



Early Childhood Care and Education Committee

September 12, 2024

Virtual

2:30-4:30

Agenda

1. City of Madison Budget Presentation
2. Tuition Assistance Enrollment and Program Update
3. Requesting approval for Child Care Facilities Loan Program Funding
4. Membership Update
5. CSC Report



Breaking Down the 2025 Madison Budget

July 2024

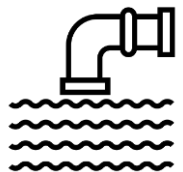
About the City Budget

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. Funds in the capital budget **cannot be transferred** for use in the operating budget.

Capital Budget



- Funds physical infrastructure like roads, bike lanes, building improvements, and affordable housing.
- Investments ensure infrastructure is safe and advancing goals on climate change, housing, and other issues.
- Primarily paid for through borrowing.
- Special assessments, impact fees, user fees and federal and state grants also help finance capital projects.



Operating Budget



- Pays for the daily services to City residents by paying salaries of City staff, funding community-based organizations, and other costs.
- Budget must be balanced (expenses = revenues).
- Primarily funded by property taxes.
- Charges for services, user fees, and federal and state aid also contribute to the budget.

2024 Operating Budget Facts



\$405.4 Million

Total 2024 General Fund Operating Budget



63% Personnel

Most of the budget pays for staff salaries and benefits. This includes **police officers, firefighters, community development workers, and other staff** who provide direct services.



71% Property Tax

Property Tax is the largest revenue source. Local revenues (16%), state aid (11%) and fund balance (2%) make up the rest.



Current Situation:

The City faces a serious 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.

How much is the projected deficit for 2025?

- Currently, the deficit is estimated to be \$22 million.

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 \$195/resident)

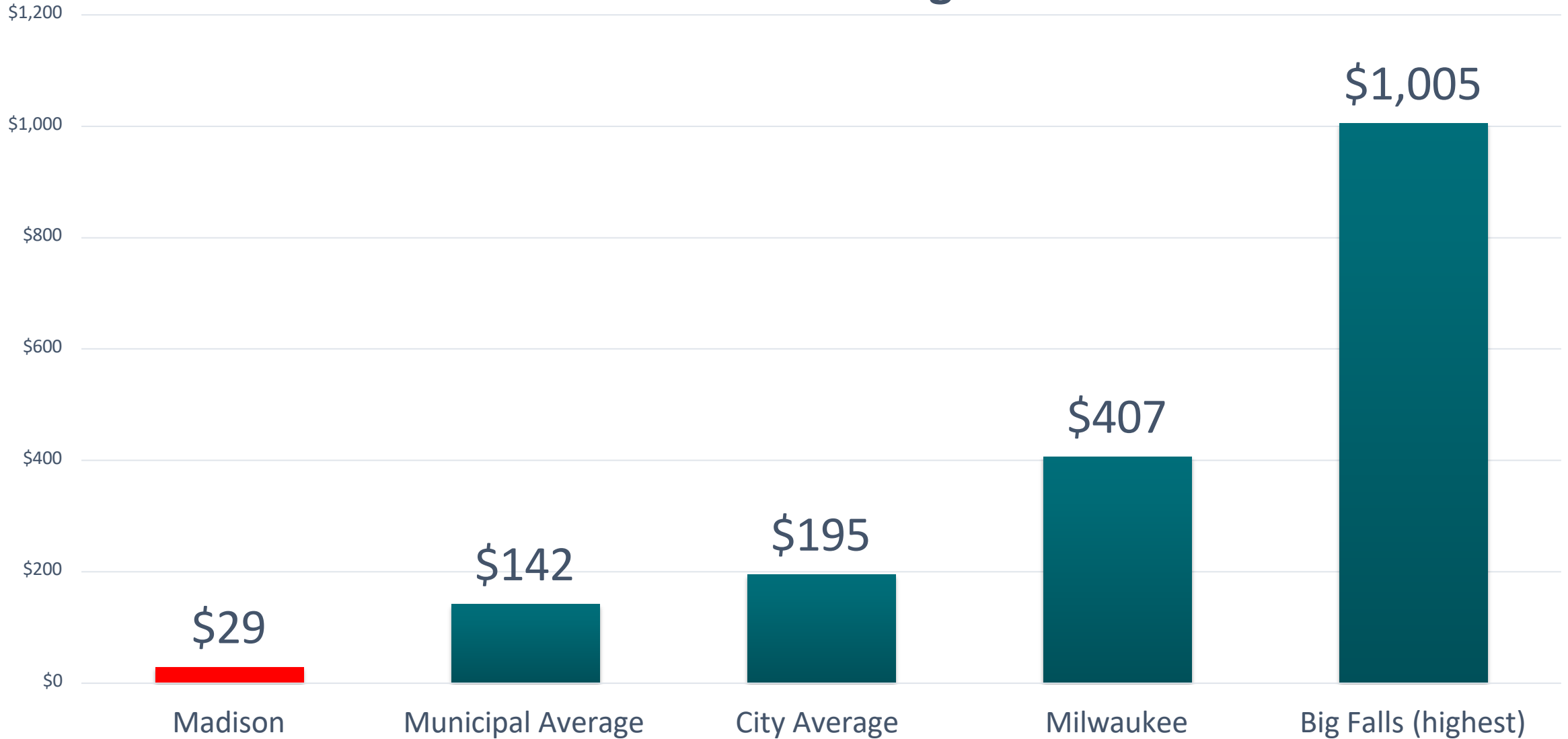
2 Growing City

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

3 Impact of COVID Pandemic

- City revenues have not fully recovered from the pandemic – property taxes limited compared to county and state sales taxes
- Federal COVID relief funding helped with revenue losses in prior years, but this ends in 2024

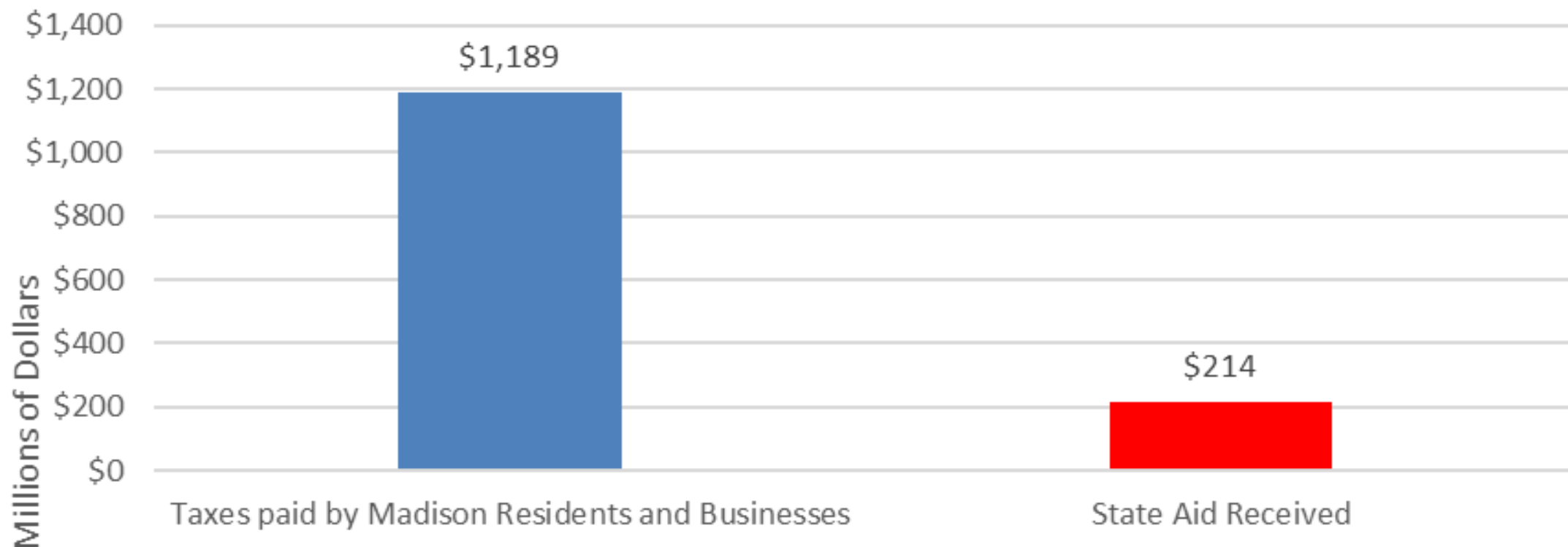
Madison Receives Lowest Amount Of Shared Revenue Per Resident From State Legislature



Source: Wisconsin Policy Forum



State Legislature Shortchanges Madison: We get back only 18 cents for every \$1 of State Taxes Paid



Note: Includes state aid for City of Madison, Madison Metropolitan School District, and City portion of Dane County

Source: Wisconsin Department of Revenue; City Finance Department analysis



What has the City done so far?

Madison has faced a budget deficit **every year** since the State imposed strict levy limits in 2011. The problem is bigger in 2025 than before because of the lasting impacts of the pandemic and end of federal recovery funds.

2012	2013	2014	2015	2016	2017	2018
<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 – shift Overture • 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 	<ul style="list-style-type: none"> • Increased Room Tax rate • Cost Allocation • Increased investment revenue
2019	2020	2021	2022	2023	2024	
<ul style="list-style-type: none"> • TID 32 Closure • Increased interest revenue • Shift Library Collection to capital 	<ul style="list-style-type: none"> • Vehicle Registration Fee • Shift Parking Enforcement to Parking Enterprise • Increased Forestry staff time to Urban Forestry Special Charge • Debt premium 	<ul style="list-style-type: none"> • \$8 m in fund balance • \$6 million in cuts, Workshare/'furloughs', service efficiencies • \$6.1 million American Rescue Plan Act (ARPA) • \$2 m in fee increases, Town of Madison fire & EMS contract 	<ul style="list-style-type: none"> • \$13.1 million ARPA • \$1.5 million Resource Recovery Special Charge (RRSC) • \$1.4m in cuts 	<ul style="list-style-type: none"> • \$6.9 million TID proceeds • \$3 million Resource Recovery Special Charge (RRSC) • \$7.7 million one-time reduction to Metro subsidy 	<ul style="list-style-type: none"> • \$9.2 million in fund balance • \$5.6 million ARPA • \$3.1 million TID proceeds • \$3.0 million reduction to all agencies • \$2.4 million savings from vacancies/ salary savings 	

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.

What options does the City have?

The operating budget must be balanced. How much we spend (expenditures) cannot be more than the money we bring (revenues).



Reduce Expenditures

Closing the budget gap through cuts alone will have significant operational impacts and will result in less services to residents.

- Reduce all/most agencies
- Cut specific programs or services
- Cut positions (layoffs) or reduce employee compensation (for example, saving \$27 million would require cutting 270 positions).



Increase Revenues

The City's options for raising revenues are limited by the State. For example, we cannot levy a local sales tax or income tax.

- Create new special charges
- Increase existing local revenues (e.g. fines, fees)
- Ask voters to increase the property tax ("levy") through a voter referendum

Other options and considerations

Solving the budget deficit will require permanent changes to general fund revenues and expenditures. The following options will not solve the deficit, but may be considered for policy reasons:

One-time cuts or revenues

Expenditure Examples: holding positions vacant, furloughs:

- Any amount “saved” in 2025 will be added to the gap in 2026
- Potential for higher overtime cost

Revenue Examples: selling city land or buildings, using fund balance (“rainy day” fund)

- Funding is one-time and would not sustain ongoing operations

Reducing debt service

- Debt service is excluded in the calculation for the allowable levy limit increase
- Less debt service **does** lower allowable total property tax
- **Less debt service does not increase the allowable levy for operations**

Non-general fund budgets

- Increasing revenues within other funds (e.g.. utility rates, parking fees) will not help the general fund
- Reducing non-general fund expenses may lower user rates on the municipal service bill
- Transfers and subsidies to other funds (e.g.. Public Health, Metro) are regulated & complex; this should not be a primary strategy for reducing the deficit

Council Guidance on 2025 Budget

Legistar 82456, adopted April 16, 2024

Values and Priorities

1. Maintaining services to residents
2. Preventing layoffs or furloughs of city staff.
3. Maintaining wage parity for general municipal employees
4. Meeting the needs of a growing city.
5. Choosing the most progressive revenue options that consider housing affordability.

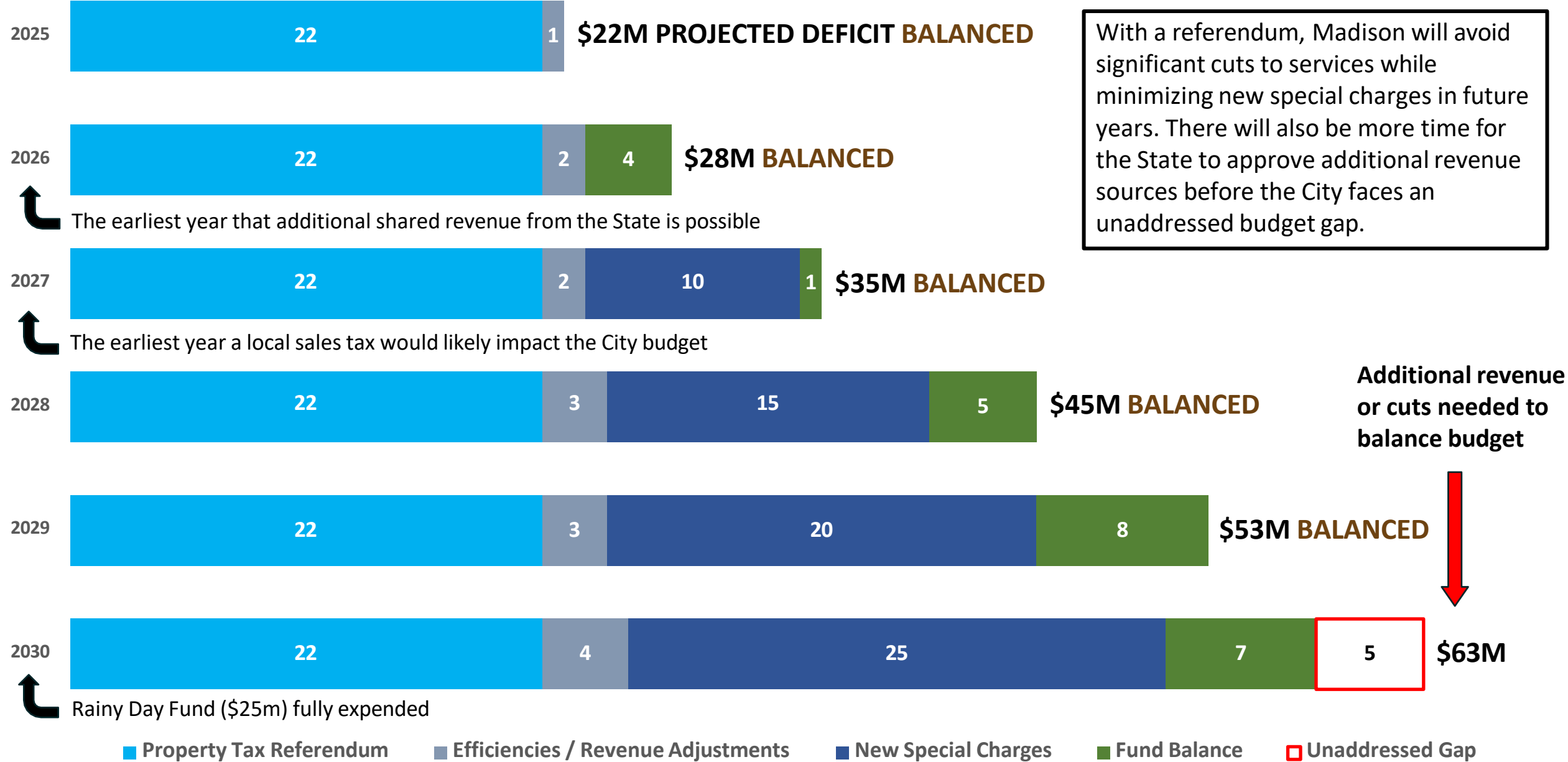
Guidance on Developing 2025 Budget

1. Evaluate service levels, staffing and fiscal impact.
2. Seek ways to increase efficiencies in operations.
3. Explore a reduction in expenditures from cost-to-continue levels that does not compromise services to residents.
4. Develop referendum language to increase property tax to meet some or all of deficit, as well as options to replace existing non-property tax revenues.
5. Prepare options other than property tax, including special charges
6. Develop a multi-year plan, including options for new, or increasing existing, fees and charges.
7. Consider the level of overall general obligation borrowing in 2025 capital budget to reduce rate of growth in property taxes
8. Develop a community engagement plan to educate the public.

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



With a referendum, Madison will avoid significant cuts to services while minimizing new special charges in future years. There will also be more time for the State to approve additional revenue sources before the City faces an unaddressed budget gap.



2025

22

1

\$22M PROJECTED DEFICIT BALANCED

2026

22

2

4

\$28M BALANCED

2027

22

2

10

1

\$35M BALANCED

2028

22

3

15

5

\$45M BALANCED

Additional revenue or cuts needed to balance budget

2029

22

3

20

8

\$53M BALANCED

2030

22

4

25

7

5

\$63M

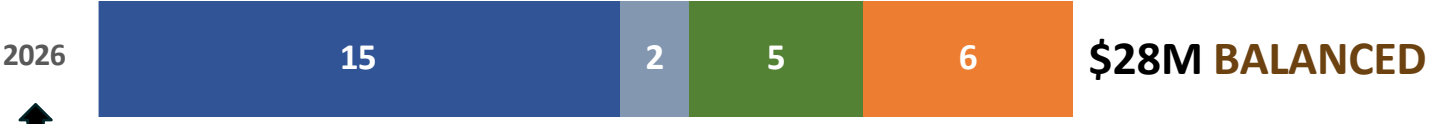
Rainy Day Fund (\$25m) fully expended

■ Property Tax Referendum
 ■ Efficiencies / Revenue Adjustments
 ■ New Special Charges
 ■ Fund Balance
 ■ Unaddressed Gap

Without a Referendum, the City Would Need Additional Cuts and Revenue by 2027



Without a referendum, Madison will need additional cuts by 2027 – even with annual increases in special charges and significant cuts to services in 2025.



↶ The earliest year that additional shared revenue from the State is possible



↶ The earliest year a local sales tax would likely impact the City budget

← Additional revenue or cuts needed to balance budget



↶ Rainy Day Fund (\$25m) fully expended



■ New Special Charges ■ Efficiencies / Revenue Adjustments ■ Fund Balance ■ Permanent Cuts to Services ■ Unaddressed Gap

Child Care Program 2025 Budget reduction recommendations

Mayor is currently evaluating agency submissions and will release the executive budget on October 8

Northside Early Childhood Zone - \$38,000

- Child Care Costs for participants: \$11,000
- Facility Rental: \$15,000 (no longer needed)
- Family Engagement Specialist: \$12,000



Budget Timeline

Council meeting - 5 year plan presented	July 16
Agency Requests due	July 19
Finance Committee – 5 year plan and referendum discussed	July 22
Council meeting – public comment on referendum	August 6
Agency Briefings with Mayor’s Office	August 12-14
Common Council (Special Meeting) – vote on referendum	August 20
Executive Budget Introduced to Common Council (CC)	October 8
Finance Committee (FC) Briefing	October 14-15
FC Amendment Meeting	October 28
CC Amendment Week	October 30-November 8
CC Budget Adoption Meetings	November 12-14

2024 Tuition Assistance Program Update

	2024 Quarter 1	2024 Quarter 2	2024 Quarter 3*	2023 Quarter 4	<i>Unique Total</i>
Children Served	18	22	23		24
Families Served	16	17	17		18

Children -Full time	19
Children - Part time	5
Working	16
Special circumstances	2

January 1, 2024	17
March 31, 2024	17
June 30, 2024	18
October 1, 2024	10

Child Care Facilities Loan Program

Goal

Provide 0% interest, long-term deferred loans to providers, agencies or individuals who expand licensed capacity child care options

Rating Criteria

- Located in or near areas where child care is scarce determined by www.childcaredeserts.org
- Program intend to or currently serve 20% or more of families participating in subsidy programs
- Programs that serve communities where there are limited options for culturally affirming regulated care
- Programs that intend to serve children with differing abilities or those that may need increased medical attention.
- Increase in the number of regulated infant and toddler spots
- Programs licensing compliance and quality improvement history
- Program will provide transportation or is located on or near public transit route

Staff Recommendations

Program Name	Address	Criteria	Staff Recommendation
The Playing Field	2102 East Spring Dr.	<1 mile from scarcity, above average wages and salary, dedicated to serving families with the highest needs, strong history of compliance and quality, increasing infants and toddler slots, facility was a home improvement store. New construction is necessary to meet child care license eligibility.	\$100,000
Little Genius Bilingual Child Care	3131 W. Washington Ave.	~1 mile from scarcity, culturally and linguistically affirming care, increasing infant and toddler slots, above average wages, 5 yr. lease, facility in need of remodeling to serve a great number of infants and toddlers	\$70,000
Safari Bilingual Child Care	7618 Westward Way	~1-2 miles, culturally and linguistically affirming care, 3 Star rated program in Cross Plains with good compliance history, 25 year lease, facility in need of repair to become eligible for a child care license.	\$80,000

Early Childhood Care and Education Committee Membership Update

Membership Update:

Golshan Motamedi – resident member

We will have a full committee in November and are on the look out for anyone who may be interested in becoming a member!