

2018 Operating Budget

Executive Budget: Summary



CITY OF MADISON

Paul R. Soglin, Mayor





Office of the Mayor

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2018 Executive Operating Budget Mayor Paul Soglin

Madison is growing. Our population has reached 250,000 and we continue to add new residents every day. New buildings and developments are growing our tax base. Businesses are expanding and our city is a great destination for visitors.

With growth comes challenges. We have stable neighborhoods with great amenities. We also have neighborhoods that need greater support.

My 2018 operating budget continues the focus on upward economic mobility for all residents. We accomplish upward mobility through a mix of strategies that are affordable, ensure safety for all, and help all our residents access the tools for success.

Last year, I asked that we work together to identify the outcomes we value the most and begin a process to establish measurable and meaningful strategies to accomplish those outcomes. Over the past year, under the auspices of our involvement in the What Works Cities initiative, the Common Council, City Departments, and the Mayor's Office worked together to establish city-wide goals. Guidance teams consisting of staff from across all city agencies spent several weeks developing outcomes around those goals. The Streets Division and Library staff have worked on a pilot project to inventory their services to the public and begin the process of connecting performance on our services, to outcomes and our overall goals. Finally, we have formed a Strategic Management Oversight Committee where the Common Council, Mayor's Office and City Managers can come together to help guide this effort. This work, along with the Imagine Madison Comprehensive Plan update, is combining to better connect the services we provide with outcomes that matter most to our residents.

The 2017 budget added \$400,000 for peer support programs to help address rising violence in some parts of our city. My 2018 budget builds on this effort by adding \$250,000, along with the reallocation vacant Public Health positions, to develop a results-oriented and public health-based approach to preventing violence. The 2018 budget also adds \$1.5 million to begin staffing the new Midtown Police Station and the soon to be constructed fourteenth fire station on the southeast side of the city.

These service expansions come at a cost. We are heavily reliant on property taxes due to state law limits and federal government disinvestment – particularly the state ban on better regional transit that would connect residents to jobs faster, grow our economy, leverage federal resources and reduce our reliance on property taxes. Construction of facilities and replacing and renovating aging infrastructure is pushing our debt higher and the associated debt service will increase by more than 6 percent in 2018

The 2018 budget seeks to strike a balance between the significant costs to staff new public safety facilities, broad-based investments needed to combat the root causes of violence, and keeping city services affordable. Due to strong growth in property values and new construction, I have held growth in taxes on the average value home to 2.67 percent, a \$65 increase over 2017. This is possible due to a drop in the tax rate of 3 percent on the strength of an 8 percent growth in the property tax base.

The maximum increase allowable under levy limits would increase taxes by 3 percent, or a total of \$72 on a typical home. With inflation projected to increase a modest 1.7 percent in 2018, I am not exercising that option and call upon the Common Council to work with me in holding the line on taxes for our businesses, families and seniors.

Carrying this levy authority over to 2019 will help us maintain a more modest tax increase this year while ***providing additional capacity to address on-going priorities next year, particularly the Council's current priorities of constructing and staffing a new fire station next year.*** Public safety is a top priority – staffing for the Police and Fire Departments has grown nearly 30 percent over the past 18 years while our population has grown 18 percent.

City expenditures are projected to grow 4.3 percent, funded by a 4.8 percent increase in the property tax levy. As we increase our expenditures, the general fund balance as a share of expenditures continues to fall short of our 15 percent target. Keeping our reserves strong is a critical element of our triple-A bond rating and our most recent Moody's rating report cited declining reserves as a factor that might cause a future downgrade. As such, my budget increases our reserves by nearly \$2 million, which will help to increase the fund balance from below 14 percent of budgeted expenditures at the end of 2016 to nearly 15 percent by the end of 2018.

Through the following initiatives, my 2018 budget makes targeted investments that we can all afford and makes progress toward our goals by focusing more on measurable strategies toward meaningful outcomes:

- Provides \$1.5 million to fully fund the 10 new staff for the Midtown Police Station and begin funding 18 new staff for Fire Station 14, along with \$350,000 to match federal grant dollars to add 15 more police officers, \$50,000 for a new Mental Health sergeant and \$50,000 to purchase smart phones for officers in the field to improve the use of data in decision-making. Over \$15 million will be spent to build the two new public safety facilities, requiring annual debt service payments of nearly \$2 million annually.
- Provides \$250,000, and reallocates two vacant Public Health positions, to implement a public health-based approach to preventing violence in our community. Public safety requires both law enforcement efforts and data-based strategies that address the root causes of violence.
- Works to reduce crime and violence on State Street by adding \$10,000 to support programming in the Downtown Business Improvement District and by reviewing liquor license and Mall Maintenance fees to better connect the cost of law enforcement to the privilege of selling alcoholic beverages in this area.
- Continues the popular Bubbler program at the Library by providing \$125,000 to replace one-time grant funding.
- Provides \$830,000 for additional election work, including voting at the libraries, during the

2018 election cycle.

- Continues the five-year phase-in of a \$15 minimum wage for all city jobs by adding \$80,000 in new funding to the \$80,000 provided in 2017.
- Continues the Big Step job training program with \$50,000 of City funding.
- Replaces declining private support for the popular Ride the Drive weekend with \$35,000 of City funding.
- Partners with Dane County and the Madison Community Foundation by providing \$50,000 to assist residents of our city who are immigrants.
- Better connects all city residents with our services by providing \$100,000 to expand language access support.
- Improves information technology and communications management activities by adding \$200,000 for two new positions.
- Strengthens city services, strategic management and process improvement efforts by creating a new strategic management coordinator in human resources through reallocation of a vacant position from information technology.
- Enhances transportation management and planning efforts by providing \$50,000 to fund a new Director of Transportation position.
- Supports efforts to expand access to better food options by providing \$10,000 for Food Policy Council outreach work.
- Provides funding to support a 1 percent pay increase for all non-transit city employees and funds the scheduled collectively bargained 3 percent increase for transit workers.
- Adds \$250,000 from the property tax to address the Governor and State Legislature's repeal of health insurance coverage for domestic partners.
- Discontinues Metro Transit-operated paratransit services due to the loss of \$3.9 million in federal Medicaid funding associated with implementing Family Care in Dane County. Paratransit services will be provided through contracts between Madison Metro Transit and private transportation vendors. Other changes made necessary due to Family Care include an increase in the ride fare from \$3.25 currently to \$4.00, replacing door-to-door service with curb-to-curb service and eliminating leave attendant service options.

These last two items represent more fallout from on-going state and federal government disinvestment that leave local communities and property taxpayers with greater costs and fewer services. Cities are the centers of innovation in our country – where jobs are actually created; families live, learn and thrive; and businesses expand and grow. But we can only innovate for so long – at some point services will suffer. We are doing what we can through our strategic management

initiatives to ensure the outcomes our residents want; however, our tools are limited and our time is short.

Cutting state and federal taxes for the well-off has led to an increasing property tax burden for families, seniors and businesses. Since there can be only one property tax rate in the city, this tax shift falls disproportionately on those with fewer resources. And the service reductions caused by the state and federal spending cuts made necessary by tax cuts for the well-off also fall disproportionately on those with fewer resources – in this case it is the disabled that need quality transit services to live and work.

In light of this failure by our state and federal lawmakers, balancing this budget presented challenges. At the start of the budget process, the estimated gap between cost-to-continue services and projected revenues was approximately \$4.4 million. We needed to fully fund pay increases from 2017, meet Worker’s Compensation and insurance program needs, address state law limits on use of local room taxes, and pay to staff new public safety facilities. Debt service on already issued promissory notes and bonds to fund increases in the City’s capital budget is increasing nearly \$3 million, or 6.5 percent.

Balancing the budget was achieved through the following measures:

- Partners with the hotel industry and tourism interests to increase the room tax rate from 9 percent currently to 10 percent, starting in 2018. This increase generates over \$1.8 million annually, with \$1.3 million allocated to help expand tourism marketing efforts, including over \$600,000 to continue room tax support to the tourism destinations of the Olbrich Gardens and Henry Vilas Zoo, and over \$500,000 for the City’s General Fund. This proposed rate increase requires Council approval and adoption of changes to the City’s contract with the Greater Madison Convention and Visitors Bureau. The increase in the room tax rate provides \$1.2 million to help close the 2018 budget gap.
- Reflects a 2 percent increase in health insurance premiums. The budget gap forecast assumed a 5 percent increase. The lower premium increase provides \$1.2 million toward closing the 2018 budget gap.
- Begins a process to update allocation of central support costs (e.g., information technology, human resources, finance, treasury, legal) to the City’s utilities. The General Fund is currently subsidizing most of these costs. Funds have been allocated for a comprehensive cost allocation study. Bringing utility funding for central support services closer to actual costs provides \$850,000 to help close the 2018 budget gap.

- Reflects \$400,000 in additional Worker’s Compensation and Insurance Fund costs. These increases are necessary due to costs from liability and on-the-job injury events. Initial budget gap forecasts reflected a \$1 million increase. More precise estimates through the budget development process provided \$600,000 toward closing the 2018 budget gap.
- Creates a new special assessment certification fee of \$25, to help offset some of the costs associated with title searches made during the sale of a property. Many Wisconsin communities levy this fee. Revenues of \$50,000 are anticipated from this fee.
- Increases fire inspection fees. Fees were last increased in 1998. Revenues of \$100,000 are anticipated from these increases.

The budget increases General Fund appropriations by 4.3 percent and increases the levy 4.8 percent. Based on the latest estimates of an 8 percent increase in net taxable property value, the city tax rate is expected to decrease by 3.0 percent to 9.214 per \$1,000 of assessed value. With the average home value up 5.8 percent, taxes on the average value home are expected to increase \$65, or 2.7 percent. There is approximately \$1.3 million of capacity to still qualify for nearly \$7 million in aid under the state Expenditure Restraint Program, assuming a \$2 million appropriation in the 2017 year-end resolution. The property tax levy can be increased by approximately \$700,000 within the state-mandated levy limits.

While there is \$700,000 of levy limit capacity remaining and a maximum 3 percent allowable increase in taxes on the average value home, I hope the Common Council will stand with me in holding the tax increase on the typical home to no more than 2.8 percent.

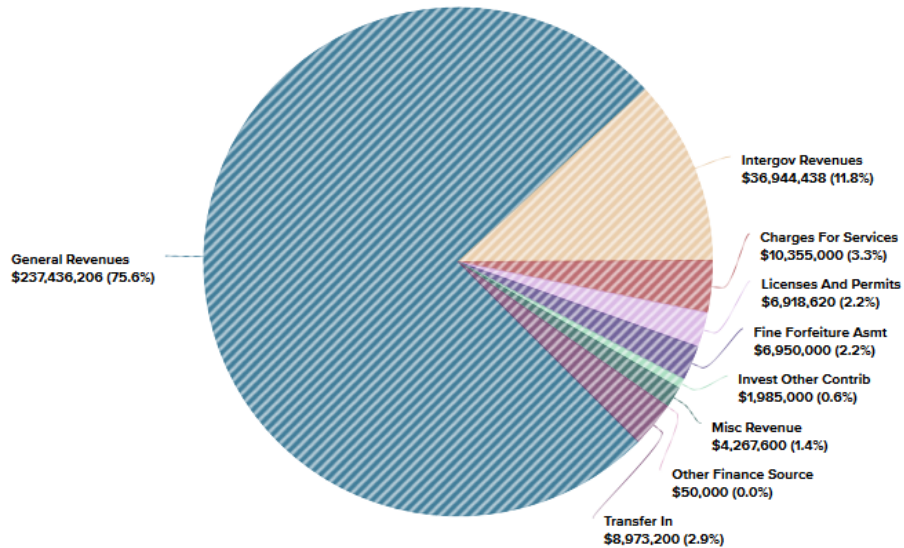
There were a number of items that I could not fund in the budget and keep it affordable for our residents. Items with an * represent last cuts, items with ** are the next to the last cuts, I made to funding requests.

Fund Violence Prevention at \$450,000*	\$200,000
Fund Faster Implementation of 15 new COPS-funded police officers*	300,000
Fund Big Step at \$70,000*	20,000
Fund Language Assistance at \$158,000*	58,000
Racial Equity and Social Justice Support Costs*	145,000
New Assessor Office Positions*	350,000
Fund Bubbler at \$175,000**	50,000
Homeless Case Management at Central Library**	50,000
Funding for Madison Urban Ministry**	20,000
New Senior Center Position**	75,000
Increase Fire Department Academy**	330,000
Expanded Weekend Bus Service**	450,000
New Fire Medic Company	1,000,000
New Firefighter Positions	200,000
New Detective Position	100,000
Civil Rights Paralegal Position	75,000
Additional Day Shelter Funding	62,000
New Treasurer Office Accountant	75,000
Engineering Facilities Project Manager Positions	200,000
New Landscape Architect in Parks	<u>75,000</u>
	\$3,835,000

We have so much to be grateful for in Madison. It is a great place to live, work and play. We care about all of our neighbors. My budget continues our investment in making our city a place where all can feel safe, live happily and pursue their dreams.

2018: By the Numbers

Where the Money Comes From

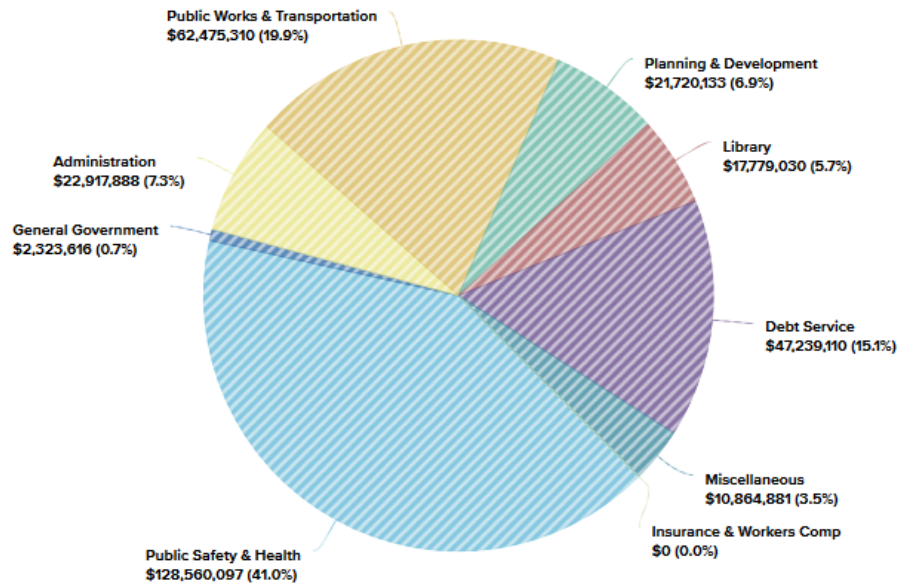


Revenue Change: 2017 Adopted to 2018 Executive			
	2017 Adopted	2018 Executive	Change
Payments in Lieu of Taxes	10,048,200	10,308,200	260,000
Other Local Taxes	5,160,020	5,801,279	641,259
Fines & Forfeitures	6,850,000	6,950,000	100,000
Charges for Service	9,185,000	9,355,000	170,000
Licenses & Permits	6,483,620	7,068,620	585,000
Ungrouped Revenue	6,622,600	8,552,600	1,930,000
Intergovernmental Revenues	35,826,671	36,944,438	1,117,767
Fund Balance	400,000	(1,400,000)	(1,800,000)
Property Tax	219,727,999	230,299,928	10,571,929
TOTAL REVENUE CHANGE			\$13,575,954

Revenue Highlights

- State aid (excluding transit aid) up 3%. This increase is due primarily to an increase in general transportation aid included in the 2017-2019 state budget.
- Room taxes to the general fund are up 15% due to a proposed increase in the room tax rate from the current 9% to 10%.
- Building permit revenues up 1% compared to the 2017 adopted budget, due to new construction.
- Moving violations are down 14% from 2017 adopted budget estimates due to fewer citations issued.
- Revenues from fines and forfeitures are down 1.7%, due to continued declines in parking violation revenue due to multi-space meters.
- Interest on investments is projected to increase \$500,000 (42%) as interest rates rise.

How the Money is Spent



Expenditure Change: 2017 Adopted to 2018 Executive			
	2017 Adopted	2018 Executive	Change
Administration	21,248,146	22,917,888	1,669,742
Debt Service	44,321,040	47,239,110	2,918,070
General Government	2,023,418	2,323,616	300,198
Library	16,915,564	17,779,030	863,466
Planning & Development	20,917,869	21,720,133	802,264
Public Safety & Health	124,355,190	128,560,097	4,204,907
Public Works & Transportation	60,701,532	62,475,310	1,773,778
Misc & Dir Appropriation to Cap	10,371,352	10,864,881	493,529
Anticipated Gen Fund Lapse	550,000	-	(550,000)
TOTAL EXPENDITURE CHANGE			13,575,954

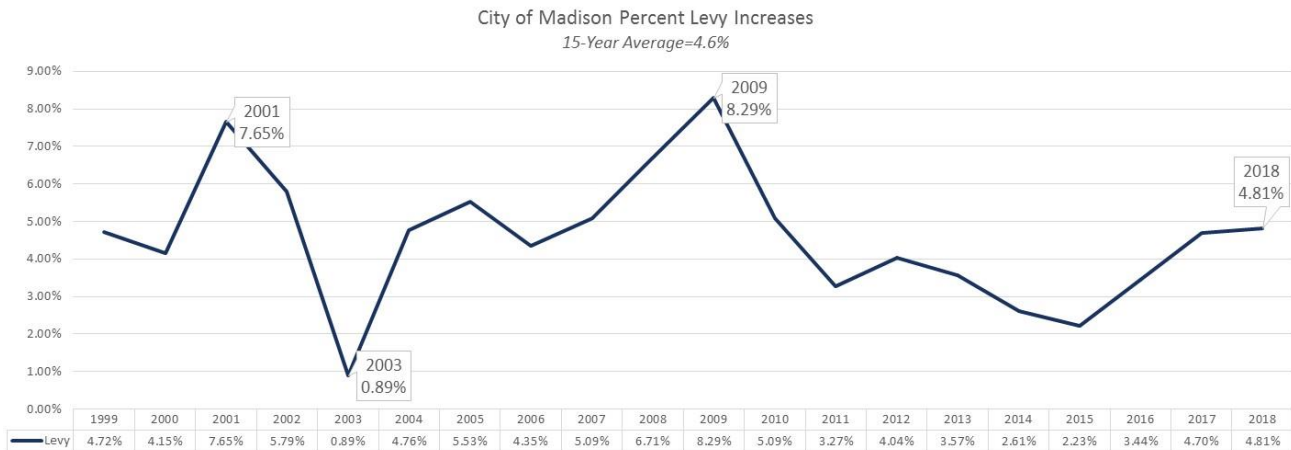
Expenditure Highlights

- General and Library fund expenditures are up \$13.0 million, or 4.49%
- General fund expenditures up 4.3% due primarily to compensation, debt service and operating costs.
- Library fund expenditures up 5.1% due primarily to lower revenues and higher compensation and operating costs.
- Total debt service (general fund and library fund) is up \$2.8 million (6.0%).

Madison's Property Tax

2018 Property Tax Levy

As demonstrated above, the majority of General Fund and Library expenditures are funded by the property tax; in 2018 the property tax will account for 75% of revenue within these funds. The proposed property tax levy in the Executive Budget is \$230,299,928, a 4.81% increase from 2017. The 15-year average annual levy increase is 4.6%; the rate of growth from 2017 to 2018 to consistent with the growth from 2016 to 2017.



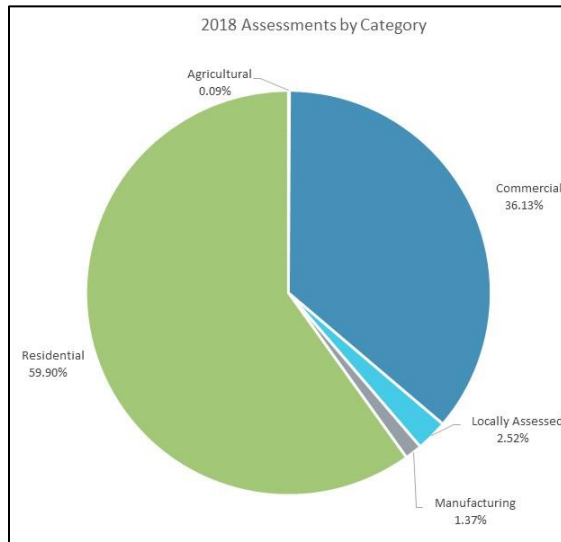
Levy Limit

Levy limits restrict the annual levy growth by net new construction. The net new construction for Madison in 2018 is 3.04%. The levy amount proposed in the Executive budget is \$230,299,928; \$746,200 below the maximum allowed. At the proposed levy, taxes on the average value home will increase by 2.67%. The table below outlines the levy limit calculation.

Levy Limit Calculation	
2016/2017 Levy	\$219,728,625
GO Debt	(78,488,644)
Levy Excluding Debt Service after July 1, 2005	141,239,891
Net New Construction	4,288,046
Adjustments	
Debt Service for GO Debt Authorized After July 1, 2005	85,121,476
Adjustments for Current Year Annexations	988
Prior Year Unused Allowable Levy (up to 1.5%)	348,644
City Share of Refunded or Rescinded Taxes	46,972
Allowable Levy	231,046,128
2018 Executive Budget Proposed Levy	230,299,928
Additional Levy Capacity / Carry Over to 2018	\$746,200

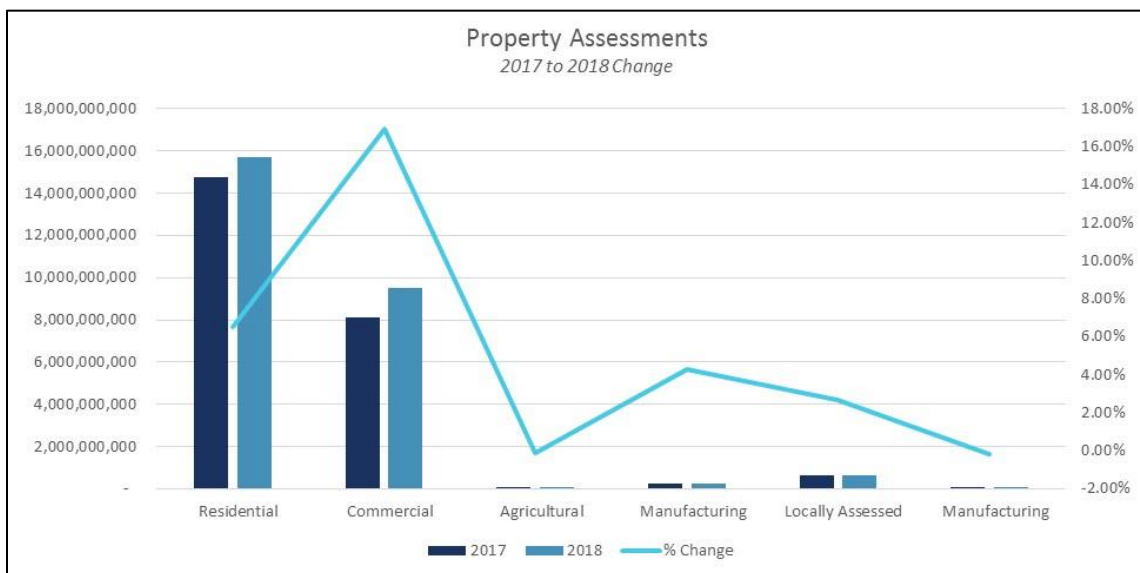
Assessed Values

As a whole, assessed values in Madison have grown 9.7% on the strength of a 6.5% increase in residential properties and 17% increase in commercial property values (commercial property includes apartments). The pie chart below provides a breakdown of assessed property by type; residential and commercial property represent 96% of total assessed property within Madison. The table below provides a summary of assessment changes by category.



Changes in Assessed Value 2016 to 2017	
Residential	Up 6.51%
Commercial	Up 16.97%
Agriculture	Down 0.14%
Manufacturing	Down 0.20%
Personal Prop	Up 2.29%
TIF Increment	Up 62.3%
Net Taxable Prop	Up 8.02%
Average Value Home	Up 5.81%

From 1991 to 2017, values have grown an average of 5.5% annually. From 2014 to 2018, values have grown an average of 3.8% annually. Assessed value of property in tax increment districts (TIDs) increased 62%. This is due both to value growth in existing TIDs and creation of new TIDs. As demonstrated in the chart below the largest area of growth in 2018 is commercial property assessments. With the exception of agriculture and manufacturing properties, all other assessments in 2018 increased continuing prior year growth trends.



Taxes on the Average Value Home

Based on the property tax levy, as proposed in the Executive Budget, taxes on the average value home will increase by \$65, or 2.67%. Currently the average family home in Madison is assessed at \$254,593, a 5.81% increase from last year.

The table below shows the impact of increasing or decreasing the levy. Every \$10 increase in taxes on the average value home results in \$930,000 additional levy authority.

Comparative Changes in Levy			
% Change	Levy Increase	\$ Change	TOAH
Max Levy-3.00%	\$11,319,240	\$72.53	\$2,490.02
Exec Bdgt-2.67%	10,573,040	64.50	2,481.99
2.50%	10,197,481	60.44	2,395.99
1.00%	6,756,703	23.36	2,440.85
-1.60%	1,000,000	38.69	2,378.80
-2.12%	-	49.46	2,368.03

2018 Mill Rate

While the 2018 property tax levy is up 5%, the overall increase in the assessed value of property in the City will drive down the mill rate by 3%. The annual mill rate is calculated by dividing property value of a specific property by total assessed values.

Expenditure Restraint

A portion of Madison’s state aid (\$7.0 million) comes from the Expenditure Restraint Program, limiting the level of growth in General Fund expenditures to inflation. Under current projections, Expenditure Restraint allows for a 3.8% growth in General Fund expenditures. Under the calculation, there will be \$1.4 million for flexibility in 2018. Any new appropriations to the 2018 budget after adoption cannot exceed this amount.

2017 Adopted Budget		
	2017 Revised Budget	\$302,852,998
Exclusions		
	Debt Service	(47,043,808)
	Recycling Payments	(386,825)
	Revenue Sharing Payments	(141,116)
2017 Budgeted Expenditures (Net)		\$255,281,249
Inflationary Increase		3.80%
2018 Maximum Expenditures		\$264,981,936
2018 Executive Budget		\$313,880,063
Exclusions		
	Debt Service	(49,887,222)
	Recycling Payments	(341,376)
	Revenue Sharing Payments	(62,341)
	2018 Projected Budgeted Expenditures	\$263,589,125
2018 Expenditure Restraint Flexibility		\$1,392,812

Balancing 2018

Change Overview: 2017 Adopted to 2018 Executive		
Revenue		\$ Change
	Payments in Lieu of Taxes	260
	Other Local Taxes	640
	Fines & Forfeitures	100
	Charges for Service	170
	Licenses & Permits	585
	Ungrouped Revenue	1,930
	Intergovernmental Revenue	1,117
	Fund Balance	-1,800
	Property Tax Levy	10,573
TOTAL REVENUE ADJUSTMENTS		13,575
Expenditures		
Agency Revenue		
	Fire Fees	-380
	Technical Adjustments	-134
Salaries		
	2018 Pay Increases	3,050
	2018 Police Academy	350
	Changes in Payroll Allocations	750
	Newly Created Positions	300
	Non-Annualized Pay Adjustments (Premium, Leave, Hourly, & Overtime)	900
	Election Staffing	835
	Midtown Staffing	450
	Salary Savings Adjustments	300
Benefits		
	Health Insurance & WRS	1,730
Supplies & Purchased Services		
	DCR: Language Access	100
	Treasurer: Bank & Credit Card Charges	120
	Fire: Station 14 Costs	100
	CDD: Big Step Contract	50
	Library: Bubbler	125
	Library: South Central Library Charges & Weekend Cleaning	60
	Public Works: Misc Work Supplies & Equipment Adjustments	-117
	Immigration Assistance Fund	50
	Food Policy	10
	Planning: Increased funding for BID	10
	One-time funding for Police Policy Study	-400
Inter-Agency Billings		
	2018 Fleet Rate	-600
	WC & Insurance	400
	Streets: Technical Adjustment	500
Transfer Out		
	SAFER & COPS Match	685
	Debt Service	2,820
	Transfer to Capital	1,511
TOTAL EXPENDITURE ADJUSTMENTS		13,575

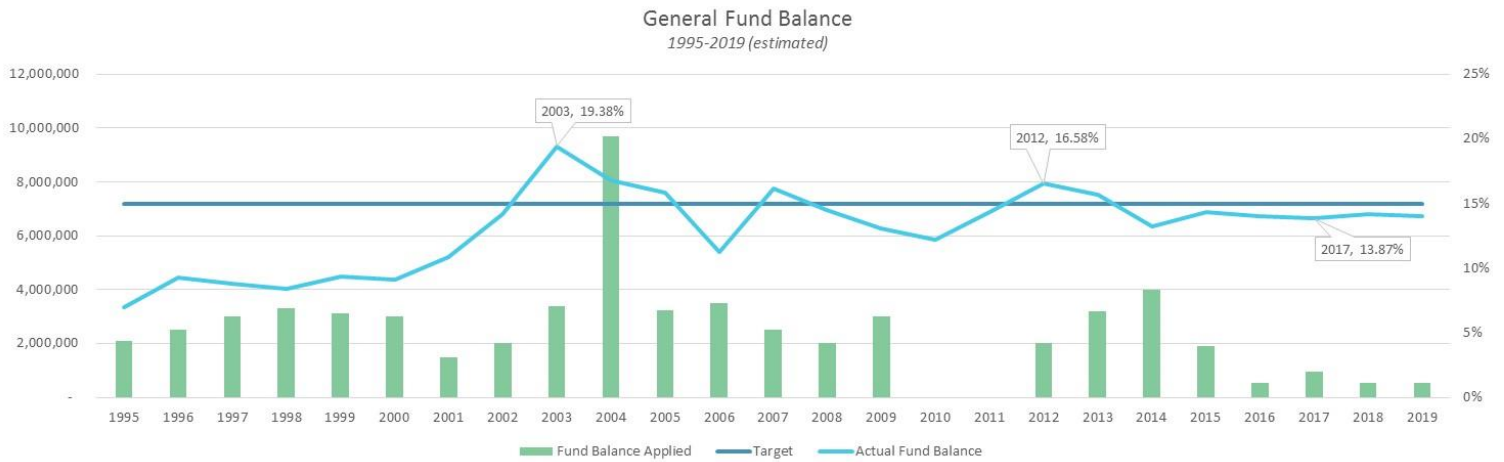
Position Changes

The 2018 Executive Budget authorizes 2,912.55 full time equivalent positions, an increase from 2,881, or 1.08%, in 2017. The FTE counts that appear in the 2018 Executive Budget include all approved personnel changes through September 2017.

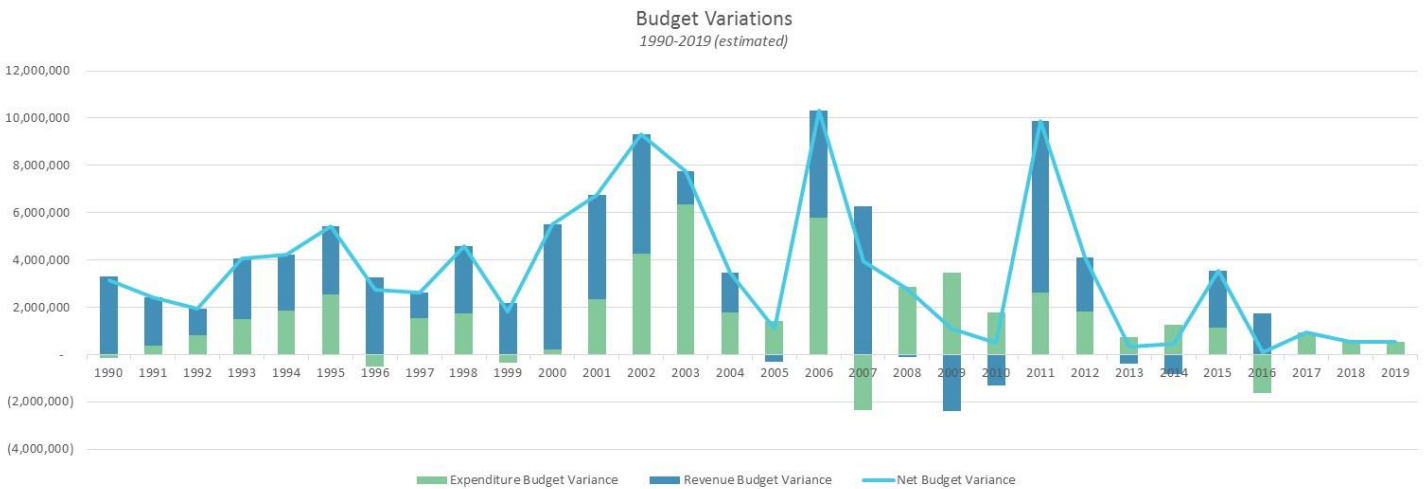
Position Changes: 2017 to 2018		
2017 Adopted FTEs		2,881.00
	Civil Rights: Clerk Typist	0.10
	Engineering: Public Works Foreperson	1.00
	Engineering: Engineer	1.00
	Engineering: Accountant	0.40
	Finance: Account Tech	0.25
	Library: Program Assistant	1.00
	Library: Clerk Typist Positions	1.60
	Library: Librarian	0.20
<i>2017 Midyear Changes</i>		<i>5.55</i>
2018 Newly Created Positions		
	Finance: Account Tech	-1.00
	Fire: Fire Station 14	18.00
	HR: Strategic Management Coordinator	1.00
	IT: Communications Manager	1.00
	Parking: Maintenance Worker	1.00
	Police: Midtown Police Station	3.00
	Streets: EAB Street Maintenance Operators	3.00
<i>2018 Changes</i>		<i>26.00</i>
2018 Executive Budget FTEs		2,912.55

General Fund Balance

The City of Madison has a policy goal of maintaining an unassigned General Fund balance equal to 15% of the General Fund. At the close of 2016 the fund balance equaled 13.87% of 2017 budgeted General Fund expenditures.



The fund balance is directly correlated to how the City performs in terms of budget to actual expenditures and revenue. As demonstrated in the chart below, years when the City ended the fiscal year with a surplus the fund balance grows. In recent years, the operating margins have become narrower.





City of Madison
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