • Anticipating \$1.5m revenue from Sorting Special Charge • \$1.4m in cuts 	<ul style="list-style-type: none"> • \$3m Sorting Special Charge • \$5m-\$10m remaining ARPA funds and TID 25 proceeds • Explore other revenue options

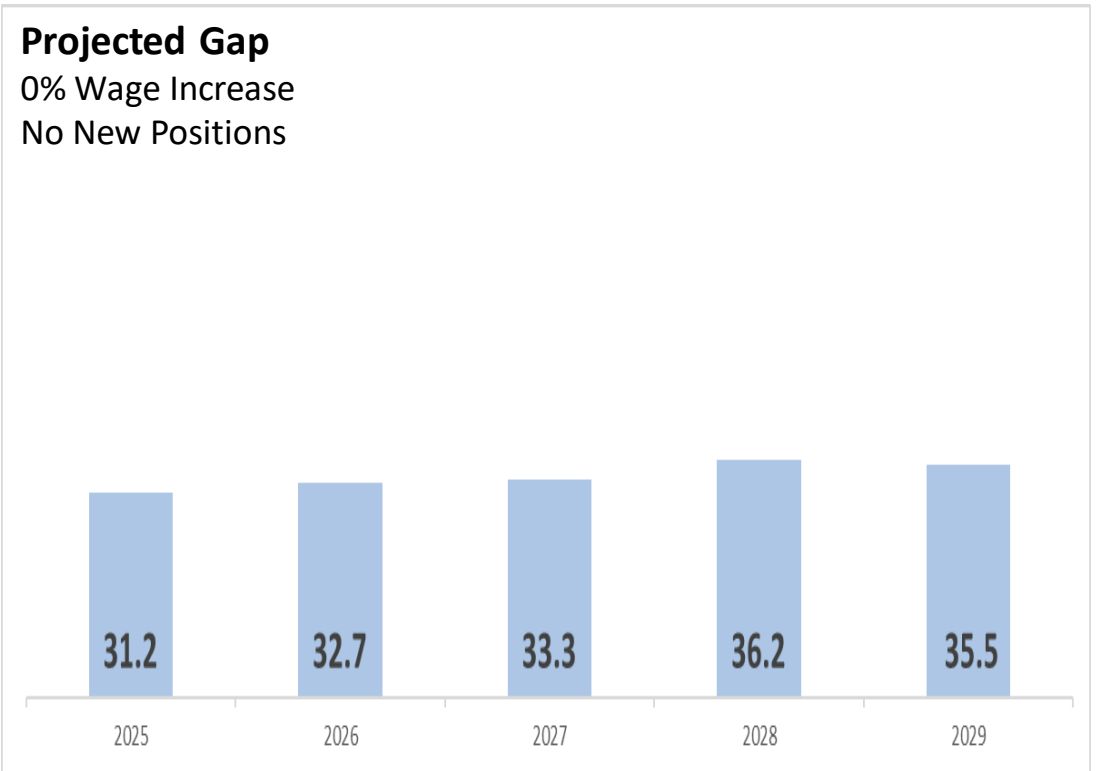
Prior to 2012, levy limits had a 3% floor for annual increases rather than 0%; 3% minimum was applied to prior year maximum allowable levy rather than actual levy.

Budget Deficits into the Future

Annual Wage Increase/Position Growth



No Wage Increase/No Position Growth



Agency Budgets:

Centrally Budgeted Funds, Common Council, Mayor

Centrally Budgeted Funds: Debt Service

- **\$63,879,900** = Total General Obligation Debt Service (\$54,412,143 in principal and \$9,467,758 in interest).
- **Reoffering Premium:** The budget reflects \$7.8 million of reoffering premium received from the 2023 debt issuance.
 - Under Wisconsin Statutes, reoffering premium amounts must be used to pay debt service.
 - The \$7.8 million of 2023 premium is allocated in the Debt Service Schedule to pay General Fund debt service in 2024.
- **Direct Appropriation for Capital Projects:** The 2024 Executive Operating Budget appropriates \$1,233,000 million from the general fund for capital projects.
 - Under MGO 4.17, whenever an amount is applied in general debt reserves to reduce general fund debt service, an equal amount must be directly appropriated in the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds of all members during approval of the budget, votes to do otherwise.
 - The 2024 Executive Operating Budget appropriation of \$1.2 million is \$6.6 million less than the amount applied in general debt reserves to reduce general fund debt service.
 - As such, approval of the lower direct appropriation amount for capital projects requires a separate two-thirds vote of the Council during adoption of the 2024 operating budget.

Centrally Budgeted Funds: Direct Appropriations

Employee Compensation & Benefits

- Increases Compensated Absence Escrow to reflect current trends (Increase: \$300,000)

Purchased Services

- Increases funding for prior year encumbrances based to reflect current trends (Increase: \$166,400)
- Reduces revenue sharing payments to other municipalities based on current agreements (Decrease: 185,200)
- Continues funding for compensation study (\$350,000)
- Decreases General Fund Contribution to Henry Vilas Zoo due to increase in Room Tax proceeds (Decrease: \$97,200)

Contingent Reserve

- Increases the Contingent Reserve to maintain 0.5% of budgeted expenditures in accordance with City policy (Increase: \$168,000)

Transfers to Other Funds

- Increases General Fund debt service payments (Increase: \$2.3 million)
- Includes \$551,000 transfer to the Affordable Housing fund for debt service payments (Decrease: \$551,000 – this is a decrease from 2023 because the 2023 amount included 2 years of funding, whereas 2024 only includes 1 year)
- Includes \$1.2 million for capital projects funded by a direct appropriation from the General Fund (Increase: \$123,000)
- Increases the transfer to Public Health to support the City share of expenses and additional City priorities (Increase: \$537,200)
- Includes a \$15.7 million general fund subsidy to Metro, which includes restoring reduction made in 2023 (Increase: \$13.7 million)

Centrally Budgeted Funds: Insurance & Worker's Compensation

Insurance

- Increases the rates charged to agencies based on anticipated claims (Increase: \$400,000)
- Increases funding for general liability insurance, property, and other premiums (Increase: \$312,500)
- Assumes utilizing \$492,626 in fund balance in 2024
- Increases net asset goal from \$1,550,000 to \$1,875,000 to reflect a higher annual aggregate deductible for the City from its insurer

Workers Compensation

- Increases the rates charged to agencies based on anticipated claims (Increase: \$250,000)
- Assumes utilizing \$127,195 in fund balance

Common Council

Major Changes

- Removes funding for alder pay increases. Funding was adopted in the 2023 budget but did not pass a vote to change the ordinance. (Decrease: \$91,078)
- Removes one-time funding for a University of Wisconsin UniverCity Alliance student affordable housing study. (Decrease: \$9,300)

Mayor's Office

Major Changes

- Includes a new Citywide PIO position. This position was the only request submitted by the Neighborhood Resource Teams (NRTs). Funding includes salary and benefits for position and \$75,000 for consulting services to augment capacity and cover start-up costs (Increase: \$194,850)
- Includes a pay raise for the Mayor in accordance with Madison General Ordinances Subchapter 3C, Section 3.50 (Increase: \$5,260)

Room Tax Commission

- The 2024 Executive Budget reflects funding allocations adopted by the Room Tax Commission.
- These adjustments reflect an overall \$2.2m increase in Room Tax revenues when compared to 2023

Description	Amount	Change from 2023
Room Tax Receipts	\$21.2 million	+ \$4.8 million
Greater Madison Convention and Visitors Bureau	\$5.9 million	+ \$327,000
City Tourism Marketing Activities	\$297,500	+ \$75,000
Monona Terrace Operating Costs	\$5.4 million	+ \$566,300
Overture Center	\$2.2 million	+ \$85,000
Alliant Energy Center, Henry Vilas Zoo and Olbrich Gardens	\$1.4 million	+ \$647,800
Room Tax revenue to be retained by the General Fund	\$6.4 million	+ \$650,000

American Rescue Plan Act (ARPA) funds

Reallocates funds for projects in CDD and EDD to ensure utilization of full award by 2024 and minimize risk of congressional ‘claw back’ attempts

Projects Reducing Funding Allocation		Projects Increasing Funding Allocation	
Community Development Division			
• Hotels to Housing:	-\$1,000,000	• Unsheltered Homeless Support:	\$1,629,000
• Renters Choice:	-\$1,000,000	• Nonprofit Support (new project to support existing contracts with neighborhood centers and employment opportunities):	\$1,200,000
• Emergency Rental Assistance Program Operations:	-\$329,000		
• Consumer Lending:	-\$500,000		
Economic Development Division			
• Downtown Vacant Storefront Art:	-\$100,000	• SBER (Capital Project)	\$100,000

Agency Briefings & Amendment Timeline

Agency Briefing Format

- Agencies will present 1-3 slides with highlights from their operating budget, including major changes from the prior year
- Presentation will be approximately 5 minutes, followed by questions from the Finance Committee
- After the briefings, alders can submit amendments to the budget team
- All budget materials (executive budget and original agency requests) can be found online: <https://www.cityofmadison.com/finance/budget/2024-budget/2024-operating-budget>

Briefing Schedule

Monday, October 9th 4:30pm* -- Virtual Meeting	Tuesday, October 10 th 4:30pm -- Virtual Meeting
<p>Overview**</p> <p>Administration Human Resources</p> <p>Public Facilities Library Monona Terrace</p> <p>Public Health and Safety Fire Office of the Independent Monitor Police Public Health***</p> <p>Public Works Engineering (including Landfill, Sewer, Stormwater) Fleet Parks (including Golf) Streets Water</p>	<p>General Government Municipal Court</p> <p>Administration Assessor Attorney Civil Rights Clerk Employee Assistance Program Finance Information Technology</p> <p>PCED Building Inspection CDA Housing Operations CDA Redevelopment Community Development Division Economic Development Division Planning PCED Office of the Director</p> <p>Transportation Metro Transit Parking Traffic Engineering Transportation</p>

Detailed Timeline for FC and CC Hearings

Capital

Operating

1.	Mayor Introduces Executive Budget	<ul style="list-style-type: none"> September 5 	<ul style="list-style-type: none"> October 3
2.	Finance Committee (FC) Hearings	<i>Agencies present budget; alders have opportunity to ask questions</i>	
		<ul style="list-style-type: none"> September 11 & 12 	<ul style="list-style-type: none"> October 9 & 10
3.	FC Amendment Week	<i>Alders submit requests to budget analysts; analysts review and publish amendments</i>	
		<ul style="list-style-type: none"> September 13 – 20 Alders submit by Weds., Sept. 20 at 12pm Analysts publish by Fri., Sept 22 at 12pm 	<ul style="list-style-type: none"> October 11 – 18 Alders submit by Weds., Oct. 18 at 12pm Analysts publish by Fri., Oct 20 at 12pm
4.	FC Vote on Amendments	<ul style="list-style-type: none"> September 26 (Tues) 	<ul style="list-style-type: none"> October 23
5.	City Council Amendments	<i>City Council has the opportunity to propose amendments to capital and operating budgets</i>	
		<ul style="list-style-type: none"> October 30 – November 8 Alders submit by Weds., Nov. 8 at 12pm Analysts publish by Fri., Nov 10 at 12pm 	
6.	City Council Adoption	Up to three (3) CC meetings to vote on amendments and adopt budget <ul style="list-style-type: none"> November 14, 15, 16 	

Amendment Reminders

- Finance Committee (FC) amendments must have FC sponsor
- Common Council (CC) amendments must have 2 sponsors
- Common Council considers the executive budget ***as amended by the Finance Committee***. CC does not deliberate on amendments adopted by FC. If an alder wishes to change the outcome of an amendment discussed by FC, a separate amendment will need to be proposed during the CC Amendment period.
- Include co-sponsors on emails so we can quickly confirm that everyone supports the same version of a file