



## Office of the Mayor

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### On the Cover

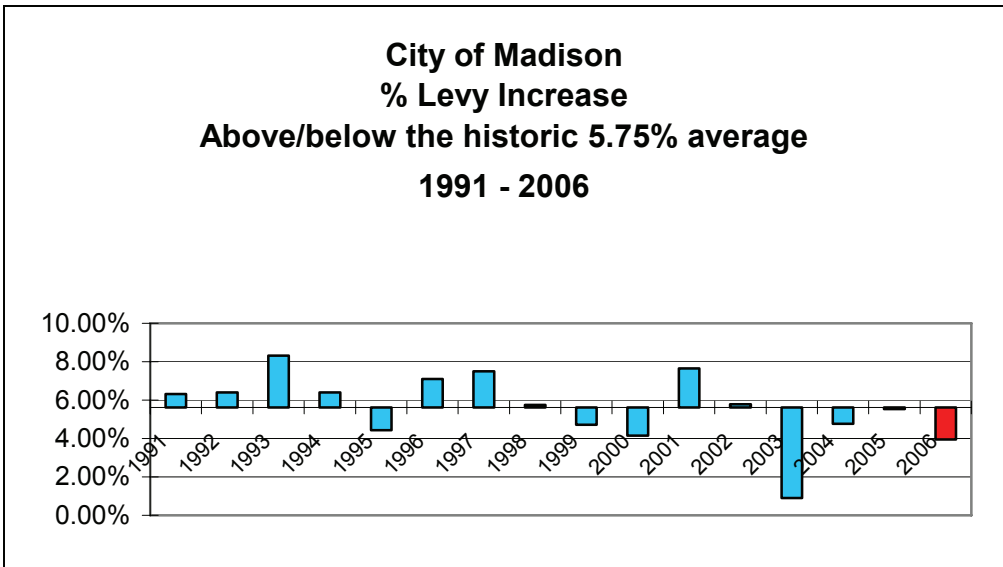
Improving basic services while building on Madison's renowned quality of life is our goal in city government. Those twin goals are represented on the cover of the 2006 Executive Operating Budget. While we invest in basic services like the new Fire Station Number 11, Madison's first new station in 25 years, and the East District Police Station, we also look ahead to realizing the 60 year-long civic dream that is the Goodman municipal swimming pool.

### Commitments Kept

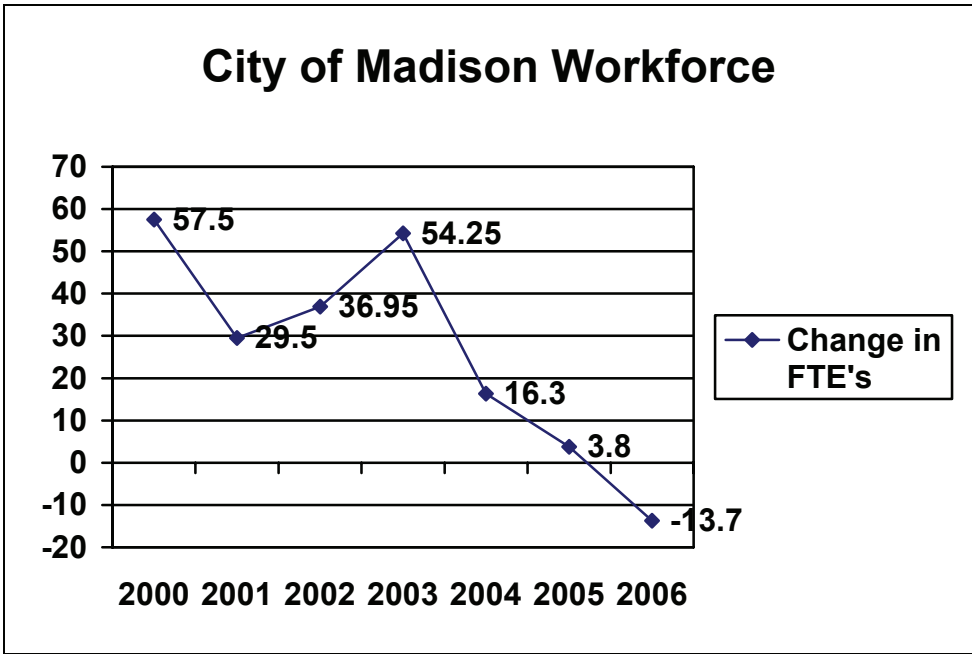
At the outset of the budget process I committed to three things: First, I would keep the levy increase to no more than 4.1%; Second, I would not cut public safety; Third, I would not resort to budgeting that would create a structural deficit.

I have kept all three commitments.

- Despite a state Department of Revenue interpretation late in my budget development process that would have allowed me to increase the levy by 7.75%, I kept my commitment to come in below 4.1%. My levy increase of 3.95% is the second lowest increase since at least 1991. The three year average for my three budgets of 4.75% is the lowest in at least 15 years.
- I have funded all 16 police officers and 28 firefighters that had been threatened with elimination by the 3% budget cuts I requested of each city agency. Moreover, I have added six additional patrol officers to street duty, kept my commitment to keep all fire stations and ambulances operating and will open the new East District Police station in 2006, though it is delayed by a few months to save resources. In my three budgets I will have added 14 police officers to patrol duty, completed the police decentralization plan to serve neighborhoods better, added the first new fire station in 25 years and the first new ambulance in 15 years.
- My budget hits my mark on the property tax levy and protects public safety without resorting to unsound budget practices. The temptation would have been to dip too heavily into the Fund Balance (sometimes called the "Rainy Day Fund"). While it certainly is raining, going too deep into the Fund Balance would have essentially set up a structural deficit, just as has been the case for many years at the state level. Doing so could also threaten Madison's AAA bond rating, which was just recently renewed. We resisted that temptation, by taking only \$250,000 more from the fund for 2005, and \$1.2 million less than for 2004.



Recognizing that wages and benefits are a significant factor in the cost of City operations, I have continued to be judicious in managing the size of the City workforce. After two budgets with very modest increases, my 2006 budget would reduce the number of Full-Time Equivalent (FTE) positions by 13.7, reducing a long-time trend of growth.



**Four Challenges and Answers**

The 2006 budget – as many budgets before it and ones to come – is driven by four main challenges: state budget actions, growth of our city, and rapidly rising energy and health insurance costs. I don't have all the answers, but this budget will address each of these issues head-on and, at the very least, it will start a broader discussion that will get us to even more comprehensive solutions.

## The State Budget

The 2005-2007 state budget continues a long-term trend of disinvesting in local basic services while it also imposed a new levy limit. While an anomaly in the state budget language eventually made the levy limit less onerous, I kept my commitment to come in with a budget that did not raise the property tax levy by more than 4.1%, which was the original estimate of what was allowed under the state budget language. Combined with my two previous budgets, this represents the lowest three year levy increase average in at least 15 years.

Nonetheless, we need to reform the relationship of state and local government. Taking away local control is never a good answer, but citizens are justifiably concerned about property taxes. In Madison, property taxes made up 54% of our total budget in 1990, but about 68% in 2005. Clearly, we need to move back to a revenue mix that contains more progressive sources. I will take the following actions:

- I will work with the Wisconsin Alliance of Cities, Madison's legislative delegation, the Governor's office and others to forge a sensible but ambitious new agenda for reform. I believe a good start will be to strengthen controls under what has been a largely successful Expenditure Restraint Program and to provide more funding through that program and through a retooled Shared Revenue program. Such a program should make an explicit commitment by the state to fund a set percentage of basic local services such as Police and Fire, as is currently done with the school aids ("two-thirds") funding formula.
- Because the state seems headed toward rewarding strategies that encourage growth, I am redoubling our efforts at economic development. My budget contains funding for investments in an Enterprise Software System that will make city government more accessible and accountable to all of our customers and it contains funding for the first rewrite of the city zoning code since the 1960's. Both initiatives are one-time projects that will be appropriately funded by one-time revenue achieved from the sale of city property.

## City Growth

Between 2000 and 2004, Madison was the fastest growing city in Wisconsin, adding 13,000 new residents, about 5,000 new households and 56 miles of streets. With this growth comes new pressures to add fire stations and police officers, libraries and parks, street crews and community services. Managing this growth to maintain our quality of life is perhaps the most challenging issue facing us. We can't just throw money at the problem; we need to work harder and smarter. Here are some of the strategies we are employing to deal with growth:

- In my 2005 budget we inaugurated an automated recycling collection system where each truck can collect 50% more households than the old system. My 2006 Capital Budget contains funding to move to the same system for trash in 2007.
- My 2006 Capital Budget contains funding for two automated street repair trucks that will cut the number of crew members needed per vehicle from four to one. In my operating budget we will reinvest those person-hours in other needed services to serve a growing city.
- My 2006 Capital Budget also contains a geographic information system that will allow us to track streets vehicles and better deploy them throughout the city, working smarter with the resources we have.
- To deal with the need for more police officers in the growing parts of our city, I have converted administrative positions to civilian personnel, allowing us to add more officers on the street at a significantly less cost than if we had simply added two more officer positions.
- My Capital and Operating budgets maintain my commitment to clear the backlog of neighborhood parks in Madison's newest neighborhoods, which are often dominated by the young families and children who need them the most. This is the third year of my commitment and we are on track to completely eliminate the backlog in about two years.
- I have replaced the cuts proposed in contracts for the Office of Community Services and for the Community Development Block Grant program. However, I believe that we must encourage efficiency among provider agencies and work even more closely with private sector philanthropy and with Dane

County.

## **Energy Costs**

My budget contains \$735,000 to meet estimates of added costs for fuel to run squad cars, ambulances, snow plows, garbage and recycling trucks, busses and all the other vehicles that the city needs to operate. To answer this major challenge we are doing the following things:

- We now have a blueprint for becoming more energy efficient in my “Building a Green Capital City” plan and I have appointed a joint team of citizens and city staff to work out the details and keep after implementation.
- I added \$100,000 per year for each of the next five years in my 2006 Capital Budget for energy efficiency projects in city buildings.
- My Capital Budget calls for convening a first-ever city facilities management team to assess the energy needs of all city buildings, estimate costs and payback periods and create a timetable for implementation.
- My Capital Budget contains funding for the purchase of diesel-electric hybrid busses, which use 33% less fuel than conventional busses.
- I am creating a special committee made up of members of the Transit & Parking Commission, Metro riders, and business community leaders to thoroughly explore Metro’s future needs. Rising fuel costs create challenges but also opportunities as mass transit will become an even more attractive option compared to the cost of driving. Metro needs to be positioned to provide the service people want both in Madison and in the broader region.

## **Health Insurance Costs**

Health insurance payments for city employees are going up an average of 10% per year. While this year’s increase is lower than average, it is still twice the rate of inflation. Health insurance alone now accounts for \$23.5 million in the city budget, which is nearly \$5 million more than everything we spend on all Streets operations. Health insurance alone consumes nearly 9% of the city budget. Ultimately, what is needed is reform at the Federal level, but local government needs to do what it can to reign in these costs. Here is what we are doing.

- In my first budget I created a first-ever health insurance co-payment for non-represented employees.
- This year I propose to increase the co-payment but allow for a rebate to encourage healthier habits among our employees. The idea is that in the long-run employees who exercise and eat better will be healthier, happier and more productive and that this will pay off in lower health insurance costs.
- A ground-breaking labor agreement with Metro employees linked increases in health insurance premiums to pay increases. We are working with other unions to move toward the same agreement.

## **Moving Forward**

In 2006, Madison will celebrate its 150th birthday as a city. Jairus Fairchild, Madison’s first mayor, said that we find ourselves under “most favorable circumstances”. One hundred and fifty years later, I can echo Fairchild. Madison has stunning natural assets in our lakes and in the surrounding countryside, we are the seat of state government and the home of a world class university. But along with these gifts comes a responsibility to be good stewards of our city. Madison’s 150th city budget is designed to build on those most favorable circumstances and to keep them healthy into the future.

My 2006 budget moves Madison forward even in the face of some of the most daunting budget challenges in recent memory. It is important to keep our eyes on the prize and the prize is our high quality of life. In a very real sense, we need to make sure that our success as a community does not become our undoing. We will make the necessary investments to manage our growth and we will work smarter to achieve that end.