



2025 Budget Update

Finance Committee
March 25, 2024

Agenda

- Overview of 2025 Budget Timeline
- Capital Budget Borrowing Targets & Agency Guidance
- Guidance Resolution

Key Dates for 2025 Budget Development

	Capital	Operating
Kick-Off Meeting	Tuesday, March 19 11:00am	Monday, June 17 1:00pm
Agency Requests Due	Friday, April 19	Friday, July 19
Agency Briefings with Mayor’s Office	May 8 – 17	August 12 – 14
Executive Budget introduced to Common Council (CC)	Tuesday, September 10	Tuesday, October 8
Finance Committee (FC) Briefings	September 16 – 17	October 14 – 15
FC Amendment Meeting	September 30	October 28
CC Amendment Week	October 29 – November 6	
CC Budget Adoption Meetings	November 12 – 14	

Detailed Timeline for FC and CC Hearings

Capital

Operating

1.	Mayor Introduces Executive Budget	<ul style="list-style-type: none"> September 10 	<ul style="list-style-type: none"> October 8
2.	Finance Committee (FC) Hearings	<i>Agencies present budget; alders have opportunity to ask questions</i>	
		<ul style="list-style-type: none"> September 16 & 17 	<ul style="list-style-type: none"> October 14 & 15
3.	FC Amendment Week	<i>Alders submit requests to budget analysts; analysts review and publish amendments</i>	
		<ul style="list-style-type: none"> September 18 – 25 Alders submit by Weds., Sept. 25 at 12pm Analysts publish by Fri., Sept 27 at 12pm 	<ul style="list-style-type: none"> October 16 – 23 Alders submit by Weds., Oct. 23 at 12pm Analysts publish by Fri., Oct 25 at 12pm
4.	FC Vote on Amendments	<ul style="list-style-type: none"> September 30 	<ul style="list-style-type: none"> October 28
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 29 – November 6 Alders submit by Weds., Nov. 6 at 12pm Analysts publish by Fri., Nov 8 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 12, 13, 14 	

Budget Website

- <https://www.cityofmadison.com/finance/budget/2025>
- Updated webpage layout for easier navigation
- 2025 Budget Page includes new “Outlook” page and link to Contact Form for residents to reach out directly with feedback

Budget

2025 Budget	-
2025 Budget Outlook	
2025 Capital Budget	
2025 Operating Budget	
2024 Budget	+
2023 Budget	+
2022 Budget	+
American Rescue Plan Act (ARPA)	
Past Budgets	+

Contact City Budget

citybudget@cityofmadison.com

[Contact Form](#)

2025 Budget

Budget Outlook

Information Series on Budget

Capital Budget

- ✓ **Budget Kickoff**
March 19, 2024
- **Agency Requests**
April 19, 2024
- **Executive Budget**
September 10, 2024
- **Finance Committee Hearings**
September 16, 17, & 30, 2024
- **Common Council Hearings**
November 12-14, 2024
- **Adopted Budget**
January 2025

Operating Budget

- **Budget Kickoff**
June 17, 2024
- **Agency Requests**
July 19, 2024
- **Executive Budget**
October 8, 2024
- **Finance Committee Hearings**
October 14, 15, & 28, 2024
- **Common Council Hearings**
November 12-14, 2024
- **Adopted Budget**
January 2025

Capital Budget Borrowing Targets & Guidance for 2025

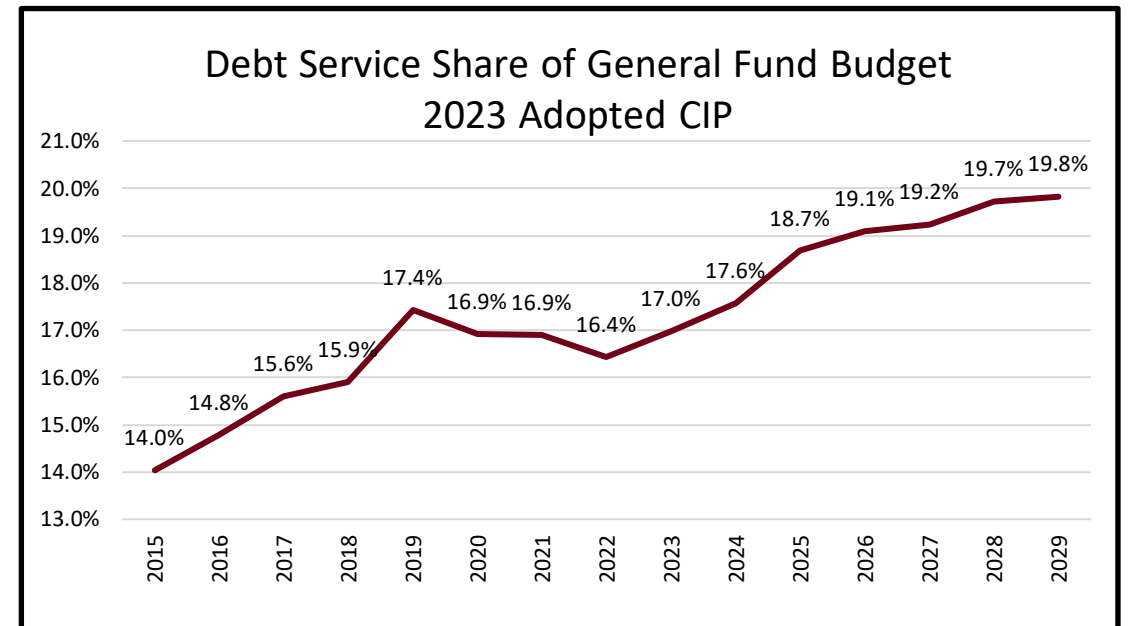
Considerations for a Setting a Borrowing Target

Bond Rating

- Madison's general obligation debt has the highest rating from Moody's Investors Service – Aaa. This rating ensures the lowest possible interest cost.
- Factors in the rating include overall debt burden, level of operating reserves, strength of the local economy and the city's financial management.
- The city's debt, including pension and other post-employment benefit obligations, is considered moderate/high by Moody's.

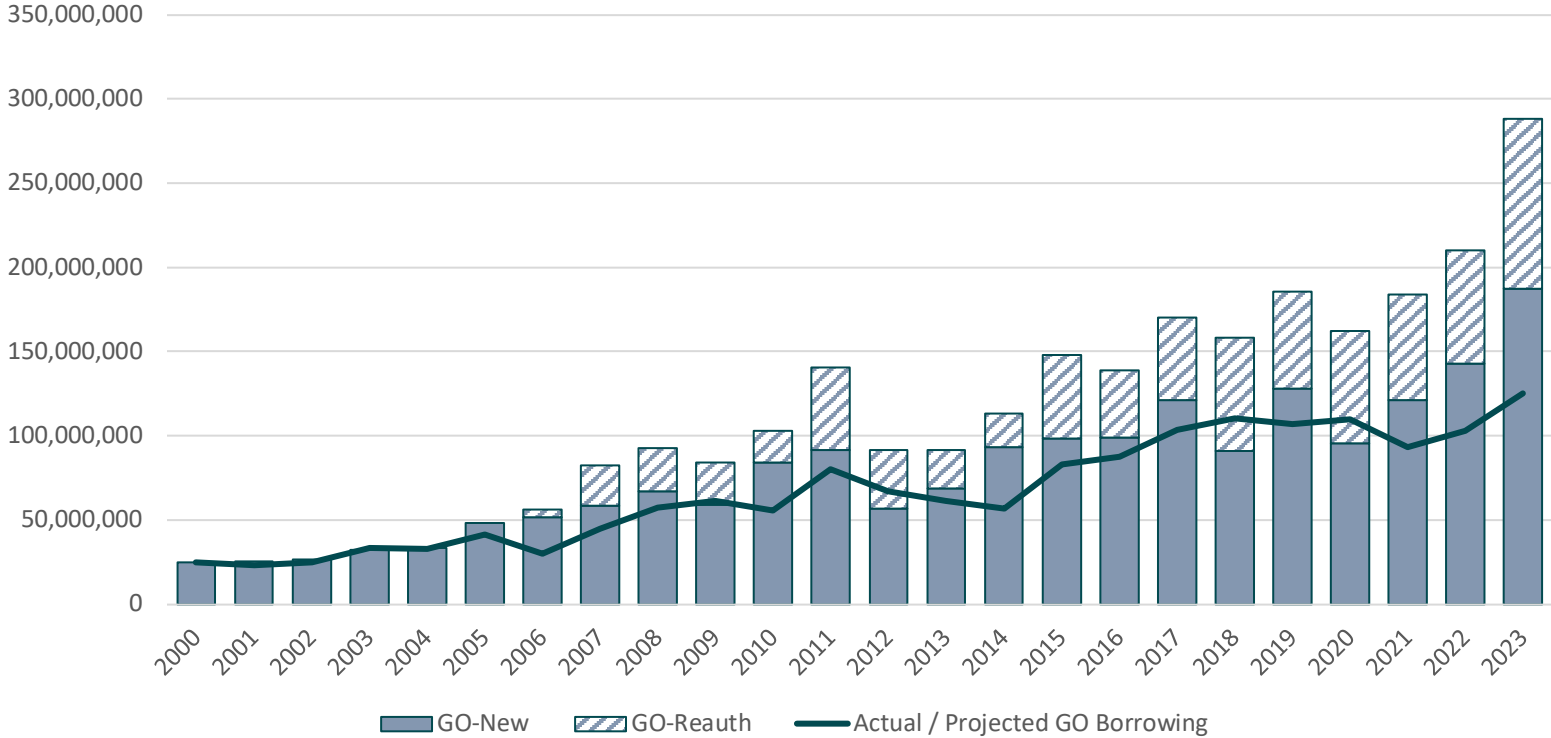
Debt Service Share in Operating

- 2015: Debt Service = 14.0% of GF Budget
- 2022: Debt Service = 16.4% of GF Budget
- 2029: Debt Service = 19.8% of GF Budget



Actual borrowing is significantly lower than budget authority

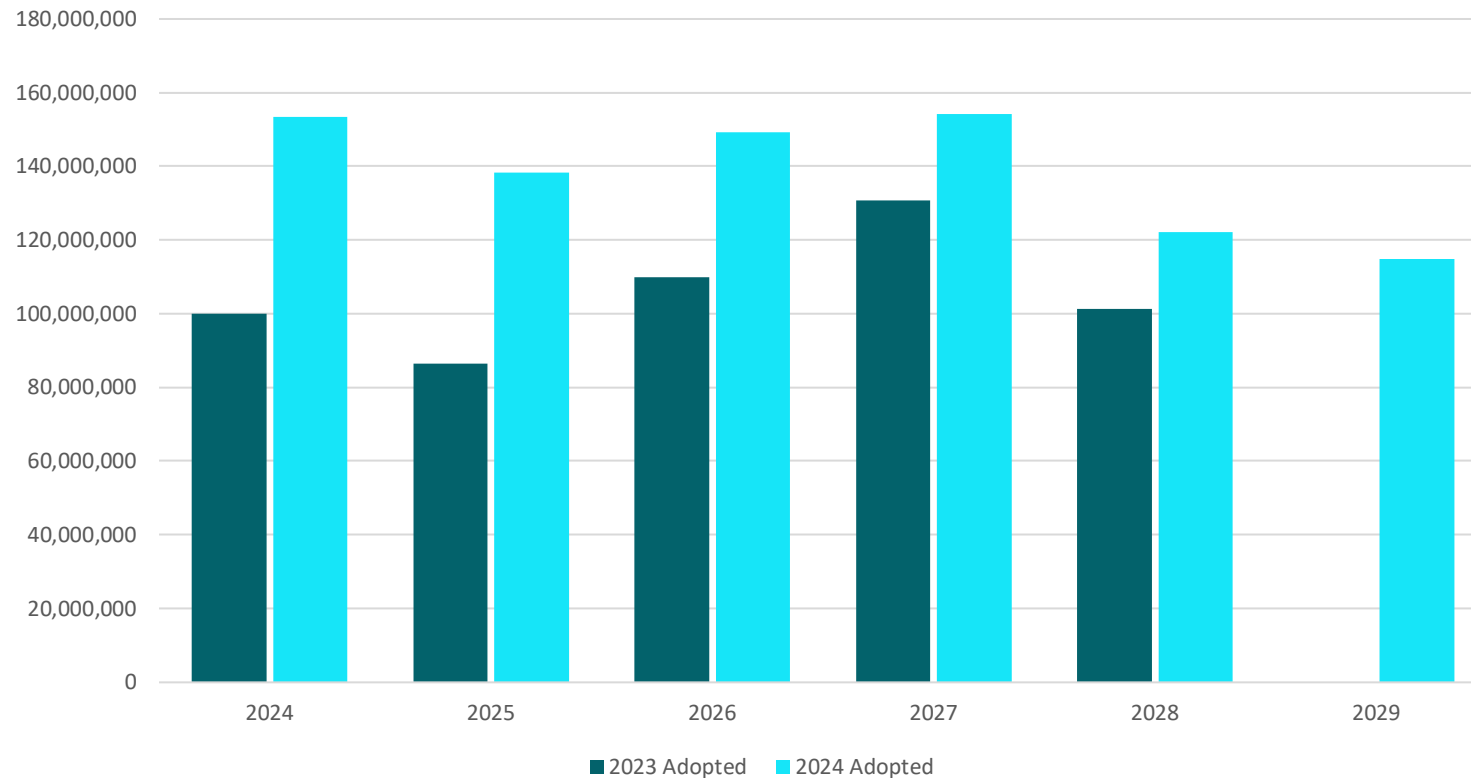
Budget Authority Compared to Actual Borrowing
(Adopted Capital Budgets 2000 to 2023)



- Actual GO borrowing is consistently less than budget authority
- Since 2000, average borrowing = 69% of authorized budget; since 2013 = 59% of authorized budget
- Amount is determined through borrowing exercise conducted over the summer, prior to the debt sale

2024 CIP includes more than \$189.0m in new GO borrowing

2024 Adopted vs 2023 Adopted
GO Borrowing Only



New GO Borrowing by Year (change between 2023 adopted and 2024 adopted)

- 2024 = \$53.5m
- 2025 = \$51.7m
- 2026 = \$39.3m
- 2027 = \$23.6m
- 2028 = \$20.8m
- 2029 = \$114.8m

**Total new GO borrowing,
2024 – 2028 = \$189.0m**

Interaction Between Capital Budget Borrowing and Operating Deficit

- **Most capital projects are partially or wholly supported by general obligation debt issued by the City.**
 - GO borrowing includes general fund (GF) and non-GF sources (e.g. Stormwater, TIF).
 - There are some benefits to borrowing from non-GF sources, but this borrowing is still backed by the full faith and credit of the City. Guidance on borrowing limits applies to both GF and non-GF borrowing.
- **Reducing debt service does not address the structural deficit.**
 - Debt service is excluded from levy limit calculations, which is based on net new construction.
 - Reducing debt service will not increase the allowable levy for operations.
- **Reducing debt services does lower allowable total property tax.**
 - Debt service is added back in to levy limit based on amount borrowed in current year (ex. 2025 debt service in levy limit = 2024 borrowing = 2024 adopted capital budget).
 - Reducing debt service will lower total tax bill for residents.

Budget Guidance: Fiscal Responsibility & Planning

The 2024 adopted CIP is the baseline for the 2025 budget and CIP.

- 1. The 2025 executive capital budget will keep overall debt service as a share of the operating budget to a level that is below projections for the 2024 CIP.**
 - Agencies are directed to keep their borrowing request at the same level as the 2024 Adopted CIP.
 - Agencies may shift borrowing across years of the CIP or propose budget neutral adjustments as needed.
 - Requests for new or additional funding will be limited.
- 2. Agencies should scrutinize projects and programs approved in the 2024 CIP.**
 - Ensure the timeline and funding requests reflect current plans, are realistic, and that there is sufficient staff capacity to move them forward.
- 3. Projects in the 2024 CIP are not guaranteed funding in 2025.**
 - Existing projects and program may be reduced or delayed to meet citywide borrowing targets.
- 4. Capital programs may request up to a 5% increase in the final year of the CIP.**
 - Capital programs focus on ongoing maintenance; guidelines allow for a 5% increase in 2030.

2025 Capital Budget Guidance: New Projects & Increased Funding

Agencies may submit requests for new projects in the following circumstances:

1. Non-general obligation borrowing funding sources

- Example: state and federal grants, federal Inflation Reduction Act elective pay credits, TIF increment
- Agencies should look for every opportunity to maximize federal dollars and secure federal grants.
- If there is potential for external funding, an agency may submit the request in any year of the CIP as long as they demonstrate sufficient staff capacity to implement the project.
- If these sources are tentative (e.g. pending a competitive grant process), the current status of funding should be described in the proposal.

2. Known increases to project costs

- Example: recent construction bids or updated studies

3. Emergency needs not anticipated in 2024

4. Other requests for new funding may be submitted in the last year of the CIP (2030)

2025 Capital Budget Guidance: Prioritization

1. Agencies must prioritize their project and program requests.

- The agency transmittal memo should include a prioritized list of all 2025 proposals and explain the internal methodology for prioritization.

2. Additional information required for proposals requesting new projects or funding increases.

- Agencies must submit additional information including how to project addresses racial equity and social justice, climate resilience and sustainability, alignment with strategic plans, detailed budget information, and operating impacts.
- Questions are similar to the 2024 request form and are intended to provide a holistic view of the request and explain how the request advances city priorities.

3. Agencies must include a justification for any changes to the 2024 CIP.

- Any requests to increase funding or make significant timeline changes must be clearly explained and justified in the agency transmittal memo.

2025 Capital Budget Guidance: Horizon List

1. Agencies may submit requests in 2030 for projects currently on the Horizon List so long as they can demonstrate the 'Issues to be Addressed' have been resolved and that a complete budget proposal can be submitted.
2. Agencies may submit requests to add projects to the Horizon List if a project is forthcoming but is not fully scoped.
 - **Types of Allowable Projects:** Projects that meet a clear community purpose but are not yet conceptualized to the level needed to be included in an agency request. Typically includes projects that are identified through other planning processes.
 - **The Horizon List is Not a Wishlist:** Agencies should **not** be using the Horizon List to add projects they would normally submit through a regular request, if not for the guidance limiting new requests.

Budget Guidance Resolution

File 82456

“Establishing Guidance for Developing the 2025 City Budget”

- Resolution provides context on the structural deficit and provides guidance to staff on developing the 2025 budget based on Council values and priorities discussed at the March 5, 2024 Committee of the Whole meeting.
- Resolution directs staff to develop a resolution that would authorize placing a referendum question to increase the property tax levy on the November 5, 2024 general election ballot.
- Ultimately, the resolution is a guidance document – it does not establish the specific terms of the future referendum resolution or preclude staff from taking other actions to address the deficit.

Establishing Council Values and Priorities

“NOW, THEREFORE BE IT RESOLVED, that the Common Council’s values and priorities for the 2025 budget include: maintaining services for residents, preventing layoffs or furloughs of city staff who provide services, meeting the needs of a growing city, and choosing the most progressive revenue options that consider housing affordability for residents; and”

Providing Guidance to Staff

“BE IT FURTHER RESOLVED, that the Common Council provides the following guidance for developing the 2025 budget:

1. Staff are directed to evaluate service levels, staffing, and fiscal impact when developing their budget requests and to seek ways to increase efficiencies in their operations.
2. Staff are directed to explore a reduction in expenditures from cost-to-continue levels that does not compromise services to residents.
3. Staff are directed to develop language for a referendum to increase the allowable levy limit for a portion of, or the full amount of, the projected budget deficit, for consideration by the voters at the November 5, 2024, general election.
4. Staff are directed to prepare contingency plans for the 2025 budget in the event that the voters do not approve the referendum, which will be presented to the Council with the executive budget.
5. Staff should develop a multi-year plan to address the on-going structural deficit due to limits on revenues under state law, including options for developing new, or increasing existing, fees and charges, to be included with the executive budget.
6. Staff should develop a community engagement plan to educate the public on the City’s financial condition and options for addressing the structural deficit and may engage a consultant to support this work, if needed.”

Next Steps

Council provides general direction to staff by end of March/ early April

- ✓ 2/13: Informational presentation on budget outlook
- ✓ 3/5: Discuss priorities and options
- ✓ 3/19: Introduce guidance/ comfort resolution
- 4/16: Adopt guidance resolution
- Future meetings: Finance provides frequent updates on budget development process

Topics to include:

- 2023 Year end review and fund balance update
- Update on Cost to Continue and estimated budget gap
- Overview of agency budget requests
- Other topics as needed