

On the Cover: The Healthy City

The images on the cover of the 2005 Executive Budget convey the idea of the Healthy City, a central theme of my administration and this budget. This is reflected in the health of individuals as demonstrated in the Iron Man or my Fit City Madison program. It is manifested in the health-care industry with our strong and growing hospitals and biomedical research institutions. And it's demonstrated in our concern over the health of our environment and our commitment to clean water and clean air. Health is an idea that is embedded in our community's image and our goals. This budget is intended to build on that commitment to a vibrant community and to make Madison the healthiest, most progressive city in America.

Understanding the Big Picture

As I stated in my 2004 budget, I am not a fiscal conservative, but I am fiscally responsible. I strongly believe in making investments in the public realm. We should be careful with the people's money, but we should not be afraid to make investments that will improve our quality of life. In fact, Madison's entire history demonstrates that the public investments we have made pay off in the healthiest local economy in the state and one of the most vibrant economies in the entire nation. *Forbes Magazine* rated Madison the best place in America to do business and a recent survey found that most small businesses wouldn't leave our city even to make substantially more money elsewhere. Clearly, we are doing many things right.

Public services come at a price, and when people are given the facts, they usually are willing to pay for these services. But there has been an overwhelming trend over the course of the last couple of decades toward a much less fair tax structure. We have moved away from progressive and fair sources of revenues, like the personal and corporate income tax, to more regressive sources such as property and sales taxes.

In my first two years as mayor, we have had to weather a \$3.3 million real dollar cut in state aids followed by what we project will be virtually no increase in 2005. Costs, however, continue to rise and this puts more pressure on the property tax. In 2004 Madison supported 66.5% of its budget through property taxes. Next year it will be 67.7%, continuing an upward trend. Fundamentally, this means a shift from the more progressive state income tax (which isn't as progressive as it should be) to the local property tax, which bears far less relationship to the ability to pay.

A Responsible Budget

The City of Madison continues to become more efficient. In fact, this 2005 budget will be \$4.4 million under the state's Expenditure Restraint Program limit. Both years of my administration, departments have been asked to trim their budgets. In my 2005 budget, we must absorb about \$6.4 million in new obligated or promised expenditures.

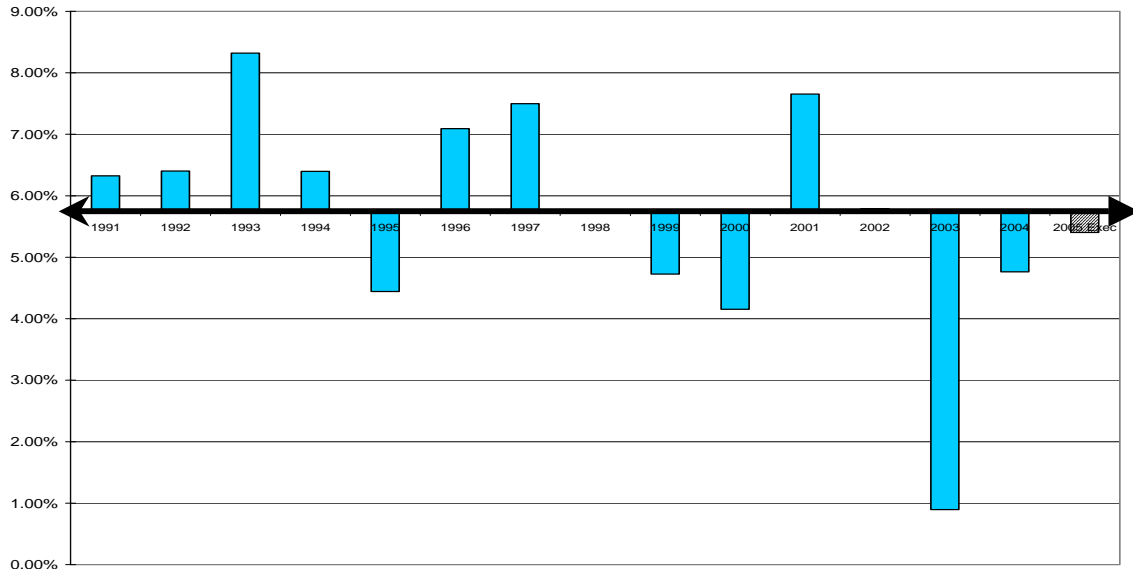
Fixed Costs and Obligations

Wage Increases	\$2,400,000
Health Insurance	1,000,000
Debt Service	800,000
WI Retirement System Increase	750,000
Fuel Costs for City Fleet	800,000
Open and Staff New Fire Station	380,000
Open and Staff New East District Police Station	136,000
Fully Fund Inclusionary Zoning Position	62,000
Education for Single Stream Recycling	50,000
Fund Community Development Manager	30,000
Fund Reclasses of Nursing Position Per Contract	27,000
TOTAL	\$6,435,000

In addition, last year we were able to use \$1.8 million in one time cost savings I achieved through such strategies as a hiring freeze. This money will not be available for next year.

If we were to simply add these costs (totaling \$8.1 million) to the tax levy, the levy would have gone up 6.5% before we added a single program or inflationary increase to cover costs. Instead, I asked agencies to submit budgets with 1% cuts in real dollars from last year and to submit supplemental budget requests that would add back services. As a result I was given menus of options in each agency budget. I rejected \$3.6 million in agency requests. But I added back most of the cuts that would have hit front-line city services. The bottom line is that instead of just adding 6.5% to the tax levy, the levy is going up 5.4%, **less than the average for the last 13 years**. And we are accomplishing this *without* major cuts to public safety, libraries, transit or other vital services.

CITY OF MADISON LEVY HISTORY



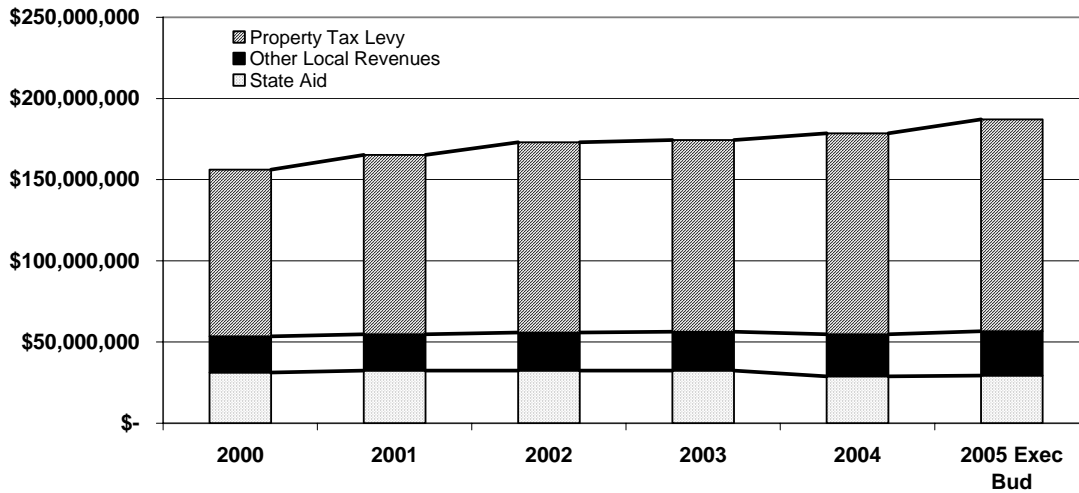
The black line with arrows in the chart above shows the average increase in the city's tax levy in the last 15 years is 5.7%. The bars represent the amount by which the levy has been above or below the average in any given year since 1991. The 2005 executive budget would increase the levy by 5.4%, slightly below the 15-year average.

Overall city spending in my executive budget is going up 3.6%. That modest increase would drop to only 1.8% if we exclude four increases that the city does not entirely control: health insurance, debt service, retirement contributions and fuel costs.

State Aids Are Not Keeping Pace

A good question to ask is if overall city expenditures are going up only 3.6%, why are taxes going up 5.4%? The reason is declining state aids as demonstrated below.

CITY OF MADISON PROPERTY TAX LEVY HISTORY



As this chart shows, overall city spending has increased only modestly in recent years – an average of 3.7% per year since 2000. However, declining state aid (dotted bars) must be made up by the property tax (striped boxes) and other local revenues (in black). The percentage of the city budget funded by the property tax has increased from 65% in 2000 to 68% in 2005.

The city has been responsible with overall spending, yet declining state aids mean that more of the overall cost of city government must be borne by property tax payers. If state aids had just kept pace with inflation the last two years, we could have delivered budgets with half the increase in property taxes. *If state aids had kept pace with inflation for the past two years, city taxes on the average house would be \$66 lower.*

What a TABOR Budget Would Have Looked Like

There are some in the State Legislature who would both cut state aids to local governments and impose a growth plus inflation limit on the property tax levy. The result of that one-two punch would be devastating for local services. If TABOR (the so-called Taxpayer Bill of Rights) had been in place right now, we would have had to cut at least \$3.5 million from the 2005 executive budget. Because police and fire make up the bulk of city expenditures, the only way to get there would have been to reduce those services as well as many others. Working from proposed budget cuts submitted by agencies to reach their 1% reduction, here is an example of the cuts we would have had to accept to reach \$3.5 million:

1% Agency Reductions Proposed

Eliminate All Crossing Guards	\$544,000
Eliminate 11 Police Civilian Personnel	440,000
Eliminate 2 Police Officers & One Detective	169,000
Eliminate 12 Firefighters	598,000
Eliminate About One Day Per Week @ Each Library	195,000
Eliminate Sunday Hours @ the Central Library	51,000
Eliminate Graffiti Eradication	65,000
Eliminate Personnel to Maintain the 5 New Parks	30,000
Reduce All the Community Service Programs by 10%	300,000
Reduce Madison Metro Bus Service by 13,000 Hours	725,000
Total	\$3,117,000

In fact, we could have taken all of the most draconian cuts suggested by city agencies to meet my targets and we still would have had to cut at least another \$400,000 to meet the TABOR requirements. TABOR would mean less cops on the street, fewer firefighters, closed signs on libraries, more graffiti splattered buildings, less bus service for people who need it the most and reduced services for child care, seniors and more. TABOR isn't consistent with our values. TABOR would be a disaster for our city's health.

Budget Reforms

Since becoming mayor I have instituted three budget reforms, which I promised during my campaign.

- This August I conducted the second annual mayor's public hearing on the budget. Until I took office, the public didn't have a chance to weigh in on the budget until it had already been introduced to the city council. This new public hearing gives the public the chance to speak directly to me long before I make any final decisions.
- Also this August, I invited County Executive Kathleen Falk, Madison Public Schools Superintendent Art Rainwater and MATC head Rose Ann Findlen to join me in a joint budget review meeting. This is the first time that all of the taxing jurisdictions sat together in one room to review their budgets. This open dialogue is going to result in greater understanding and new collaborations in the future.
- Finally, I am moving forward with a benchmarks process. I have long felt that we measure the wrong things in government. We measure the inputs, dollars and positions added. But this is only part of the picture. What matters most is results on the ground. So, my 2005 budget contains a new position—a fiscal efficiency auditor—to keep city government focused on results, to audit city programs and to propose new collaborations that move us toward our goals in an environment of limited resources.

Economic Development in a Progressive City

To be a healthy city we must recognize the role the private sector plays in a healthy economic climate. To be sure, state government and the university will always be prominent in our economy, but the private sector is playing an increasingly important role. The key question is, how do we keep the private sector strong and growing in the context of Madison's historically progressive tradition? I do not believe that there is a fundamental conflict here. In fact, I believe that progressive policies that invest in our future are the reason why we have such a strong economy.

Nonetheless, we must be honest with ourselves. Madison has had a reputation, partially perception and partially reality, for not being a friendly place to do business. I have asked the city's Economic Development Commission to explore city practices with a view toward improvements that will put this reputation to rest.

While the commission will report to me in November, I believe there are three basic categories of concerns. Some complaints are simply urban legends, stories with a grain of truth that are repeated and exaggerated to the point of distortion. I hope the EDC will track these down, get to the truth and dispose of them. Some concerns go to our progressive tradition. To the extent that some businesses object to these progressive policies, like the local minimum wage or inclusionary zoning, my commitment is to work with them to try to make sure these policies are clear and easy to implement, but I will continue my strong commitment to these policies.

The last category of concern is the one that we can do the most to address. This category has to do with city processes, often in the development arena, that can be streamlined. My 2005 executive budget contains the following initiatives:

- New computer software that will allow all of the city agencies that must review a development proposal to do so simultaneously, saving weeks of unnecessary delay. This builds on another software improvement included in my 2004 budget that improves post-council signoffs.
- Have Planning & Development take on the role of shepherding large, complex projects, which involve multiple agencies, through the city bureaucracy. The Office of the Planning Director will work to train more staff within the department to act as project managers. We will also invest in training and software to help staff become proficient in handling such project management tasks.

A Commitment to Public Safety

Recent years have seen a significant increase in police and fire department personnel. In 2004 we added eight new police officers and a seventh ambulance, the first new ambulance in 16 years. My 2005 capital and operating budgets continue this commitment in the following ways:

- In January, eight new police officers will hit the street, bringing the number of sworn officers to 390. This is helped along by the Federal government's commitment, thanks to the hard work of our congressional delegation, to fund a portion of the salaries and benefits of seven of these positions through the COPS program over three years.
- In August 2005 we will open a new northeast fire station, keeping a long-standing commitment at a cost of about \$380,000 for only a portion of the year. In 2006 we will need to add an additional \$160,000 to run the station.
- Also in late 2005 we will open a new east district police station, completing the transition to district stations and building our commitment to neighborhood policing.
- My operating budget also contains an alcohol policy coordinator to work with bars and restaurants to make them better managers. This program, housed in city government, but funded jointly with the UW-Madison Chancellor's Office, is designed to reduce over-consumption, under-age drinking and unruly behavior in the campus area. It will be housed in the Office of Business Resources.

Investing in the Future

One of my fundamental premises in budgeting is that we should make investments in the long-term health of the city, even if those investments yield scant short-term political gain. That's why last year I invested \$5 million in a refinancing of the city's pension debt. That one move will mean that the city will have no pension debt in 20 years as opposed to \$50 million in debt had we not acted. This year I am continuing that theme with two main initiatives:

- My capital budget contains resources for the purchase of trucks and equipment to implement the city's new automated recycling system and my operating budget contains \$50,000 for a public education campaign to make sure the program is successful. This investment is a large one in the short run but it will yield millions of dollars of savings in the long run as we will be able to serve a growing city with the same staff and fewer trucks.
- My capital budget contains borrowing authority to build new buildings with much higher energy efficiency standards and it continues an ongoing lighting efficiency improvement program in the Fire Department. My operating budget contains \$50,000 for investments outlined in the report of my task force on energy. My goal is to make Madison a national leader in alternative energy and energy efficiency. These investments are also good for the long-term bottom line, as many of them will pay back in just a few years.

A Commitment to Arts, Culture & Recreation

Thanks to the generosity of Jerry Frautschi and Pleasant Rowland Frautschi, Madison now has one of the best centers for the performing arts anywhere in the world. The Overture Center is a building that is conceived and built not just for today, but for the next century. We will grow into it as a community. Also, thanks to the Frautschis' foresight, this new facility is being run with no additional public subsidy beyond what was committed to the former Civic Center.

In addition to Overture, smaller, neighborhood arts venues make up the eclectic nature of the Madison arts scene. My budget contains:

- An increase, for the second year in a row, in the innovative arts grant program run by CitiARTS. This is an unprecedented increase in a program that had been stagnant for years.

- Continuing support for the Sesquicentennial Commission, which I appointed earlier this year. While the vast majority of the cost of Sesquicentennial projects will be borne by the private sector, it is important to show some public support for these projects. We can't really understand where we are going as a community until we understand where we have been.
- My capital budget contains a \$500,000 commitment to Madison's first municipal pool, made possible by the incredible generosity of Irwin and Robert Goodman and supported most recently by a \$100,000 donation from the CUNA Mutual Foundation. Our goal is that the half million in public support will be supplanted by further generous contributions from the private sector. I have asked the ad hoc Pool Committee to report to me on three preferred sites and on the functions of the first pool by late this year with a goal of breaking ground in July.
- My capital budget contains \$250,000 for the second year of my ongoing program to open five new parks a year in new neighborhoods. My operating budget contains \$30,000 to fund the operation of those new parks.
- My capital budget contains funding over the next five years for expansion of the Sequoya and South Madison branches and the creation of a new branch on the far east side. In addition, I have restored operating budget cuts that would have resulted in the curtailing of hours at existing libraries next year. No library hours are cut in this budget.
- My capital budget contains funding for the long-awaited Missing Link Bike Path and for extension of the Capital City Trail.

A Commitment to Diversity and Justice

My budget contains a bold expansion of programs to promote diversity. I have proposed, for community discussion, the creation of a Department of Civil Rights in city government, with a Division of Equal Opportunity and a Division of Affirmative Action, headed by a high-level director who will be a part of my management team. The goal is to heighten the visibility of equal rights, underscore the benefits of diversity and rejuvenate anti-discrimination efforts so we can raise the bar on the quality of life for all Madison residents. To further these goals, I propose:

- A new program to test fair housing practices.
- Enforcement of the city's new minimum wage ordinance.
- A new program to promote diversity in all of the city's agencies with the addition of a recruiter who will work with all city departments to make sure there is a diverse pool of candidates for city positions.
- A dramatically expanded commitment to interpretive services to make sure that city government is accessible to everyone.
- Elevation of diversity issues in the person of a new, stronger Civil Rights Director.
- All of this is done responsibly by making the Equal Opportunities Commission and the Affirmative Action Department more efficient in administration and putting more resources into programs on the ground.
- My budget also contains a responsible 2% increase in programs in the Office of Community Services and the city supported portion of the CDBG office.

Other Budget Highlights

- Madison Metro bus service will be maintained at current levels and Metro is encouraged to add service through innovative advertising revenues at the bus hubs.
- \$800,000 is added for anticipated increased fuel costs throughout city agencies.

- The graffiti-removal program is maintained.
- The new recycling program's public education campaign will be funded through advertising on the new recycling bins.
- The contingent reserve fund is maintained at \$1.2 million, a sound budgeting technique I introduced last year when I increased the reserve by 20%.
- The commitment to affordable housing is maintained with a \$100,000 commitment to the Affordable Housing Trust Fund with another \$400,000 available based on what is left in the contingent reserve at the end of the year.

Conclusion

Combined, my 2005 capital and operating budgets continue Madison's tradition of quality public services, even in the face of declining state support. I want to thank the city management team for its professionalism and innovative ideas in helping me put together a budget that for the second year in a row maintains quality city services with a lower than average property tax increase. And I want to also commend the city employees who deliver these services efficiently and effectively.

I am confident that this budget will further my goal of making Madison the healthiest city in America.

Mayor Dave Cieslewicz