



Outlook for 2025 City Budget

Information Series on the General Fund Budget

Part 1: Budget Foundations

Series Overview

Part 1: Budget Foundations

- Understanding the City's Fund structure & main components of the Operating Budget

Part 2: The Structural Deficit

- Internal and external factors driving the deficit

Part 3: Budget Balancing Strategies – Expenditures

- Impact of Debt Service and Personnel Costs

Part 4: Budget Balancing Strategies – Revenues

- Local Revenues, Special Charges, Property Tax

Additional topics to be determined

Part 1: Budget Foundations

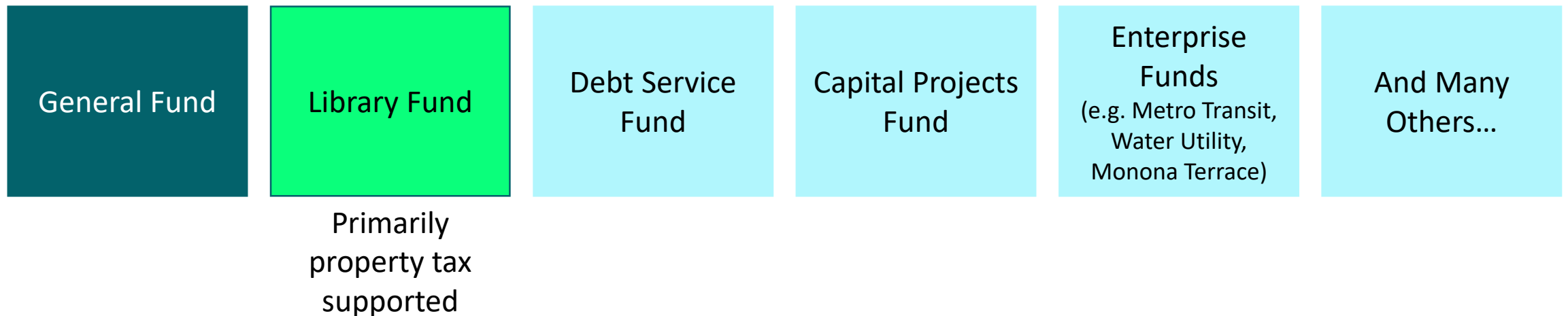
Takeaways:

- The General Fund is the focus of the Budget because property taxes are the main revenue source
- The City is heavily reliant on property taxes as its primary revenue source
- Personnel and Debt Service are the largest expenses categories; Public Safety and Health is the largest functional area

Funds Overview: General Fund

A **Fund** is a sum of money segregated for specific activities.

The **General Fund** is the City's primary Operating Fund. This Fund is the main focus of the City's budget because it is primarily supported by property tax revenues and pays for the cost of day-to-day City services. The **Library Fund** is also primarily supported by the property tax and is considered part of the General Fund for budget discussion purposes.



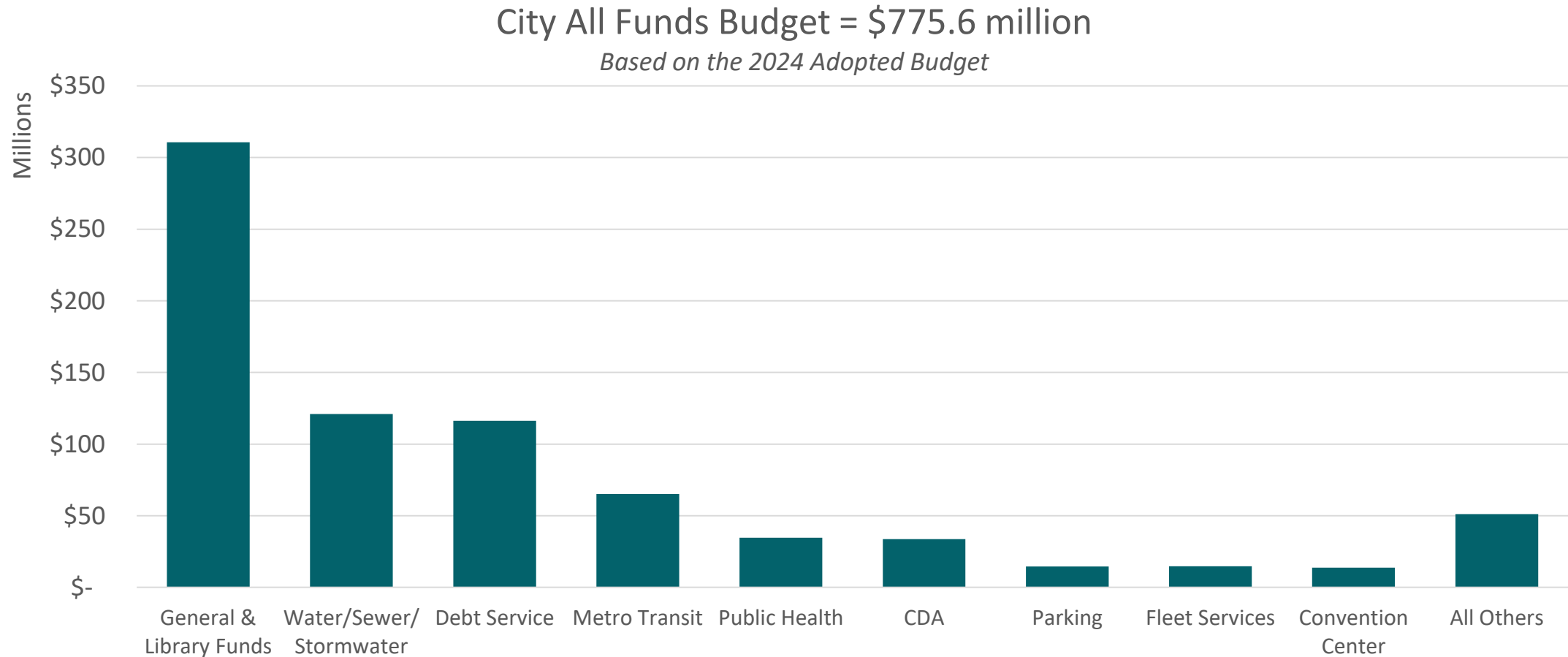
Funds Overview: All Other Funds

In contrast to the General and Library Funds, other Funds are supported by non-property tax revenue sources.

- Revenues raised by other Funds cover the direct and indirect costs of providing a service and are not used to generate a profit.
- Transfers from these funds are regulated and can only be used in specific circumstances.

Fund	Purpose	Primary Revenue Source
Enterprise Funds <i>Golf, Metro Transit, Monona Terrace, Parking, Sewer, Stormwater, Water</i>	Dedicated business-type activities	Fees charged to external users
Internal Service Funds <i>Fleet, Insurance, Worker's Compensation</i>	Dedicated internal service activities	Inter-agency billings
Other <i>Debt Service, Public Health of Madison and Dane County (PHMDC), Capital Projects, Tax Increment Districts, and more</i>	Funds set-aside for legal or other specific purposes	Various, including inter-fund transfers

General Fund Accounts for 40% of the City's Total Annual Budget

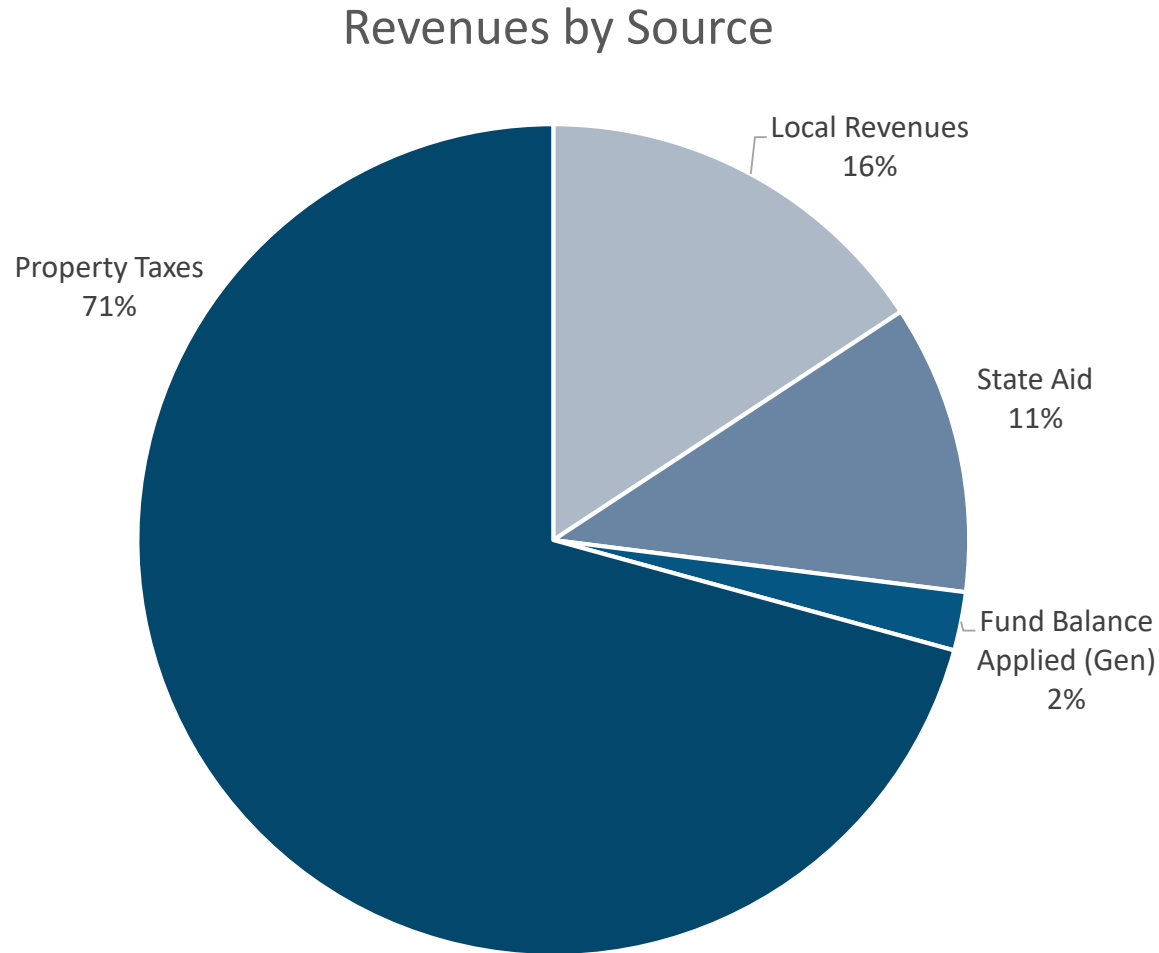


*General Fund (including Library Fund) totals exclude amounts transferred to other funds, e.g., Metro Transit, Public Health, Debt Service, etc.

**"All Others" includes Room Tax, Insurance, Capital Projects, TIDs, Grants, Insurance, Worker's Compensation

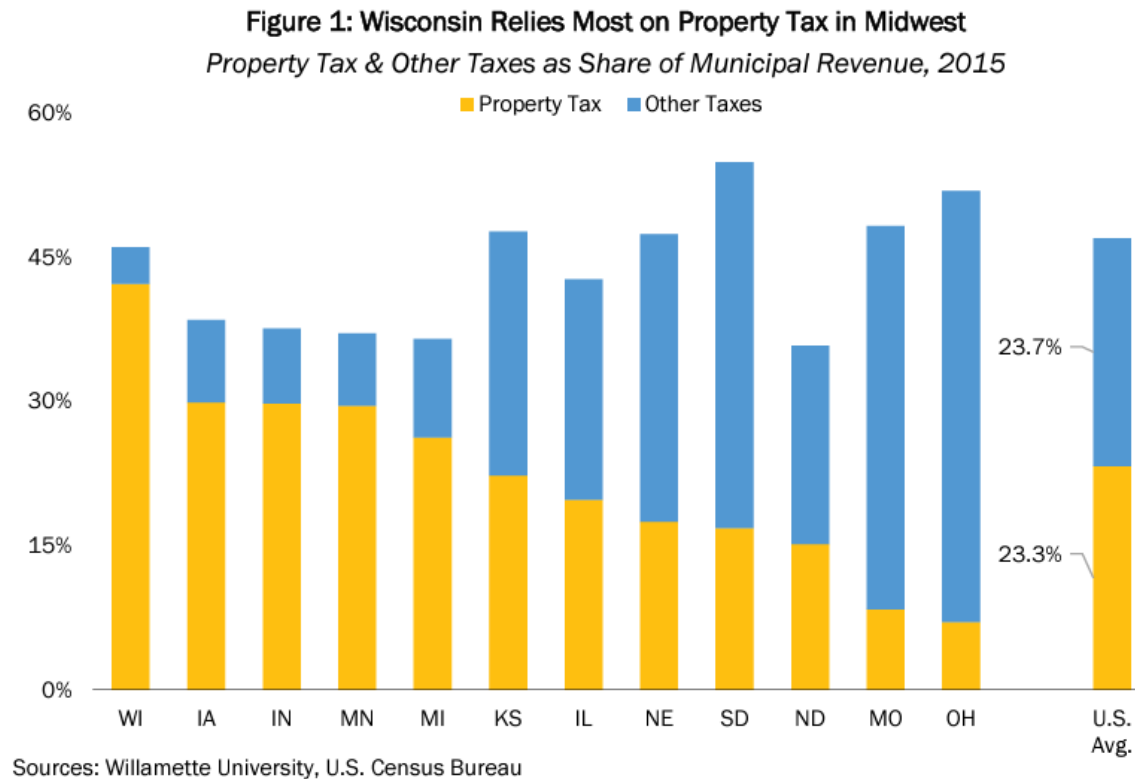
Property Tax is more than 70% of Revenues

2024 General Fund Budget = \$405.4 million



- **Property Taxes:** Primary source of revenue for the operating budget; Accounts for 71% of total (\$286.5m)
- **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 (\$64.0m)
- **State Aid:** Includes shared revenue, general transportation aid and other state aid; accounts for 11% of total (\$45.7m)
- **Fund Balance:** Includes \$4m in lapsed funds from TID 25; Accounts for 2% of total (\$9.2m)

“Wisconsin municipalities depend on the property tax more than their peers in any other Midwestern state” (Wisconsin Policy Forum, 2019)



- In most states, cities have local sales and/or income tax authority.
- In Wisconsin, the state collects income and sales taxes and “shares” it with cities.
- “Shared revenues” reduced between 2003 to 2011. Increase in recent state budget well below inflation since 2000.
- State has focused aid to local governments through school aid (“two-thirds” goal).
- **Result** -- city budgets are much more reliant on property taxes than peers in other states.

80% of Budget for Staff and Debt Service

(includes impact of Metro subsidy and Public Health contribution)

Personnel = \$253.9 million, 62.6%

- Pays for staff salaries and benefits

Debt Service = \$66.4 million, 16.4%,

- Pays back borrowing for capital projects

Non-Personnel = \$50.4 million, 12.4%

- Purchased services and supplies

Other = \$30.6 million, 7.6%

- General fund subsidy to Metro Transit (\$15.7 m), City's share of the joint City-County Public Health Agency (\$10.3 m), and the contingent reserve (\$2.7 m)

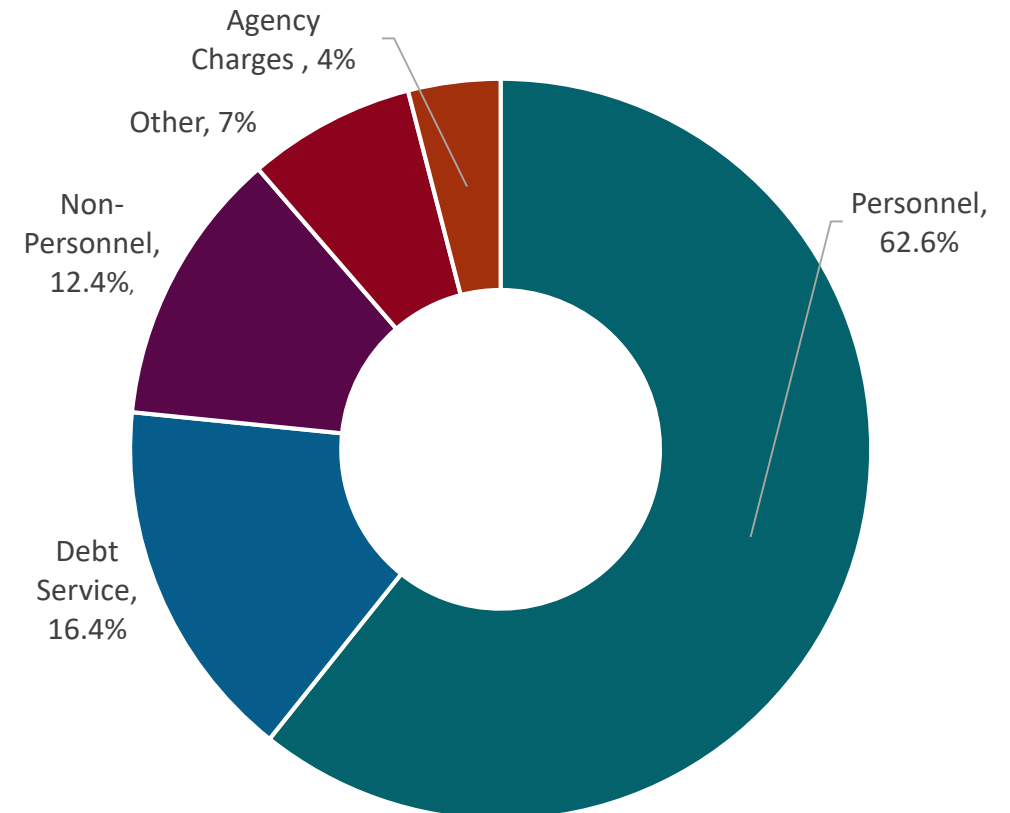
Agency Charges = \$16.8 million, 4.2%

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

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

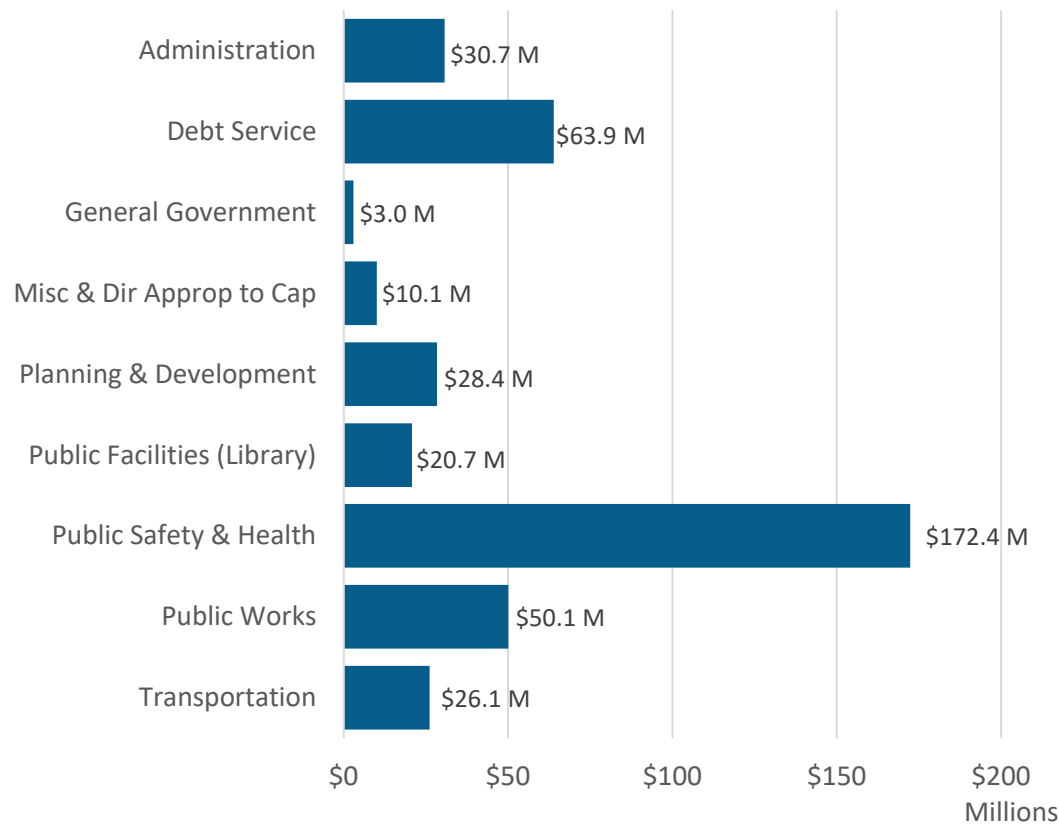
- Charges for services, facility rentals, permits, and other sources that offset expenses

Expenditures by Type



Public Safety & Health Agencies Account for Largest Share of Budget (42.5%)

2024 Adopted Operating Budget by Function



General Fund Budget

- Public Safety & Health accounts for the largest share of the budget (\$172.4 million; 42.5%).
- General Fund Debt Service (\$63.9 million, or 15.8%). 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

Takeaways

- **The General Fund is the focus of the Budget because property taxes are the main revenue source**
 - The City's budget is made of many Funds (Enterprise, Internal Service)
 - Other funds are paid through non-property tax sources, such as user fees
 - Transfers from other funds are highly regulated
- **The City is heavily reliant on property taxes as its primary revenue source**
 - Over 70% of the general fund operating budget is from property tax
 - State laws and limitations on local revenues create reliance on property taxes
- **Personnel and Debt Service are the largest expenses categories; Public Safety and Health is the largest functional area**
 - Personnel (salary and benefits) are a majority of expenses (63%), followed by debt service (16%)
 - Public Safety and Health is the largest functional area (43%); most of these costs are for Police and Fire