



# City Budget Overview

2026 Budget Engagement Meetings | June 2025

# Agenda

**Objective of today's presentation:** Establish a common understanding of the City budget process and opportunities for public engagement.

1. City Budget Overview
2. Operating Budget Highlights
3. Budget Process and Timeline
4. Additional Background: The Structural Deficit and Referendum

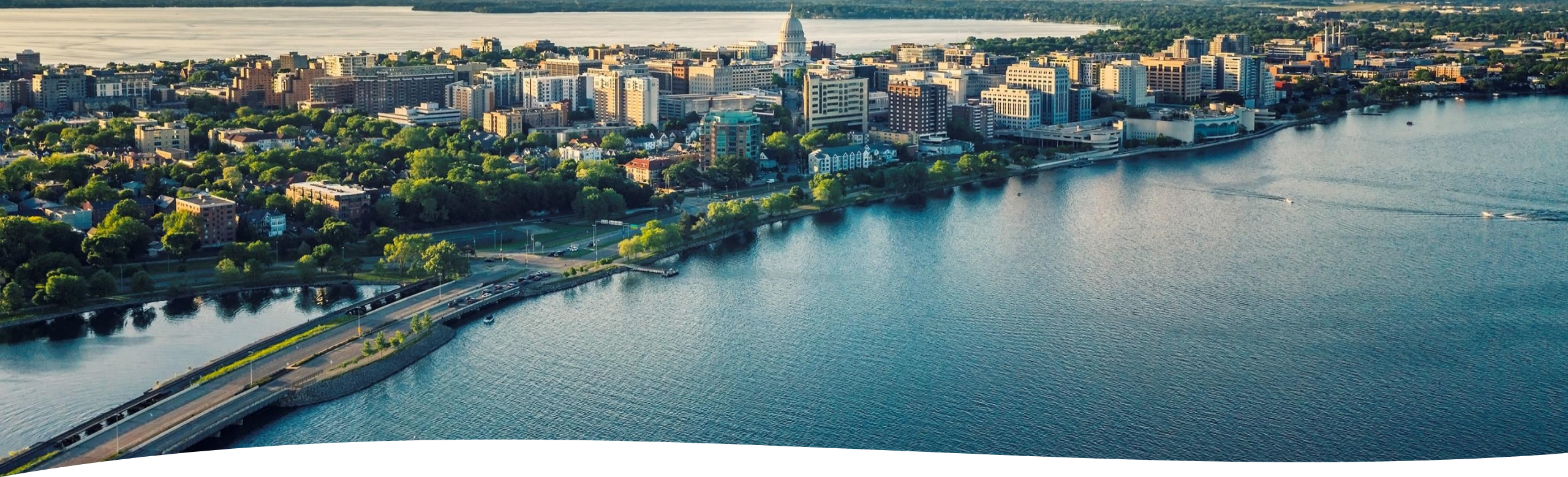


# City Budget Overview

## Takeaways:

- The City has two budgets: a capital budget and an operating budget.
- The capital budget primarily funds physical infrastructure and equipment. The operating budget primarily funds staff and services.
- Property taxes are the main revenue source for the general fund operating budget.
- Personnel and Debt Service are the largest operating expenses.





# What is 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.

- Capital and Operating Budgets covers spending for 1 year (Jan. 1 – Dec. 31)
- Introduced by the Mayor and amended/ approved by the Common Council
- Operating Budget must be balanced (expenditures = revenues)
- Capital Budget includes a 5-year outlook called the Capital Improvement Plan (CIP)





# Capital Budget

- **What is it:** The capital budget funds physical infrastructure like roads, bike lanes, building improvements, affordable housing development, and other projects.
- **Why is it important:** Capital projects are long term investments that ensure infrastructure is safe & effective and helps us advance city goals on climate change, housing, and other key issues.
- **How is it funded and paid for:** These items are primarily paid for through borrowing. Special assessments, impact fees, user fees and federal and state grants also help finance capital projects.

# Operating Budget

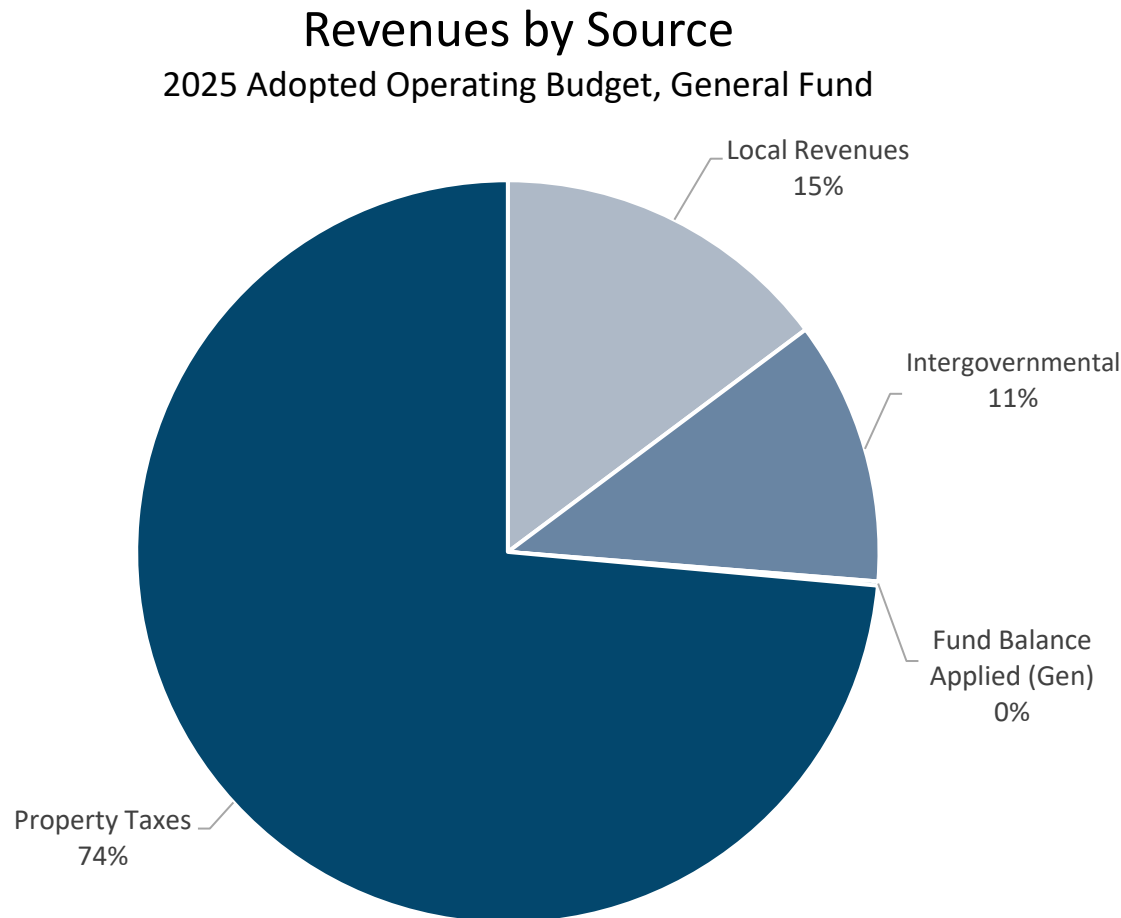
- **What is it:** The operating budget pays for the City's daily services to City residents. This includes paying staff salaries, community-based organizations who deliver services on behalf of the city, and other costs.
- **Why is it important:** The operating budget supports core services including police, fire, emergency medical services, library and park programs, garbage and recycling collection, snow and ice removal, and more.
- **How is it funded and paid for:** The operating budget is primarily supported by property taxes. Other funding sources include charges for services, user fees, and federal and state aid.





# Property Tax is more than 70% of Revenues

2025 General Fund Budget = \$432.5 million



- **Property Taxes:** Primary source of revenue for the operating budget; Accounts for 74% of total (\$318.1m)
- **Local Revenues:** Includes payments in lieu of taxes; fines and forfeitures; licenses and permits; and other local taxes; Accounts for 15% of total (\$64.0m)
- **Intergovernmental (State Aid):** Includes shared revenue, general transportation aid and other state aid; accounts for 11% of total (\$49.6m)
- **Fund Balance:** Includes \$779,400 related to one-time funds for certain programs; accounts 0.2% of total

Source: 2025 Adopted Operating Budget

# The largest expenditure categories are Personnel (62%) and Debt Service (16%)

**Personnel** = \$267.2 million, 61.8%

- Pays for staff salaries and benefits

**Debt Service** = \$70.5 million, 16.3%,

- Pays back borrowing for capital projects

**Non-Personnel** = \$54.8 million, 12.7%

- Purchased services and supplies

**Other** = \$36.2 million, 8.4%

- General fund subsidy to Metro Transit (\$18.4 m), City's share of the joint City-County Public Health Agency (\$10.8 m), and the contingent reserve (\$2.4 m)

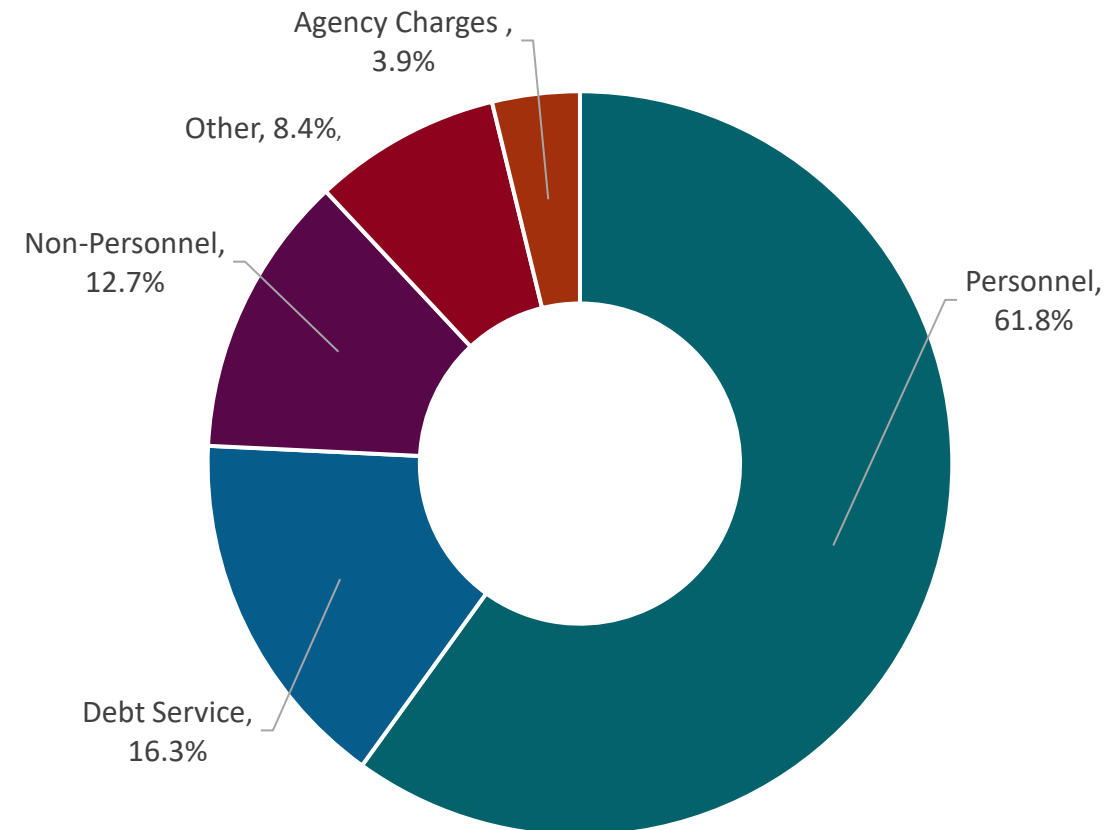
**Agency Charges** = \$16.9 million, 3.9%

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

**Agency Revenues** = -\$13.2 million, -\$3.1%

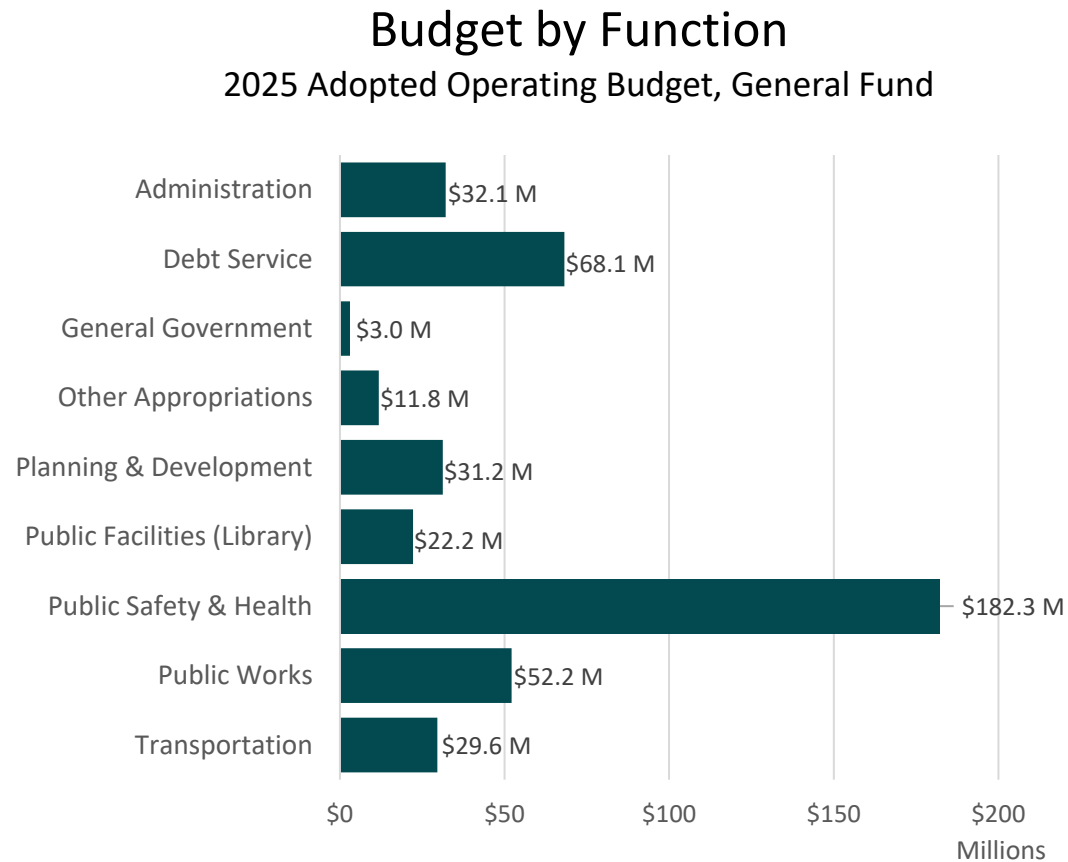
- Charges for services, facility rentals, permits, and other sources that offset expenses

Expenditures by Type  
2025 Adopted Operating Budget, General Fund





# Public Safety & Health agencies account for the largest share of budget (42.5%)



- Public Safety & Health accounts for the largest share of the budget (\$182.3 million; 42.1%). Majority is for Police (\$91.0 million) and Fire/ EMS (\$70.6 million)
- General Fund Debt Service (\$68.1 million; 15.8%). Library Debt Service is in the Library Agency budget
- Public Works is the third largest functional area (\$52.2 million, 12.1%)
- Other Appropriations are centrally budgeted functions that address city-wide expenses, including transfers to the capital fund and the contingent reserve



# Process & Timeline

## Takeaways:

- Budget development is a collaborative process that involves the Common Council, Mayor, Finance Department, and agency staff.
- Staff will provide regular updates to the Finance Committee throughout the year.
- There are five public engagement sessions on the budget in June.

# Annual Budget Development Timeline

## (Capital + Operating)

Each year starts with a “**Cost to Continue**” projection. This is how much it would cost to provide the **same level of service** next year.

Council can **submit amendments** to the executive budget and has final authority to **approve the budget**.

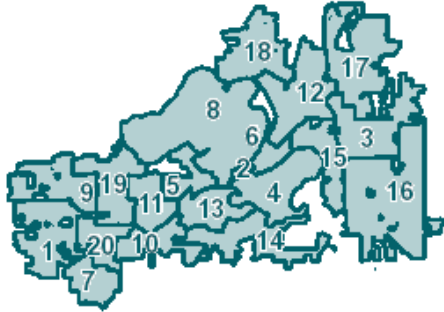


### Alder and Public Engagement:

- Finance Dept. engages alders through regular budget updates to Finance Committee.
- City staff engage residents through planning processes, public meetings, and other approaches. Staff consider resident service needs when developing budget requests.
- Members of the public can provide public testimony at budget hearings.
- Staff will host a series of in-person budget engagement meetings Summer 2025.



# Roles and Responsibilities



## Common Council

- Provides policy direction on the budget
- Reviews and amends the Executive budget
- Adopts the final budget and approves legislation to levy taxes and issue bonds to fund the budget

## Mayor

- Establishes the priorities and guidelines for the executive budget, based on input from alders, residents, and staff, and alignment with citywide strategic plans
- Develops and presents the Executive Budget for consideration by the Common Council

## Staff

- **Finance Department** coordinates and facilitates citywide budget process and provides independent fiscal analysis of requests
- **Departments and Divisions** prepare budget requests based on priorities and operational needs

# Key Dates for 2026 Budget Development

|                                                                          | Capital                 | Operating          |
|--------------------------------------------------------------------------|-------------------------|--------------------|
| <b>Agency Request Period</b>                                             | March 18 – April 18     | Jun 16- July 18    |
| <b>Agency Requests and Service Level Priorities Available on Webpage</b> | Week of May 5           | Week of August 4   |
| <b>Executive Budget introduced to Common Council (CC)</b>                | Tuesday, September 2    | Tuesday, October 7 |
| <b>Finance Committee (FC) Briefings</b>                                  | September 8 & 9         | October 13 & 14    |
| <b>FC Amendment Meeting</b>                                              | Monday, September 29    | Monday, October 27 |
| <b>CC Amendment Week</b>                                                 | October 27 – November 5 |                    |
| <b>CC Budget Adoption Meetings</b>                                       | November 11 – 13        |                    |



# The Structural Deficit & Property Tax Levy Referendum

## Takeaways:

- The City has faced a structural deficit since 2011, when the State of Wisconsin enacted strict levy limits. As a result, the growth in revenues is slower than the growth in expenditures.
- The 2025 budget was balanced through the adoption of a \$22 million property tax levy referendum. The budget included a 5-year plan to maintain a balanced budget.



# The City faces a persistent 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.

## 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 \$142/resident)

### 2 Increasing Expenses

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

### 3 Impact of COVID Pandemic

- City revenues have not fully recovered from the pandemic
- Federal COVID relief funding helped with revenue losses in prior years, but relief funding ended in 2024

# The Structural Deficit in 2025

**CONTEXT:** Madison has faced a budget deficit **every year** since the State imposed strict levy limits in 2011. At the beginning of the 2025 budget development process, the City projected a larger deficit than before because of the lasting impacts of the pandemic and end of federal recovery funds (specifically, the end of American Rescue Plan Act (ARPA) funds which balanced prior year budgets).

## How much was the 2025 deficit?

**\$22 Million**

The 2025 Executive Operating Budget presented a **structural budget deficit of \$22 million**. This amount reflected the gap between the cost to continue existing services and projected revenues.

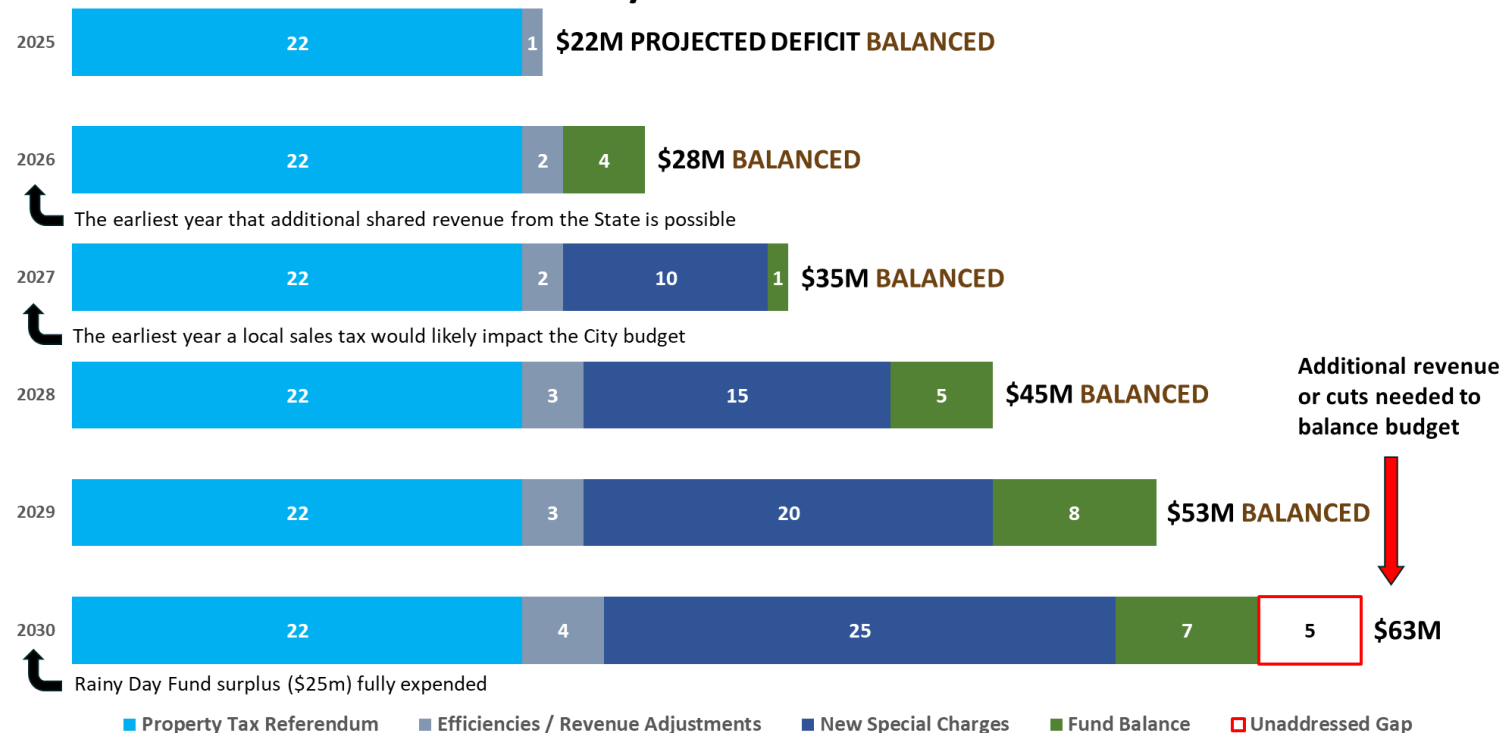
## How was the 2025 operating budget balanced?

**Referendum**

Ultimately, the budget was balanced by voter **approval of a property tax levy referendum** to exceed the state limit on the property tax levy by \$22 million to continue City services without significant cuts.

# Five Year Outlook

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



The 2025 Adopted Budget includes a 5-year plan to address future deficits.

- The referendum amount is fixed (\$22 million) so it will not grow with inflation or keep pace with increasing costs.
- Due to the structural nature of the deficit, this means a budget gap will reemerge in future budgets.
- Additional strategies will be needed to balance future budgets.
- The 5-year plan will be updated annually.



# Resources: Key Websites

- Current and prior year budgets are available on the Finance Budget webpage:  
<https://www.cityofmadison.com/finance/budget>
  - The home page for each fiscal year will include the budget development timeline and key documents. These page will also include links to significant legislation that amends the budget throughout the year.
- Audited financial statements are available on the Finance Accounting webpage:  
<https://www.cityofmadison.com/finance/accounting>
  - The 2024 audit will be available in June 2025.