



CITY OF MADISON

2023

Executive Summary Executive Operating Budget



Satya Rhodes-Conway, Mayor

Executive Summary: 2023 Operating Budget

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2023 Executive Operating Budget

In this year's Operating Budget, my focus is on the programs and services that **build a safer community, build healthier neighborhoods, and create opportunities for youth.**

The operating budget funds the numerous services, programs, and skilled staff that sustain high quality City services and help keep Madison strong. This operating budget released today is in addition to my 2023 Executive Capital Budget, released in September, which funds our infrastructure, buildings, and other capital investments.

It is important to note that Madison's operating budget is consistently constrained by burdensome State restrictions on the ability of local governments to raise revenue. This year, generous federal funding has provided important opportunities to support and grow our work in key areas. We are actively seeking federal dollars to invest in our community and support needed services. However, it is critical that State Government increase funding to the shared revenue program, and provide local governments with more flexible and progressive ways to raise revenue.

Building a Safer Community

Everyone deserves to feel safe in their home, their neighborhood and their community. We need to use every tool in our toolbox to improve safety, including investing in mental health response, violence prevention, youth employment, and housing affordability.

As one of many steps taken to reimagine public safety, my 2021 Executive Budget included funding to launch a new 911 emergency services team called Madison's Community Alternative Response Emergency Services or CARES. Madison CARES is a mobile unit that pairs a community paramedic and a crisis worker to respond to behavioral health emergencies. This program started as a test in downtown Madison for only 8 hours a day, 5 days a week. I have since expanded CARES City-wide, added a second location, and increased service to 12 hours a day. With promising early results, my budget expands the Madison CARES program to 7 days a week, 12 hours a day and continues its growth and development as an essential City resource addressing community mental health needs.

Our Public Health Department has a Violence Prevention Team that does evidence-based work aimed at reducing violence in our community. This budget continues funding for this team, which will be hiring new staff focused on preventing crime in the downtown entertainment district and mediating conflict across the City. Our Community Development Division also funds numerous community organizations across the City that work to increase safety and provide needed services to residents.

One of the most concerning safety issues in Madison is traffic crashes. Our Vision Zero program aims to reduce serious injury and fatality crashes to zero. The capital budget anticipates, and provides the local match for, a \$16 million federal USDOT Safe Streets grant. If the City is successful in securing these funds, we will hire a Vision Zero Safe Streets for All Project Manager to accelerate the implementation of safety infrastructure and a long list of Vision Zero projects. With our work on Vision Zero being recognized nationally, including by USDOT, Madison is well positioned for this federal grant opportunity.

I am also supporting the creation of a full-time City Emergency Manager position in the Madison Fire Department. Madison has had a part-time emergency management coordinator since 2006. But Madison has changed a lot over the years – both in the size and in the frequency of our weather-related emergencies caused by a changing climate. We need to scale our emergency management operators so we can be prepared for all manner of emergencies and provide the level of responsiveness that our residents expect and deserve.

Building Healthy Neighborhoods

Much of what the City does is aimed at supporting healthy neighborhoods and families. City agencies provide clean water, sewer and stormwater services, trash and recycling pick up, and leaf and snow removal services. Parks and libraries offer outdoor and indoor opportunities for residents to enjoy, and the Economic Development Division supports businesses across our community. Our Department of Civil Rights makes sure people know their rights and have recourse if they face discrimination. Our amazing clerks administer safe and secure elections, and I am including a new bilingual clerk position in this budget. Our police, fire and building inspection departments help keep our neighborhoods safe, and our public health department continues to respond to COVID-19, while also restoring other public health services to their pre-pandemic levels.

This past June, the U.S. Supreme Court’s decision on abortion created a health care emergency for women in Madison. This unprecedented loss of rights requires an unprecedented response. That’s why the City will be investing \$475,600 in the 2023 budget to expand staffing and hours and provide more comprehensive services in Public Health Madison and Dane County’s reproductive health clinic, including meeting an anticipated increased demand for long-acting reversible contraceptives that provide long-term pregnancy prevention.

Everyone in Madison should have access to safe, secure and affordable housing. That’s why my 2023 Capital Budget expands the Affordable Housing Fund. This fund is now more than double the size it was when I took office. But the economic impacts of the pandemic have made it difficult for many residents to keep up with rent and utility bills. The City has helped more than 7,000 Madison households remain stably housed over the past 18 months, thanks to unprecedented federal funding. We have lobbied the federal government to include this support into 2023 and to take further steps to help ensure housing stability. I am optimistic our request will receive a favorable response.

To help Madison families afford City utility bills, this budget includes funding to launch Mad-CAP, the Madison Customer Assistance Program (pending approval from the State Public Service Commission). This innovative program would offer financial assistance to Madison’s lower income households and help bring down the cost of the Municipal Services bill, which includes utilities (water, sewer, stormwater, and landfill remediation) and special charges (resource recovery and urban forestry).

Creating Opportunities for Youth

Investing in young people is investing in our future. My operating budget includes a number of investments in programs for young people across City agencies, including Parks, Library, Community Development, Civil Rights, Engineering, Fleet, and Metro Transit. Many City departments offer internships. In our Green Power Program, apprentices install solar panels, while in our Fleet Services Department, they learn technical skills working on our vehicles.

In 2022, Madison held 31 Parks Alive! events. These were a new way to emerge from pandemic isolation, using our amazing City parks, resident leaders, Neighborhood Resource Teams and other City resources to engage residents and reenergize park programming. These events were really fun, but they were more than just fun. They helped build relationships between young people and adults, and build trust between residents, City staff, and other neighborhood stakeholders. In my 2023 budget, I want to build on our success and provide dedicated support to ensure Parks Alive! can be sustained into the future. To do that, I am funding a full-time program manager and providing a budget to support Parks Alive! and other programming.

The City invests nearly a million dollars each year to support programs operated by community partners like Common Wealth Development, the Urban League, Mentoring Positives, Operating Fresh Start, CEO's of Tomorrow and others that combine employment and internship opportunities with mentoring and skills development. Young participants earn a paycheck, gain leadership skills and receive work-based credits from the Madison Metropolitan School District. They also participate in financial empowerment education that introduces them to financial systems and helps them open their own bank accounts. This year we took advantage of available federal funding to support about a dozen local agencies offering programs that will benefit 900 Madison youth.

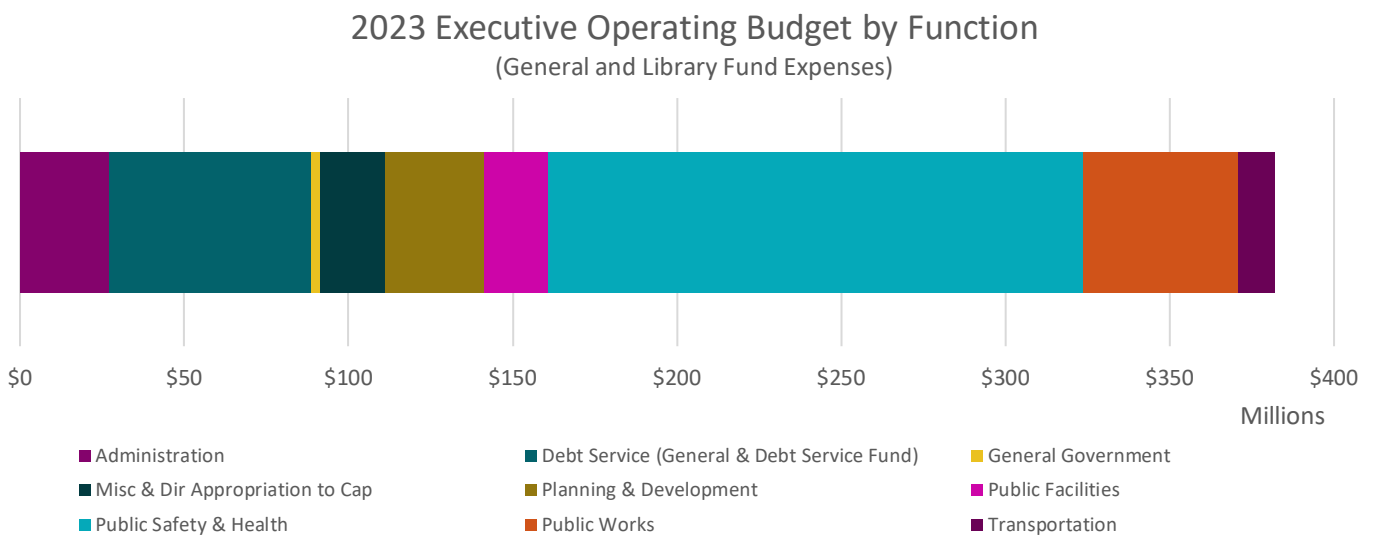
My 2023 budget provides an additional \$250,000 to support further expansion. These funds will be used specifically to reach a group of young adults, aged 18-26, who are not adequately served by existing programs. The group consists primarily of young people of color, LGBTQ+ and low-income youth who are not currently connected to traditional educational and employment systems. With support, they have the chance to improve their job prospects and develop tangible career options.

As always, there are more good ideas than there is funding available, and I had to make some tough choices about what to prioritize. My 2023 Executive Operating Budget makes strong investments in community safety, public health, our youth, and our neighborhoods. With these investments, we will build a safer community, healthier neighborhoods, and create opportunities for our youth. I look forward to working with our community to build a better Madison.

Operating Budget Overview

The City of Madison’s Operating Budget is a planning and financial document that pays for daily services for City residents. The Operating Budget appropriates funding to City Agencies to pay for expenses, including but not limited to staff salaries, funding community-based organizations that deliver services on behalf of the City, and other costs such as supplies and equipment. Services included in the operating budget include library and park programs, job training and childcare services, garbage and recycling collection, and public health and public safety.

The Operating Budget is comprised of many types of funds – general and library funds; utilities (sewer, storm water, parking); tax increment financing (TIFs); and others. The **general and library funds** are the basis of the local property tax levy. The total expenses from general and library funds is \$381.9 million. The following graph shows expenses by function.



Major Changes: 2022 to 2023

The 2023 Executive Operating Budget proposes **\$381,898,781** in general and library fund expenditures. This is a **\$21.6 million (or 6.0%) increase** from the 2022 Adopted Budget. A few major changes are highlighted below. In addition to these highlights, the following pages include details on executive operating budget, and the executive operating budget book includes additional information by agency.

Changes between 2022 Adopted and 2023 Executive Operating Budgets General and Library Fund Expenditures Only
<ul style="list-style-type: none"> • Includes a 2% cost of living adjustment for employees (\$5.4 million) • Provides a 1% additional pay increase for General Municipal Employees (\$850,000) • Makes a one-time payment to all employees (\$3.4 million) • Funds \$1.7 million in supplemental requests, including Town of Madison related needs (\$191,600) and young adult employment programming (\$250,000) • Adds seed funding for a private-public homeless shelter operations endowment and current year operating funding (\$4 million) • Makes a one-time reduction in the City subsidy to Metro Transit (\$-7.7 million) • Reflects agency revenue adjustments and shifts to capital (\$-1.1 million)

Balancing the Budget

The annual operating budget must be balanced, meaning expenses cannot exceed revenues. This year's budget reflects continuing recovery of City revenues from the economic effects of the pandemic; critical investments in a safer community, healthier neighborhoods, and opportunities for youth; prudent increases in employee compensation; and actions that set the stage for a budget that is fundamentally balanced in the long-term.

First, the budget increases General and Library Fund expenditures by \$21.6 million (6 percent) to a total of \$381.9 million. About half of this increase is associated with one-time spending, including a \$1,000 payment to employees funded from surpluses in the City's life and wage insurance programs, seed funding for a private-public endowment to support on-going homeless shelter operating costs, and 2023 homeless shelter operating costs supported by one-time American Rescue Plan Act (ARPA) funds. Debt service for City infrastructure and other capital projects is increasing by about \$5.5 million (10 percent) and represents about a quarter of the overall increase. The remaining increase in expenditures is associated with employee compensation (e.g., 2 percent to 3 percent pay increases for all employees), the cost of program expansions (e.g., CARES, young adult employment, reproductive health services) and new positions (e.g., emergency management coordinator), and a one-time \$7.7 million reduction in the City subsidy for Metro Transit to reflect use of one-time federal transit funding.

Second, local City revenues (e.g., building permits, ambulance fees, room taxes, investment income) are recovering from the economic effects of the pandemic with an increase of 14 percent (\$6.9 million) over 2022 budgeted levels. The closure of tax increment districts, particularly Tax Increment District 25, is providing a one-time boost in revenue of \$6.9 million. State aid is up 3 percent (\$1.2 million). The property tax levy will increase by \$14.2 million (5.5 percent) to \$273.3 million based on the added property value of new construction, attachment of property from the Town of Madison, and debt service costs. This growth in revenues will offset the use of \$13.1 million of one-time American Rescue Plan (ARPA) funding used to help balance the 2022 budget.

Third, as mentioned above, the budget includes a \$7.7 million reduction in the City subsidy to Metro Transit. This one-time reduction is possible due to the availability of federal economic recovery funding for transit systems. The City subsidy to Metro Transit is \$9.1 million in 2022 and will decline to \$2.0 million in 2023. In 2024, the subsidy will increase to \$14 million to reflect restoration of the City subsidy and the first year of repaying the \$7.7 million reduction in this budget. This shift in funding between years requires that the City prudently budgets to accommodate the \$12 million increase in the City subsidy between 2023 and 2024 and continue to qualify for the \$7 million in aid under the state expenditure restraint program. The 2023 executive operating budget includes \$10 million of one-time appropriation increases. Those one-time increases will be replaced by the permanent restoration of the Metro subsidy in the 2024 budget.

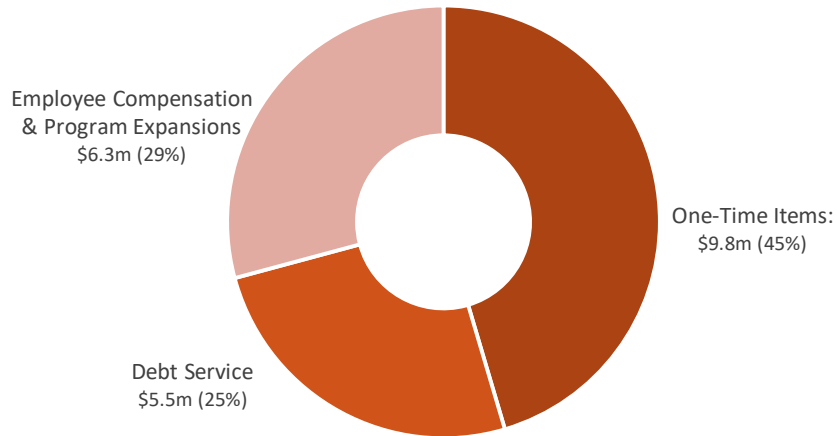
Fourth, the budget continues to achieve balance using one-time revenues, specifically \$6.9 million from the City share of surpluses in closed tax increment districts. Long-term, the increase in the cost of City services will continue to outpace the allowable growth in the property tax levy and historical growth in state aid and other City revenues. Remaining ARPA funding of \$4.4 million, along with additional one-time monies from tax increment districts, are expected to keep the deficit in the 2024 budget at approximately \$7 million. However, starting in 2025, the deficit is expected to reach between \$20 million and \$30 million annually. Over the next two years, service levels and revenue options will need to be thoroughly explored. The City's Results Madison effort is focused on reorienting the budget toward use of performance data in the delivery of City services. The 2023 budget includes \$350,000, to fund a thoughtful review of City compensation structures, processes, procedures, recruitment and retention. This review will be conducted in close consultation with employee unions and associations. Working groups will be formed to review options for additional revenues to help continue high priority City services.

Further detail on the above is outlined in the following pages.

Expenditure Changes

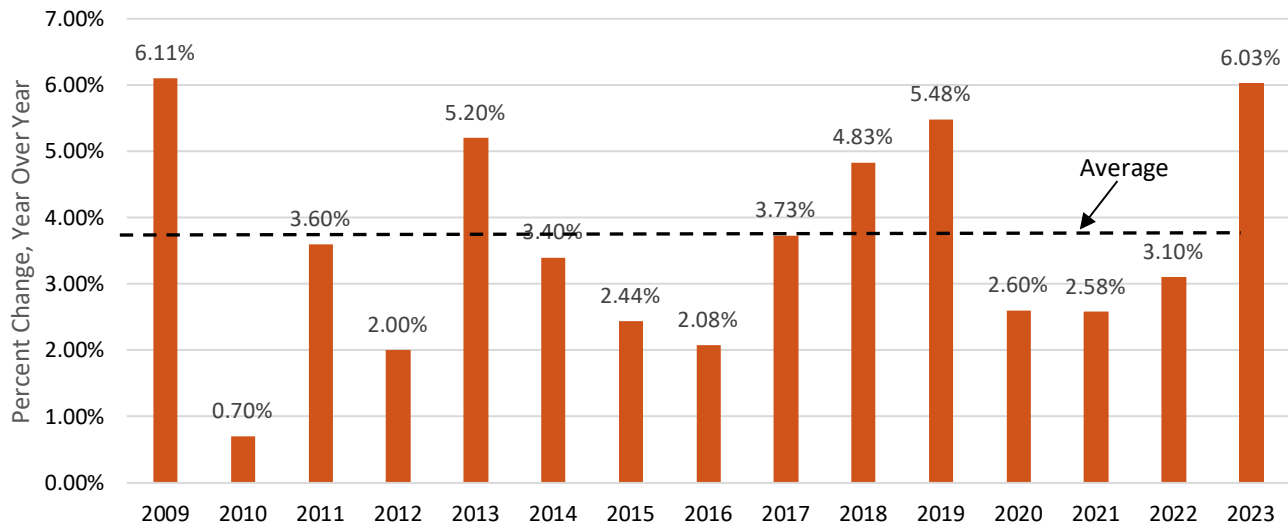
The 2023 executive budget increases General and Library Fund expenditures by \$21.6 million (6 percent). This increase is net of a \$7.7 million one-time reduction in the City subsidy to Metro Transit.

Primary Components of 2023 Expenditure Increases
General & Library Funds



This increase is above the 15 - year average and reflects pay increases of 2 percent on-going plus a one-time \$1,000 payment for all employees. General Municipal Employees (GMEs) will receive an additional 1 percent pay increase as part of a multi-year effort toward wage equity. Nearly \$10 million of the increase is associated with one-time items. Debt service is increasing 10 percent (from \$56 million to \$61 million).

City of Madison Percent Budgeted Expenditure Increases Above/Below the Historical
15-Year Average of 3.8%



Town of Madison Final Attachment

At the end of October 2022, the City of Madison will absorb 90% of the remaining Town of Madison land and 79% of the population, and the rest of the Town will be attached to the City of Fitchburg. The 2023 Operating Budget includes \$191,617 to support key costs associated with providing services to the Town of Madison. Funding was also provided in the 2022 adopted operating budget for additional City costs related to the final attachment.

Proposed Town of Madison Costs			
General and Library Funds			
Personnel Costs		One-time or Ongoing	SUB TOTAL:
Attorney	<ul style="list-style-type: none"> Increase 0.75 FTE Assistant City Attorney to full time to help address increased workload 	Ongoing	\$ 10,000
Fire	<ul style="list-style-type: none"> Add 1.0 FTE Fire Protection Engineer to meet expanded number of buildings and geographic extent of new area added to the City 	Ongoing	\$ 108,000
Police	<ul style="list-style-type: none"> Add 1.0 FTE Program Assistant for public records processing (includes \$3,000 for supplies costs) 	Ongoing	\$ 73,617

Supplemental Requests

The Executive Operating Budget includes over \$1.5 million in supplemental requests to address key City priorities. These requests include strengthening support for young adult employment efforts; enhancing all aspects of the City's compensation, recruitment and retention efforts; expanding the CARES program weekend service; supporting continuing City-wide equity efforts; and meeting high priority support needs.

Supplemental Requests			
General and Library Funds			
Personnel Costs		One-time or Ongoing	SUB TOTAL:
Assessor	<ul style="list-style-type: none"> Reclassify vacant Administrative Clerk to Administrative Analyst to support implementation of new property assessment system 	Ongoing	\$ 15,862
Attorney	<ul style="list-style-type: none"> Hire 1.0 FTE Assistant City Attorney (jointly funded with Metro Transit) 	Ongoing	\$ 54,500
Clerk	<ul style="list-style-type: none"> Hire 1.0 FTE Bilingual (Spanish) Municipal Clerk (half-year funding) 	Ongoing	\$ 35,004
Engineering	<ul style="list-style-type: none"> Hire 1.0 FTE Maintenance Mechanic to assist with expanded facility needs, including installation of EV charging equipment 	Ongoing	\$ 86,462
Fire	<ul style="list-style-type: none"> Expand CARES program on weekends and hire 1.0 FTE Community Paramedic Hire a 1.0 FTE City-wide Emergency Management Coordinator 	Ongoing	\$ 266,000
Human Resources	<ul style="list-style-type: none"> Hire 1.0 FTE Talent Recruiter to assist with City-wide employment equity goals Hire 1.0 FTE Program Assistant to address workload demands 	Ongoing	\$ 146,000
Library	<ul style="list-style-type: none"> Fund two hourly security monitors at the Hawthorne Library branch 	Ongoing	\$ 30,000
Parks	<ul style="list-style-type: none"> Hire 1.0 FTE Program Coordinator for the Parks Alive! Program promoting more equitable use of City parks and recreation opportunities Budget also includes funding for hourly AASPIRE intern 	Ongoing	\$ 80,000

Supplemental Requests

General and Library Funds

Non-Personnel Costs		One-time or Ongoing	SUBTOTAL: \$ 824,066
Community Development	<ul style="list-style-type: none"> Increase funding for young adult employment contracts 	One-time	\$ 250,000
Common Council	<ul style="list-style-type: none"> Provide funding for Alder training and communication programming Increase funding for conferences and memberships Increase funding for intern stipends 	Ongoing	\$ 31,250
Direct Appropriations	<ul style="list-style-type: none"> Provide funding for a comprehensive study of the City's compensation structure, processes and procedures in consultation with the City's labor unions and employee associations 	One-Time	\$ 350,000
Economic Development	<ul style="list-style-type: none"> Increase funding for the Double Dollars food program 	On-going	\$ 12,500
Parks	<ul style="list-style-type: none"> Provide funding for supplies and services costs of the Parks Alive! Program 	On-going	\$ 80,000
Planning	<ul style="list-style-type: none"> Leverage additional federal funding for the Metropolitan Planning Organization; seek additional support from other participating municipalities 	On-going	\$ 40,380
Streets	<ul style="list-style-type: none"> Fund the special charge components of the proposed MADCAP (Madison Customer Assistance Program) program to assist low-income individuals and families with the cost of the municipal services fees. Implementation of this program is contingent on approval from the State of Wisconsin Public Service Commission 	On-going	\$ 30,116
	<ul style="list-style-type: none"> Hire 10.0 FTE Laborer positions to form joint Public Works Laborer (PWL) pool to support work in Street and, Parks (cost for the new positions of \$481,364 is funded through various reallocations) 	On-going	\$ 0
Traffic Engineering	<ul style="list-style-type: none"> Fund supplies and other support costs associated with recreating an existing 1.0 FTE Communications Technician position as a 1.0 FTE Utility Locator position. 	On-going	\$ 29,820

Position Changes in Non-General or Library Fund Agencies

The Executive Operating Budget includes investments and position changes in non-general and library fund agencies. These funds are listed separately because these do not affect the local property tax levy and do not contribute to the expenditure changes detailed on page 7. In total, the Executive Operating Budget adds over 55 net new positions to the City and Public Health Madison Dane County (a joint City-County agency). These positions are funded through multiple sources (e.g. grants, utilities, reallocations within agency budgets), and have been included to provide critical investments in access to reproductive health services, support safety, sustainability and resiliency efforts, create career pathways and promote staff diversity through trainee programs, and align staffing to meet current service needs.

Other Position Changes Non-General and Library Funds				
Agency	Description	Fund	# Positions	Amount
Engineering	<ul style="list-style-type: none"> Recreate Principal Engineer 1 as 2.0 FTE Engineer 1 positions in the Transportation section. Convert hourly funds to create 2.0 FTE Engineer 1 positions Create 2.0 FTE Leadworker 1 and 1.0 FTE Operator 2 positions for the mi-te (Madison Infrastructure Training – Engineering) program Create 1.0 FTE GIS specialist positions <i>[Cost of new positions offset through internal reallocations]</i>	Multiple	7.0 FTE	\$ 463,392
Finance	<ul style="list-style-type: none"> Add 1.0 FTE Grant Writer and 1.0 FTE Accountant/Auditor 	Grant	2.0 FTE	\$ 178,125
Metro	<ul style="list-style-type: none"> Add 21.5 FTE permanent positions and 3.0 limited term employees for the following activities: maintenance of electric buses; management of capital projects and programs; transit operators for partner-requested route expansions; IT support and data analytics; compliance and legal (shared with Attorney); and administrative support and training. Some positions are partially funded in 2023; 2023 cost also includes fully funding recreation of general supervisor position to HR manager and new division manager positions; full annualized cost is \$2.3 million 	Metro	21.5 FTE 3.0 LTE	\$ 1,754,875
Parking	<ul style="list-style-type: none"> Add 1.0 FTE Code Enforcement Officer to administer the proposed Transportation Demand Management program 	Parking	1.0 FTE	\$ 85,000
	<ul style="list-style-type: none"> Add 2.0 FTE Enforcement Officers, 1.0 Leadworker in the Parking Enforcement program and support costs 	Parking	3.0 FTE	\$ 236,611
Parks	<ul style="list-style-type: none"> Hire 1.0 FTE GIS Specialist (funded through General Fund reallocations and capital) Create 1.0 FTE Facility Maintenance Worker for new Olin Avenue building (funded by rental revenues) Create net new 0.65 FTE Parks worker, maintenance worker and administrative clerk positions (funded through various reallocations) 	Multiple	2.65 FTE	\$ 177,700

Other Position Changes, Continued

Non-General and Library Funds

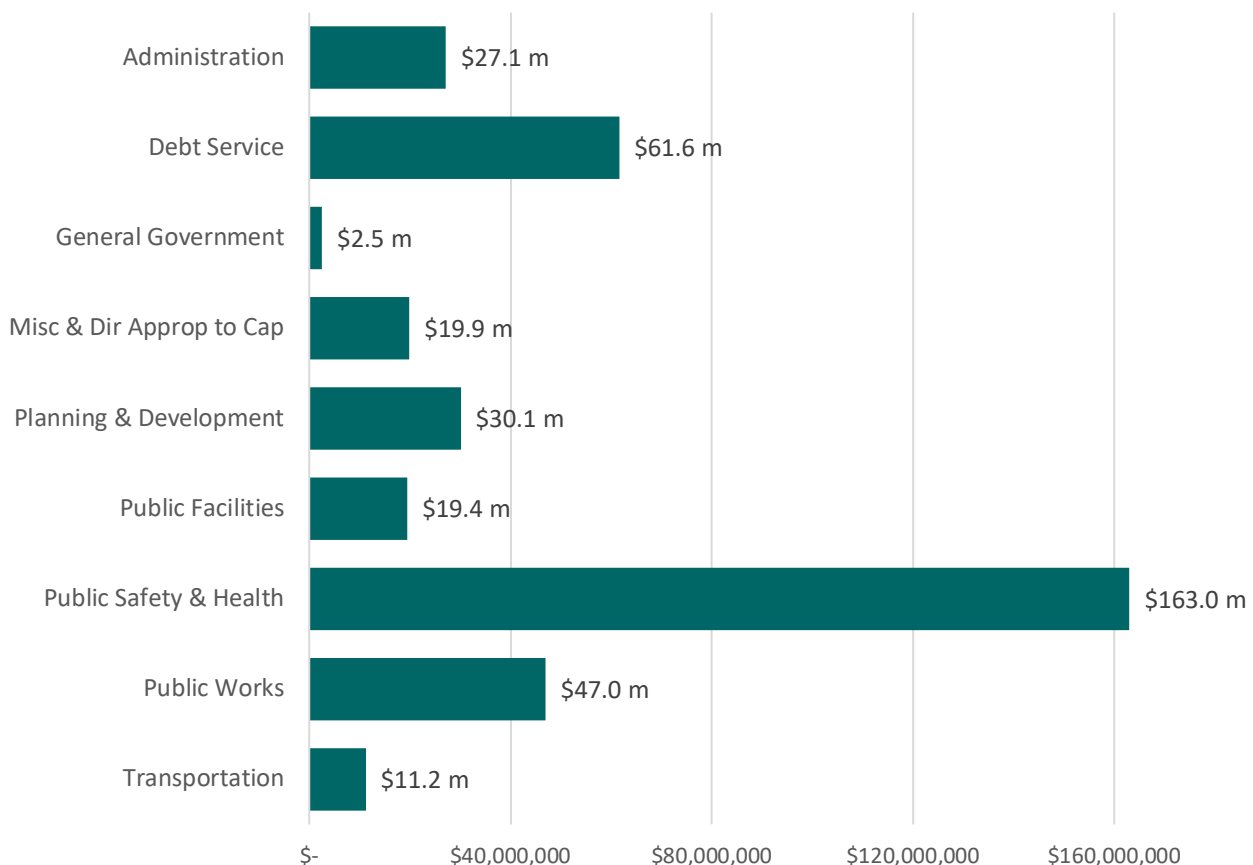
Agency	Description	Fund	# Positions	Amount
Planning	<ul style="list-style-type: none"> Hire 1.0 FTE communications position to support outreach to local units of government and the public 	Multiple	1.0 FTE	\$ 77,000
Police	<ul style="list-style-type: none"> Add 6.0 FTE police officers in the 2023 recruit class funded by the 2021 federal COPS grant; City costs will be offset by state law enforcement grant funding 	Grant	6.0 FTE	\$ 277,069
Public Health	<ul style="list-style-type: none"> Add 1.0 FTE Bilingual Clerk to address inspection workload (funded from 20% increase fees for licensed establishments) 	Public Health	1.0 FTE	\$ 99,500
	<ul style="list-style-type: none"> Add 7.0 FTE positions as part of the Sexual and Reproductive Health services expansion (Public Health Supervisor, Nurse Practitioner, three Public Health Nurses, a Public Health Aide and a Clerk, and associated supplies costs). Funded from City and county levy support to Public Health 	Public Health	7.0 FTE	\$ 1,097,437
Streets	<ul style="list-style-type: none"> Funding from the Urban Forestry special charge will support Public Works Laborer (PWL) activities related to forestry work Urban Forestry share will be allocated across multiple positions 	Restricted	<i>Partially allocated across multiple positions</i>	\$ 85,000
Traffic Engineering	<ul style="list-style-type: none"> Create 1.0 FTE Project Manager for Safe Streets for All / Vision Zero implementation 	Grant	1.0 FTE	\$ 93,068
Water Utility	<ul style="list-style-type: none"> Create 1.0 FTE administrative assistant to help address agency-wide support needs 	Water	1.0 FTE	\$ 71,000

Expenditure Overview

The 2023 Executive Operating Budget appropriates \$381.9 million (general and library funds) to City agencies to pay for core services to residents. This is \$21.6 million, or 6.0%, more than the amount appropriated in the 2022 adopted budget. Personnel costs account for the largest share of the operating budget (\$244.4 million, 64%), which pays for salaries and benefits of staff that provide direct services to the community and administer core government functions. Debt service, which pays back borrowing for capital projects, accounts for the next largest share of the budget (\$61.6 million, 16%). Purchased services, which includes contracts with community based organizations that provide services on behalf of the City, is the third largest category (\$44.2 million, 12%). The executive operating book includes a detailed breakdown of expense types by agency. These details can be found in each of the agency sections in the budget overview and line item detail tables.

In addition to organizing the operating budget by expense type, each agency is grouped into a “Function,” or a set of agencies that provide similar services. The table and graph below summarize total expenses by function. A list of agencies in each function can be found on page 15 of the [Executive Operating Budget](#). Debt Service and Miscellaneous & Direct Appropriations to Capital are centrally budgeted functions that address City-wide expenses, including 2023 reserves for compensation increases, one-time transfers to the Insurance and Affordable Housing Funds, and one-time funding of \$350,000 for a comprehensive study of the City’s compensation structure, policies, and procedures.

2023 Executive Budget by Function
(General and Library Funds)



2023 Executive Budget by Function				
General and Library Funds				
	2022 Adopted	2023 Executive	Change	% Change
Administration	27,338,575	27,138,124	(200,452)	-0.7%
Debt Service	56,108,323	61,587,222	5,478,898	9.8%
General Government	2,356,537	2,546,535	189,998	8.1%
Miscellaneous & Direct Appropriations to Capital*	9,155,215	19,888,622	10,733,407	117.2%
Planning & Development	25,750,553	30,777,387	4,326,834	16.8%
Public Facilities	19,066,904	19,443,211	376,307	2.0%
Public Safety & Health	155,688,887	163,042,108	7,353,221	4.7%
Public Works	46,767,068	46,986,436	219,368	0.5%
Transportation*	18,088,965	11,189,135	(6,899,830)	-38.1%
TOTAL	360,321,028	381,898,781	21,577,752	6.0%

*Miscellaneous & Direct Appropriations to Capital include amounts appropriated for pay increases (\$8.2 million), transfers to the Insurance and Affordable Housing Funds (\$2.6 million), and funding for a compensation study (\$350,000). The change in funding for Transportation reflects the one-time reduction in the City subsidy to Metro which will be restored in the 2024 budget.

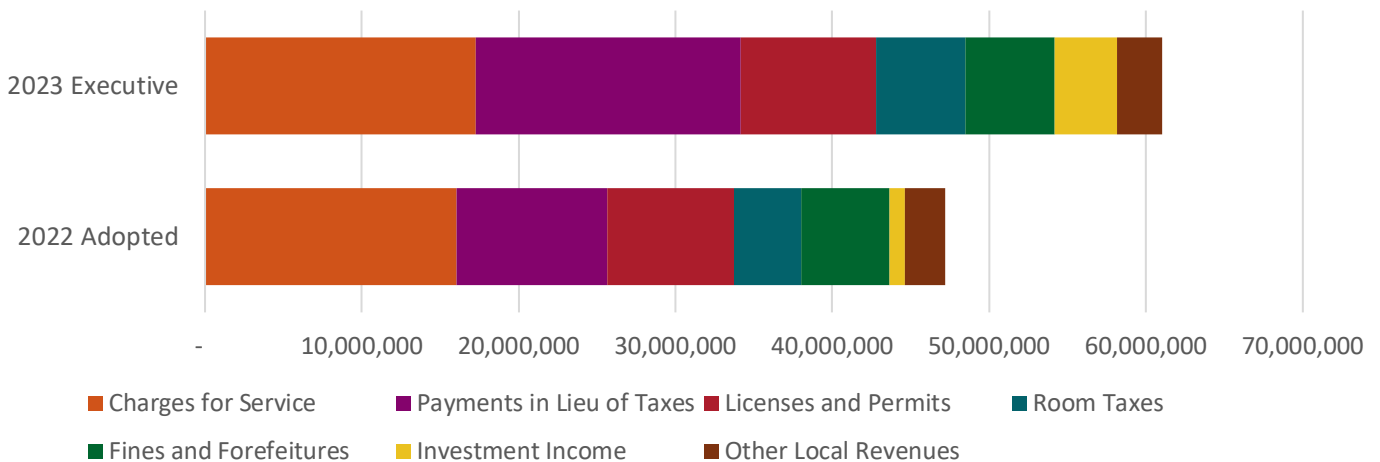
Revenue Overview

The Operating Budget is primarily funded by property taxes, which account for approximately 72% of the total General Fund revenues. Other local revenues, such as payments in lieu of tax, charges for services, and license and permit fees, account for 17% of General Fund revenues. Intergovernmental sources, such as federal and state aid, account for the remaining 11%. See pages 11-13 of the [Executive Operating Budget](#) for more details.

Local Revenues Recovering

Local revenues, including charges for services (e.g., ambulance fees), licenses and permits (e.g., building permits), room taxes and investment income are up nearly 15 percent (\$6.9 million) in 2023 over 2022. These revenues represent about 14 percent of total General Fund revenues. This growth excludes one-time ARPA and TID surplus revenues.

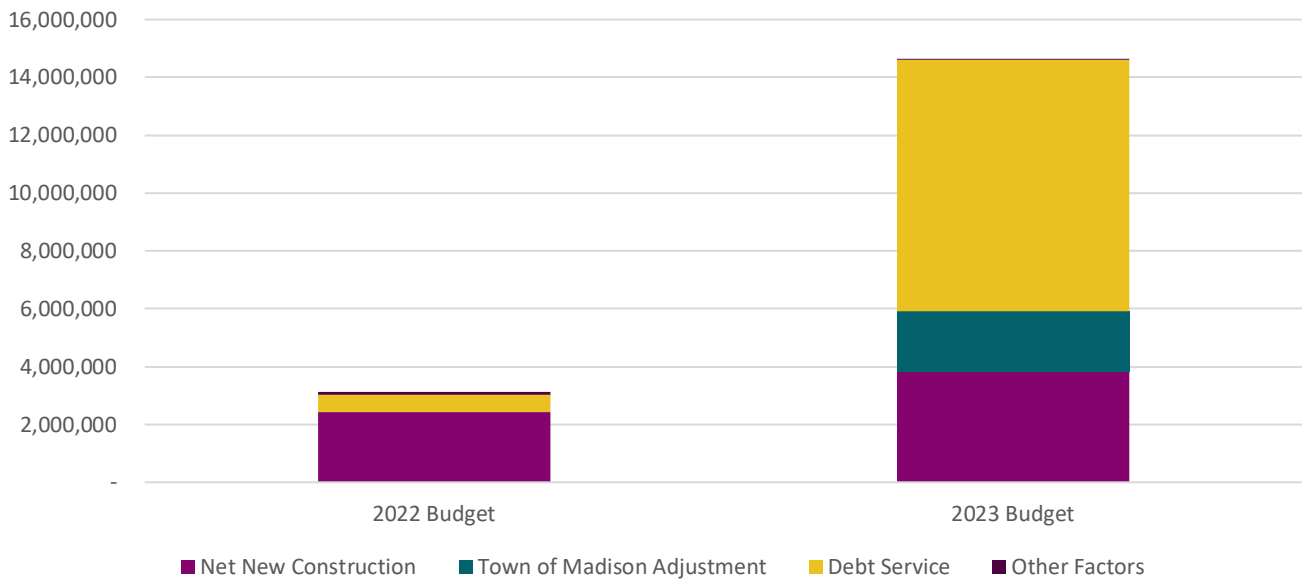
14 Percent Increase in Local Revenues



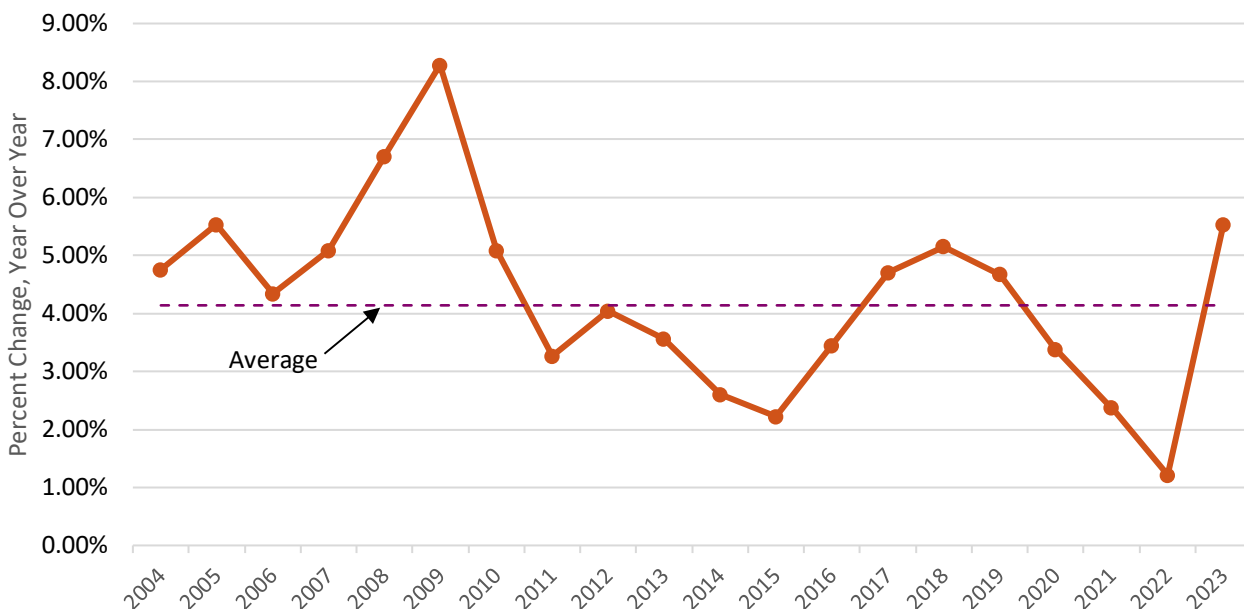
Strong Growth in Property Taxes

Property taxes are increasing by \$14.2 million (5.5 percent) compared to 2022. Much of this increase can be attributed to adding the levy from the Town of Madison, stronger net new construction, and rising debt service to pay for infrastructure and other capital projects. Approximately one-third of the increase in debt service is attributable to refinancing \$29 million of revenue bond debt of the Water Utility with lower cost general obligation debt.

Property Tax Levy up \$14.2 million



*Year over Year Change in the Property Tax Levy
Average 20 year increase is 4.1%*



Levy Limit

State law limits the maximum allowable increase in the property tax levy. That maximum increase is calculated based on the percentage of the total property value in the City associated with net new construction along with other adjustments. Debt service on general obligation debt is excluded from the levy limit calculation. The levy amount proposed in the Executive budget is \$273,248,201, which is \$415,439 below the maximum allowed.

Property Tax Assessments

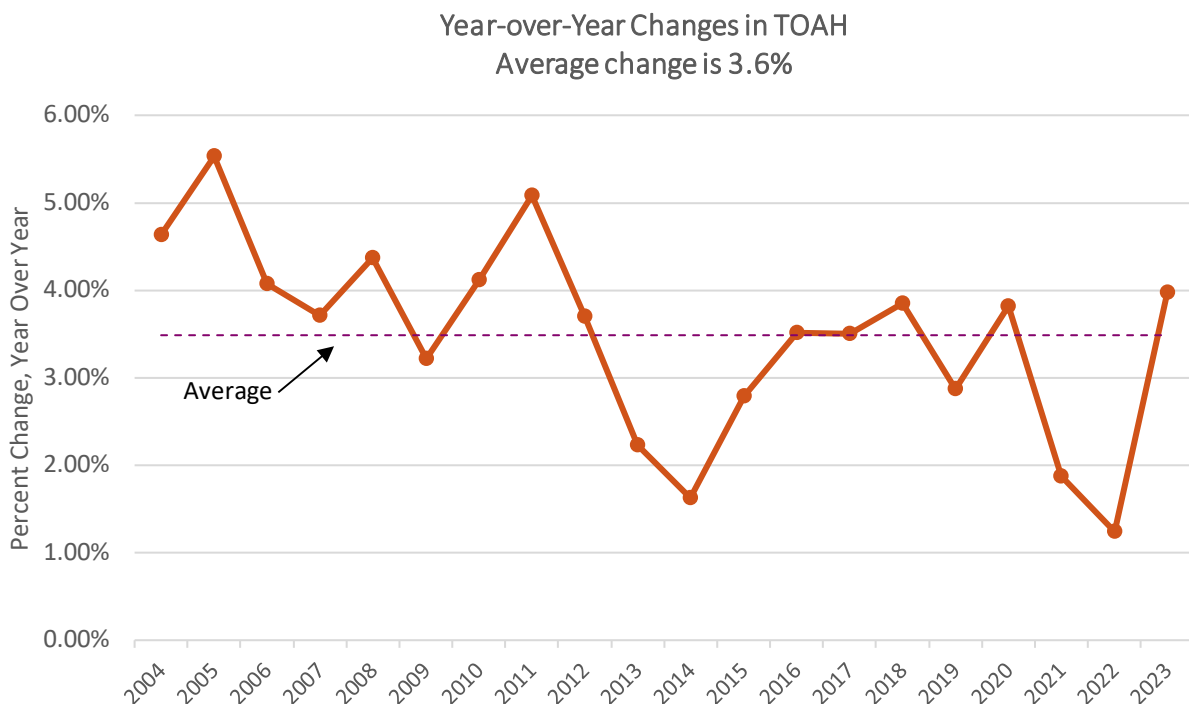
The property tax rate is driven by the total assessed value of property in the City of Madison. Current year assessment data is used as the basis for the upcoming budget. As of September 2022, the total net value of assessed property is approximately \$35.5 billion (\$35,521,635,631). Residential real property accounts for a majority of the property in the City (\$22 billion; 61%), followed by commercial real property (\$13.3 billion; 35%). Manufacturing, agriculture, and personal property account for the remaining 4% of property. In total, the net value of assessed property is 14% higher than the basis for the 2022 budget. This increase is driven by the continued strength in residential and commercial valuations and includes the estimated assessed value of property in the Town of Madison that will be attached to the City of Madison on October 31, 2022.

2023 Mill Rate

While the 2022 property tax levy is up 5.5%, the overall increase in the assessed value of property in the City reduces the mill rate (tax rate) by 7.5%. The annual mill rate is calculated by dividing the property tax levy by the total net taxable property value.

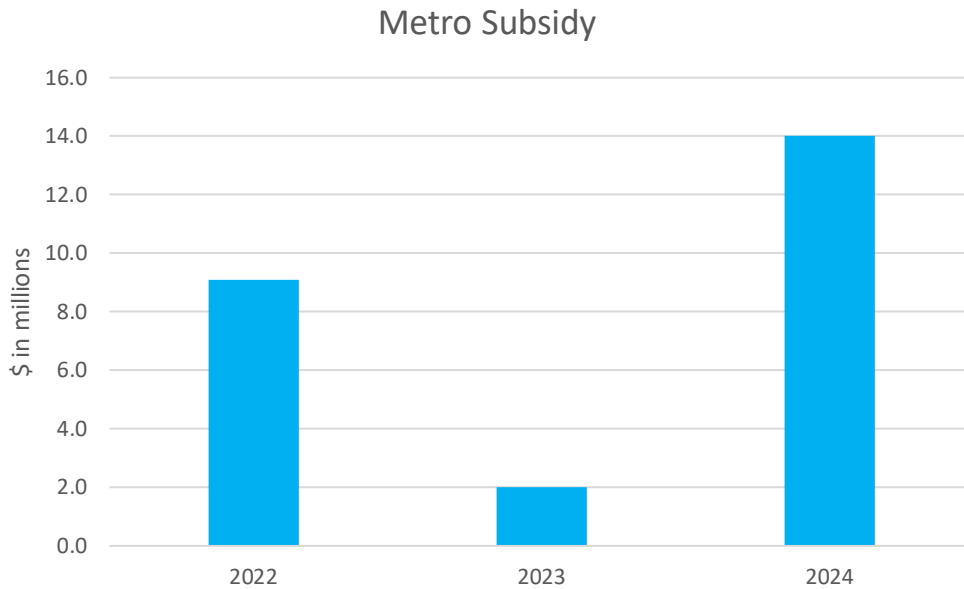
Taxes on the Average Value Home (TOAH)

Based on the proposed levy and the estimated mill rate, taxes on the average value home (TOAH) will increase by 3.98%, or \$110.97. The average value home is currently assessed at \$376,900, up from \$335,200 (12.4%), in 2022. This growth continues recent trends in increased residential home assessments.



One-time Reduction in Metro Subsidy

The City provides a subsidy to help support the operations of Metro Transit. These funds are in addition to federal and state aid and fare box and other revenues of the transit utility. One-time federal economic recovery funding for transit will be utilized in 2023, allowing a one-time reduction of \$7.7 million in the subsidy. This reduction in City property tax support will allow Metro to fully utilize these federal funds as rapidly as possible. The subsidy will increase by \$12 million in the 2024 budget to restore the on-going subsidy and begin to repay the one-time reduction.

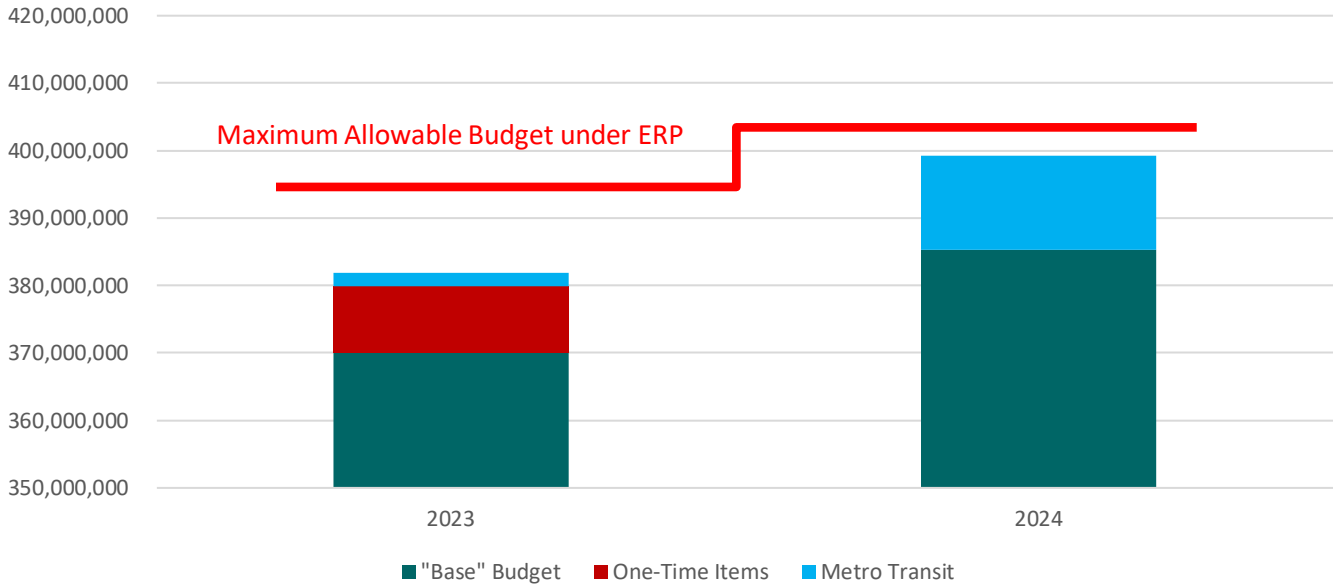


This multi-year shift in funding has to be carefully managed in the context of the City’s eligibility for state expenditure restraint program (ERP) funding and balancing future budgets. Using the one-time savings from this reduction for permanent spending increases would risk losing \$7 million of state aid and create much larger future budget deficits. The 2023 budget includes nearly \$10 million of one-time spending that will be replaced in the 2024 budget by the permanent increase in spending associated with restoring the Metro subsidy.

<u>One-Time Items</u>	<u>2023 Budget</u>	<u>Source of Funds</u>
\$1,000 One-Time Payment to Employees	3,400,000	Fund Balance
Shelter Operations Costs	2,000,000	ARPA
Shelter Endowment	2,000,000	General Fund
Transfer to Insurance Fund	1,500,000	General Fund
Transfer to Affordable Housing Fund	551,000	General Fund
Compensation Study	350,000	General Fund
	9,801,000	

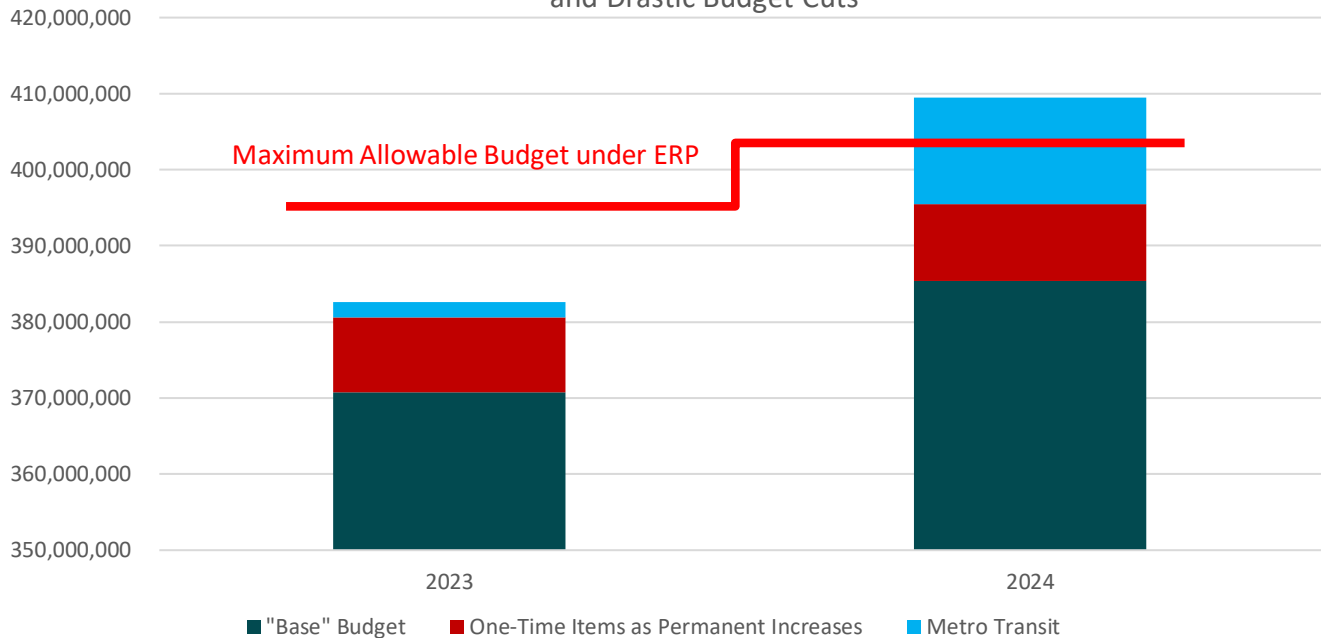
The 2023 Executive Budget approximately \$10 million in one-time spending that will be replaced by a permanent increase in spending associated with restoring the Metro subsidy in 2024. This multi-year approach ensures continued State ERP Funding.

Proposed Budget: One-time Funding in 2023 Budget ensures continued State ERP Funding



By contrast, if the budget included \$10 million in permanent increases in 2023, the City would risk losing State ERP funding and would face a significant deficit in 2024.

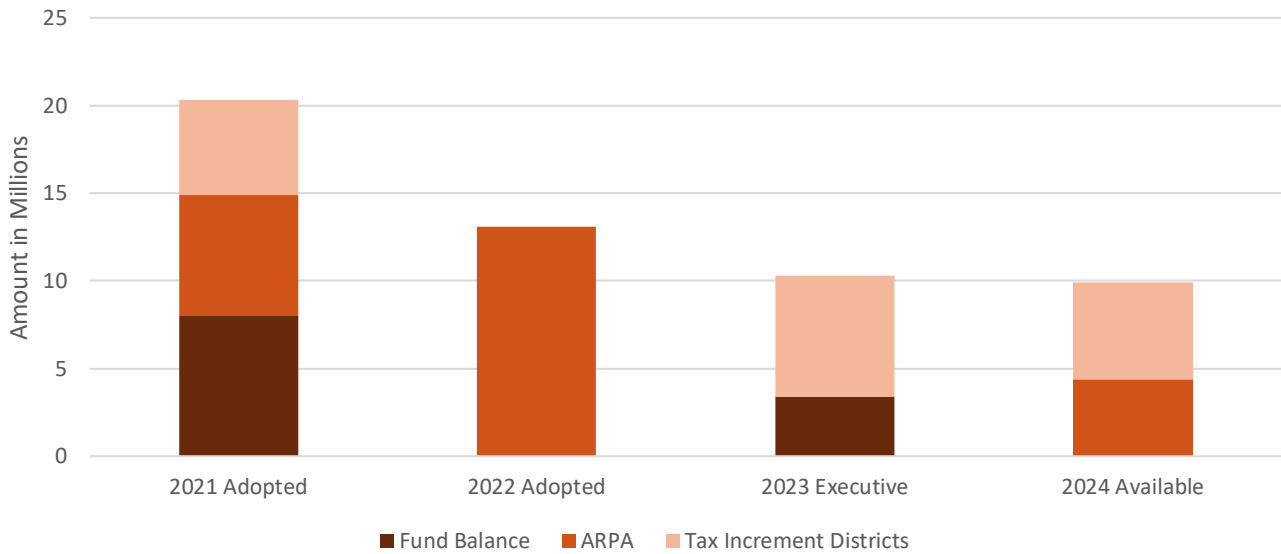
Using the One-Time Funding for Permanent Increases risks \$7 million in State Aid and Drastic Budget Cuts



Long-Range Budget Outlook

The 2023 budget utilizes one-time funding to support spending increases (e.g., \$3.4 million from fund balance for \$1,000 payment to employees; \$6.9 million from closed tax increment districts). One-time funding has been used in the past few budgets to support on-going costs of City services. It is anticipated that at least \$10 million of one-time funding will be available to help balance the 2024 budget (\$4.4 million of ARPA for Government Services; \$5.5 million from tax increment districts).

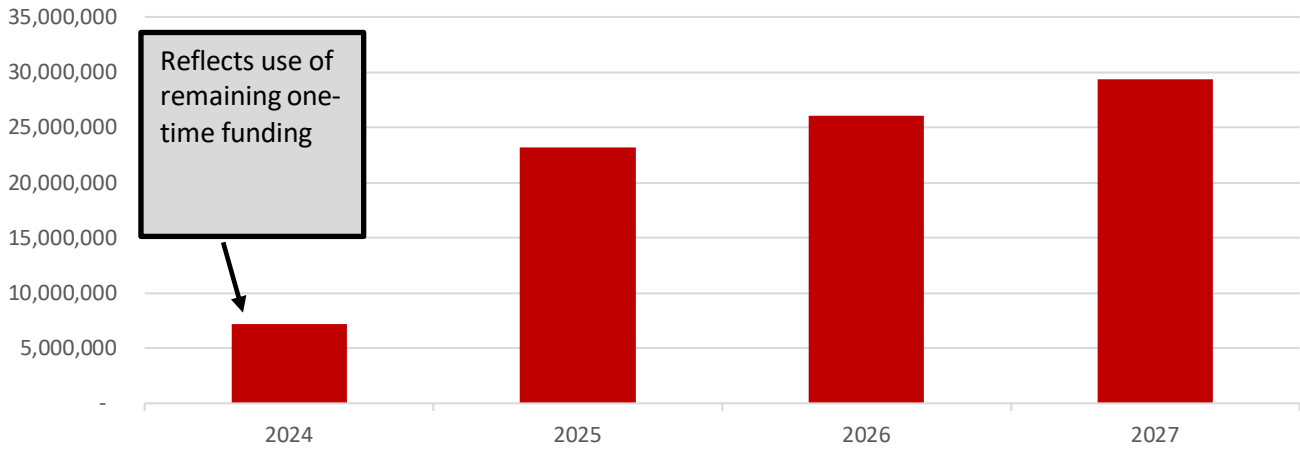
One Time Measures to Balance the Budget



The availability of one-time funding sources to balance future budgets is expected to be limited after 2024 when the last of the ARPA funding will be utilized. Based on the following revenue and expenditure assumptions, annual deficits could reach between \$20 million and \$30 million, or approximately 6 percent of forecast expenditures.

Revenues	Expenditures
<ul style="list-style-type: none"> Levy limit – average growth in net new construction Levy limit – Total GO debt service based on 2023 Executive Capital Improvement Plan (CIP) Local Revenues – 1% annual growth State Aid – 1% annual growth 	<ul style="list-style-type: none"> Scheduled wage increases and wage equity plan General Fund debt service based on 2023 Executive CIP All other costs increase 2% to 3% annually

Projected Budget Shortfalls



Maintaining a balanced budget will require careful review and prioritization of City services and costs along with identifying ways to increase revenues in a sustainable and equitable way. The 2023 executive operating budget includes \$350,000 for a comprehensive study of the City’s compensation structure, processes, procedures and policies toward balancing competitive wages to attract and maintain talent with fiscal sustainability. The City’s ongoing Results Madison effort will utilize performance data and continuous improvement processes to find efficiencies and prioritize what we must do and phase out those services that may no longer be relevant or a priority. Working groups will be formed over the next few months to review revenue options, including special charges, maximizing revenues from City assets, and seeking out grant funding. All of these strategies will be reviewed in the context of equity, affordability, and employee and community perspectives.