

Executive Summary: 2024 Operating Budget
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2024 Executive Operating Budget

The City of Madison’s operating budget funds the numerous services, programs, and skilled staff that sustain high quality City services and help keep Madison a strong and thriving community. The operating budget released today complements my 2024 Executive Capital Budget, released in September, which funds our infrastructure, buildings, and other capital investments.

In this year’s operating budget, my focus is on the programs and services that help all of our residents, maintain efficient and effective city services, and build a resilient and sustainable economy. But this year, more than ever, the financial challenges facing the City of Madison are coming into sharp relief.

Madison’s population is growing rapidly. We expect the city to have 115,000 more residents by 2050, and this will be a faster pace of growth than we have seen in the past. In order to keep providing the services our community expects, we need to increase staffing levels across city agencies – we need more fire fighters, more librarians, more snow plow drivers, more building and construction inspectors – just to name a few. But the number of city staff positions per 1,000 people has declined 10 percent since 2011. Every year we work to be more efficient, but ultimately staffing levels impact our ability to deliver services.

As has been the case for over two decades, Madison’s operating budget is constrained by burdensome State laws that restrict the ability of local governments to raise revenue. If annual state aid had simply kept pace with inflation from 2000 levels, Madison’s share would be \$9 million higher than it is today. Instead, Madison received the lowest increase in state aid per capita of all major cities. It had been our hope that the historic multi-billion dollar State budget surplus would result in some relief to Madison. Unfortunately, while most communities in our state benefited from the shared revenue changes recently enacted by the Republican-led State Legislature, Madison was shortchanged, receiving back only a fraction of the revenue Madison taxpayers provide to the state in the form of income tax and sales tax.

For the 2024 budget, the City has resources remaining from federal recovery legislation, closed tax increment districts, and other reserves to maintain current service levels and priorities. Still, we have had to press to find additional efficiencies. In this budget, I am requiring every department to reduce their budgets by 1 percent, even as we serve a growing city. This measure alone will save \$3 million. After 2024, without further action, the services enjoyed by our residents will be seriously threatened by the policy failures of the Republican-led State Legislature.

It is in this context that I present my 2024 operating budget, which prioritizes prudent strategies to maintain the services our growing city relies on.

Maintaining Effective City Services

Much of what the City does is to support the foundational needs of neighborhoods, families, and businesses. City agencies provide clean water, sewer and stormwater services, trash and recycling pick up, and leaf and snow removal services. Our police, fire, public health, and building inspection departments help keep our neighborhoods safe. Parks and libraries offer opportunities for learning and recreation, and the Economic Development Division supports businesses across our community. Metro Transit helps people get where they need to go. Our Department of Civil Rights makes sure people know their rights and have recourse if they face discrimination, and our Planning Division helps ensure orderly, predictable, and sustainable development patterns as our city grows.

For the 2024 budget, our attention also turns to the maintenance of free and fair elections, which continue to be threatened in our great nation. Disinformation, falsehoods and threats have placed unreasonable and unnecessary stress on election officials across our country and here at home. Next year, we'll have a Presidential election. My 2024 budget provides \$3.2 million for an ample number of polling places, poll workers and materials to ensure that all residents who are eligible to vote have access to the ballot, and that their vote will be counted.

Additional changes in this budget include the following:

- A civilian Emergency Medical Services (EMS) coordinator in the Fire Department. Adding this position will help address the workload associated with our Madison CARES program alongside our top-notch paramedic and emergency services programs.
- \$100,000 to support a contract to transport people to Wisconsin's secure mental health treatment facility. This contract will allow us to allocate police officer time where it should be spent – in our neighborhoods.
- A City-wide public information officer to help engage and respond to residents about City services. This was a priority recommendation from the City's Neighborhood Resource Teams, which provide input on items to increase equity the budget every year.
- A new combined park ranger and parking enforcement officer position to provide better overnight enforcement year round and help retain staff while providing efficient service.
- Several new positions in Metro Transit will support operations for rapid transit and a fully electric bus vehicle fleet, while also meeting the demands of increased ridership and expanded service.
- A 6% pay increase for general municipal employees to keep up with inflation and ensure the wages of the City workers not allowed to unionize by the state keep pace with the City's unionized workers. Without a highly skilled workforce, City services cannot be provided efficiently and effectively. In recent years, hiring challenges have resulted in reduced services and in some cases more spending as keeping up with services required employees to work overtime.
- A 5 percent cost-of-living adjustment to help community organizations recruit and retain key staff and respond to the effects of higher inflation. These valued partners provide programs and services that address basic community needs affecting housing and housing stability, early childhood care and positive youth development, employment training and career development, successful aging, crisis intervention and prevention, and access to neighborhood-focused resources.

Financial Challenges Ahead

Madison has done its best for many years to deliver high quality services to its residents with limited local resources. The economic effects of the pandemic highlighted the resilience of our economy but also the limited flexibility of the City's revenue sources, which rely primarily the property tax, to harness the rapid growth that has occurred over the past decade.

Cities in Wisconsin are limited to fewer revenue options than cities in most other states. Unlike most major cities throughout the country, Madison does not have a local sales tax or a local income tax. Most regional transit systems in the country are run by regional authorities able to generate their own revenue, but in Wisconsin the legislature does not allow that to happen.

Wisconsin's model for financing local government for over a century has been to collect income and sales taxes at the state level and "share" them with local governments. But the State's aid to cities has not kept pace with inflation over the years. If annual state aid had simply kept pace with inflation from 2000 levels, Madison's share would be \$9 million higher than it is today. Recent state legislation used a part of the historic state budget surplus to provide the largest increase in "shared revenues" in a generation. For the first time in our state's history, this legislation also authorized a 2 percent city sales tax, but only for the City of Milwaukee. Despite all of these favorable conditions, the Republican-led State Legislature specifically excluded Madison from receiving its fair share of the increase in shared revenue and excluded Madison from authorizing a local sales tax.

The City's 2024 budget represents the last year of the significant federal and local resources and reserves to support City programs in response to the COVID pandemic, with nearly \$17 million of these funds and other one-time monies allocated to balance the budget. The forecast beyond 2025 is bleak. Simply maintaining current service levels to residents (e.g., libraries, snow plowing, parks, public safety) is expected to cost \$75 million more than the maximum revenues the state will allow by 2029.

If we are to keep Madison's high quality of life and its viability as a place we all want to live, work and play, we have to keep investing in the staffing and infrastructure that supports our vibrant economy and diverse community. We have to have resources to tackle the challenges that are holding back our economy, like lack of housing and childcare. But the Republican-led State Legislature has told us loud and clear that we have no option but to raise property taxes to do so – while they at the same time place limits on our ability to raise property taxes, creating a structural deficit. It's clear there will be little "sharing" of income and sales taxes sent to the state's coffers by Madison's hard working families. There will be no option to harness our strong economy and take the pressure off of property taxpayers through local sales and income taxes. We will face significant challenges in future budgets without fundamental changes.

There were many good ideas proposed for the 2024 budget and I had to make tough choices based on our financial condition and key priorities and say no to many of these ideas. Nonetheless, the investments we have made over the years in our community and our neighborhoods stand us in good stead. The City of Madison, thanks to our excellent staff, will continue to provide the best services possible to our community, and to focus on improving neighborhood safety, opportunities for youth, housing affordability, and sustainability. My 2024 operating budget continues these investments and builds toward a more resilient future for all our residents.

Respectfully submitted,

Mayor Satya Rhodes-Conway

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 districts (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 \$404.8 million.

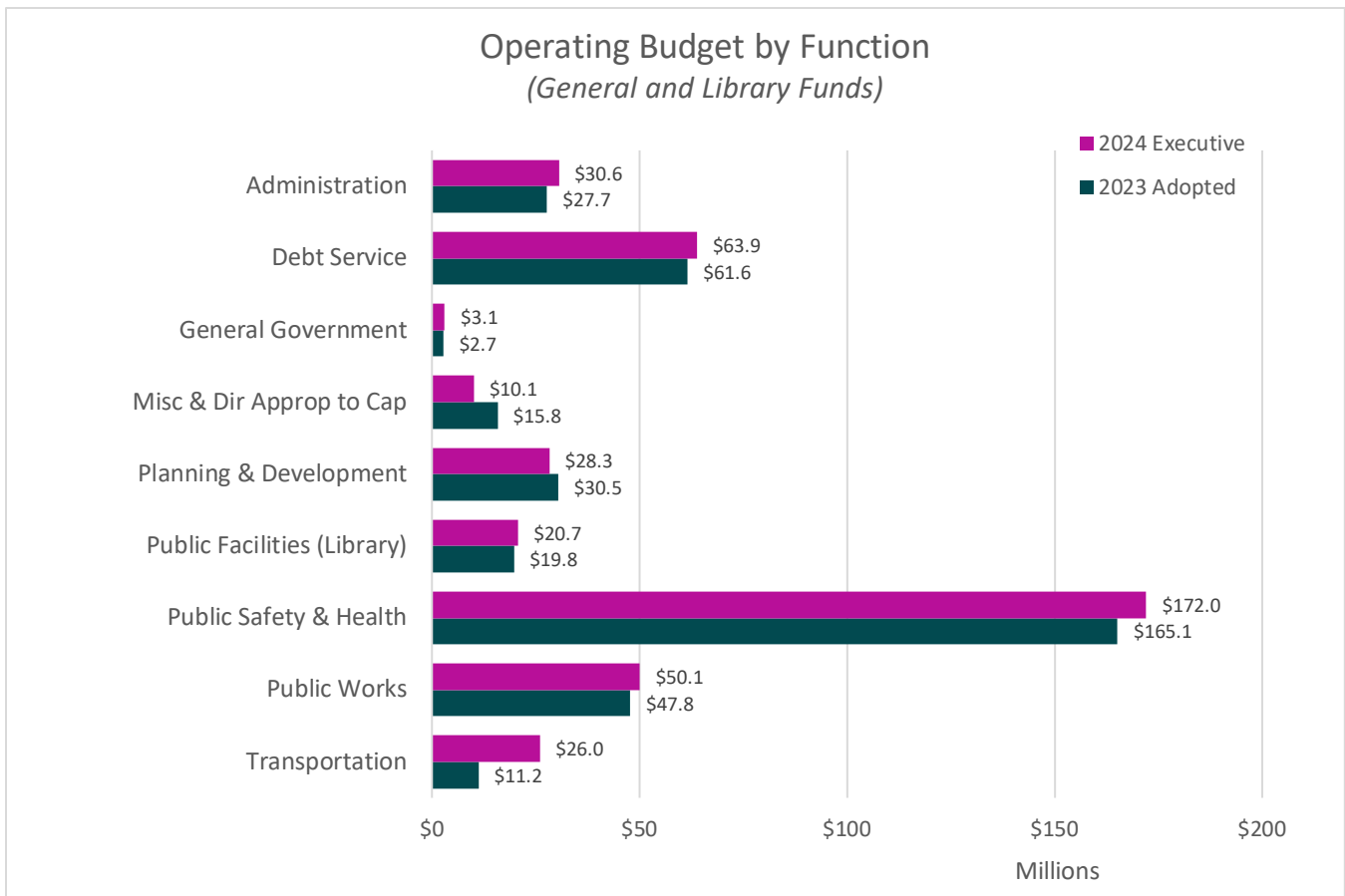
2024 Executive Budget Compared to 2023 Adopted Budget

The 2024 Executive Operating Budget proposes **\$404,776,800** in general and library fund expenditures. This is a **\$22.4 million (or 5.9%) increase** from the 2023 Adopted Budget.

The graph below shows a comparison of the 2023 adopted budget to the 2024 executive budget. Expenses are presented by “Function,” or a set of agencies that provide similar services. Debt Service and Miscellaneous & Direct Appropriations to Capital are centrally budgeted functions that address City-wide expenses.

Public Safety & Health accounts for the largest share of the budget (\$172.0 million; 42.5%). The next largest category is General Fund Debt Service, which accounts for \$63.9 million, or 15.6%. Public Works agencies are the third largest functional area (\$50.1 million, 12.4%).

Major changes in expenditures are highlighted on the next page. Additional information on specific changes in each agency budget can be found in the agency overview sections of the [2024 Executive Budget](#).



Expenditure & Revenue Highlights

Major Expenditure Changes

The 2024 budget takes several measures to control expenditures while continuing to fund key priorities. All general and library fund agencies were required to take a 1% reduction in their base budget. An analysis of actual spending between 2019 and 2022 showed that agencies have consistently underspent their budget by 2%-4%. The 1% reduction allows the city to recognize savings from these expenditure trends, and results in a total expenditure decrease of \$3.0 million. It is anticipated that agencies will be able to manage the reduction through slight delays in hiring and prioritizing other spending without effecting overall service levels.

In addition, the budget increases savings by assuming a higher personnel vacancy rate. Historically, the city budget has included a 2% "salary savings" rate to reflect turnover and vacancies, with a flat rate for all agencies. The 2024 budget introduces a tiered structure for salary savings, with variable rates based on the number of full time equivalent (FTE) positions in an agency. The average salary savings for the City has increased to 3% of permanent wages, resulting in a savings of \$2.4 million. As with the 1% reduction, the new salary savings rates were based on an analysis of historic trends, and agencies should be able to manage the reduction by slight delays in hiring without affecting agency operations.

Despite these measures to control costs, the increase in total expenditures in 2024 is above the 15 - year average. The largest component of the increase is restoring the general fund subsidy to Metro Transit, which increased by \$13.7 million compared to 2023. The 2023 adopted budget reduced the Metro subsidy by \$7.7 million to allow Metro to leverage federal recovery funds. The 2024 budget restores the subsidy and begins repaying the reduction. The next largest component of the increase is an investment in City staff. The Budget includes a 6% cost of living adjustment (COLA) for general municipal employees (GME) to close the wage equity gap with protective service and maintain pace with increases in negotiated contracts. The GME COLA will be phased in, with 4% effective in January and 2% effective in July. In addition, protective service (Police and Fire) employees will receive a 3% COLA based on negotiated agreements. In total, COLAs add \$7.9 million in personnel costs.

Major Changes in the 2024 Executive Operating Budget

General and Library Fund Expenditures Only

City-Wide Reductions

- Includes a 1% reduction in all agencies (-\$3.0 million) and higher savings from vacancies (-\$2.4 million)

Personnel

- 6% COLA for General Municipal Employees (GMEs). 4% will be effective January 1 and 2% will be effective July 1. These increases will close the wage equity gap between GMEs and protective service (\$4.9 million)
- 3% COLA for protective service based on negotiated agreements (\$3.0 million)
- Includes an additional \$1.5 million in the City Clerk's budget for staffing the polls and absentee voting sites. This reflects the Clerk administering 4 elections in 2024 compared to 2 elections in 2023.

Non-Personnel

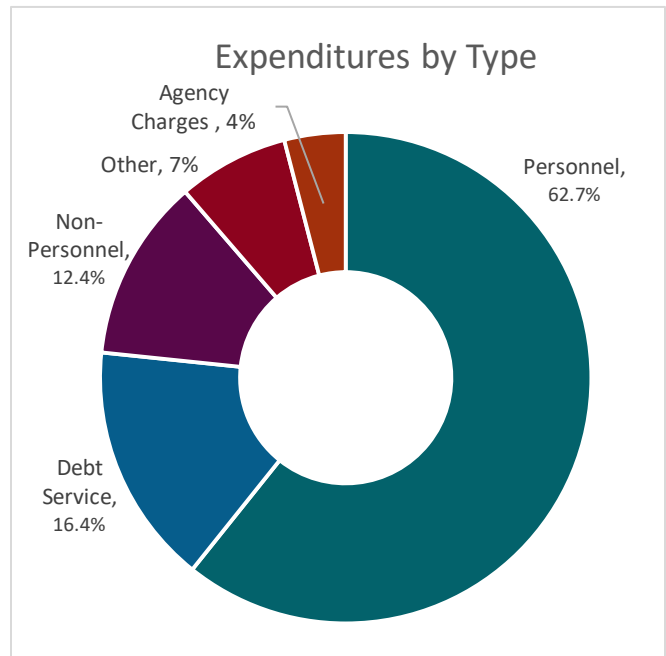
- Restores the subsidy to Metro Transit and includes first year of a subsidy repayment based on the reduction in 2023 (net increase: \$13.7 million)
- Increases Debt Service to repay borrowing for capital expenditures by \$2.2 million
- Includes \$1.8 million in funding for supplemental requests, including general fund support for shelter operations (\$300,000), a 5% COLA increase for contracts with community providers in CDD (\$146,000) and funding for a 3rd Party Transit contract in Police (\$100,000)
- Increases room tax support by \$645,000 for the City's share of funding for operating the Henry Vilas Zoo and Olbrich Botanical Gardens

Expenditure & Revenue Highlights

Expenditures by Category

The Operating budget pays for staff, community contracts, and other expenses to provide core services to residents. Major categories of expenditures include the following:

- **Personnel** accounts for the largest share of expenses (\$253.6 million, 62.7%). This includes salaries and benefits of staff who provide direct services and administer core government functions.
- **Debt Service**, which pays back borrowing for capital projects, accounts for the next largest share of the budget (\$66.4 million, 16.4%, includes General and Library Fund debt service).
- **Non-Personnel** includes contracts with community - based organizations that provide services on behalf of the City, supplies, and other expenses. This accounts for the third largest category (\$50.2 million, 12.4%).
- **Other** expenses include the general fund subsidy to Metro Transit (\$15.7 million), the City's share of the joint City-County Public Health Agency (\$10.2 million), and the City's contingent reserve, which is set aside to cover unbudgeted expenses (\$2.7 million) (Total: \$30.5 million, 7.5%).
- **Agency Charges** includes inter-departmental billings and charges between agencies to recover costs for services performed. This includes the general fund portion of Insurance, Workers Compensation, and Fleet Services, which procures and maintains City vehicles (e.g. Police and Fire vehicles, refuse and recycling trucks, snow clearing equipment) (\$16.8 million, 4.2%).
- **Agency Revenues** offset agency expenses. This includes charges for services, facility rentals, permits, and other sources. In 2024, the City anticipates \$12.8 million in agency revenues (-\$3.2%).



Revenue Summary

The Operating Budget is primarily funded by property taxes, which account for approximately 71% of the total General Fund revenues. Other local revenues, such as payments in lieu of tax, charges for services, and license and permit fees, along with application of fund balance, account for 18% of General Fund revenues. Intergovernmental sources, such as federal and state aid, account for the remaining 11%.

Major changes in revenues in the 2024 Executive Budget compared to the 2023 Adopted Budget include:

- \$12.6 million increase in property tax revenues, based on an increase in new construction and added property value from closed tax increment districts.
- \$2 million increase in earnings from City investments due to higher interest rates.
- \$3.3 million increase in State Aid; though we received a \$3.1 million increase from the recent State Shared Revenue legislation, this represents less than 1% of the City's budget due to Madison receiving the lowest increase per capita statewide.
- \$16.7 million in one-time funds to balance the budget. This includes \$9.2 million in fund balance applied (which includes \$4 million of previously lapsed funds from Tax Increment District (TID) 25); \$3.1 million in proceeds from the closure of TIDs 29, 39 and 47; and the remaining \$4.4 million in local American Rescue Plan Act (ARPA) funds for government services.
- \$1.5 million decrease in the payment in lieu of taxes (PILOT) from the Water Utility due to declining property tax rates and slower growth in Water Utility plant-in-service.

Expenditure & Revenue Highlights

Local Revenues

Local revenues, including charges for services (e.g. ambulance fees), licenses and permits (e.g. building permits), room taxes and investment income are up 1.7 percent (\$918,000) in 2024 over 2023. These revenues represent about 16 percent of total General Fund revenues. This growth excludes one-time ARPA and TID surplus revenues. The budget also includes \$9.2 million of fund balance applied, representing approximately 2 percent of total 2024 General Fund revenues and a \$5.8 million increase over the 2023 budget.

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 \$286,273,456, which is \$224,243 below the maximum allowed.

Growth in Property Taxes

Property taxes are increasing by \$12.6 million (4.6 percent) compared to 2023. Much of this increase can be attributed to strong net new construction, the closure of two tax increment districts, and debt service to pay for infrastructure and other capital projects.

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 2023, the total net taxable value of assessed property is approximately \$40.3 billion (\$40,282,511,400). Residential real property accounts for a majority of the property in the City (\$25.8 billion; 61%), followed by commercial real property (\$15.6 billion; 37%). Manufacturing, agriculture, and personal property account for the remaining 2% of property. In total, the net taxable value of assessed property is 13.5% higher than the basis for the 2023 budget. This increase is driven by the continued strength in residential and commercial valuations.

2024 Mill Rate

While the 2024 property tax levy is up 4.6%, the overall increase in the assessed value of property in the City reduces the mill rate (tax rate) by 7.9% to 7.11 mills (0.711% of taxable value). The annual mill rate is calculated by dividing the property tax levy by the total net taxable property value in the City.

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 3.74%, or \$108.82. The average value home is currently assessed at \$424,400, up from \$376,900 (12.6%), in 2023. This growth continues recent trends in increased residential home assessments.

Supplemental Requests

As part of the request process, agencies were allowed to submit one supplemental request for additional funding to address key priorities. Agencies were required to submit a detailed justification, including an explanation of the data and metrics that would be used to evaluate the success of the proposal. In total, the Executive Operating Budget includes \$1.8 million in supplemental funding (\$986,930 General Fund, \$813,080 Other funds).

New Positions to Support City Operations

These supplemental requests include 17.8 new positions to address critical workforce needs and create operational efficiencies. Where possible, costs for new positions were offset by reductions in hourly wages or overtime, and several positions are shared across multiple agencies to reduce the total impact on the General Fund. In total, 4.8 FTE positions are supported by the General Fund (\$214,170). There are an additional 13 FTE positions in City enterprise agencies 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). The City has added an average of 23 FTE positions annually since 2011. To keep pace with future population trends, approximately 34 positions will need to be added annually.

In addition to creating new positions, the Executive Budget recreates several existing positions to new classifications. In these cases, agencies identified vacancies that could be repurposed to meet changing operational needs. These recreations are not listed below as they do not add employees and have a minimal fiscal impact, but additional details are included in the agency’s budget highlights.

Non-Personnel Funding

The Executive Budget includes \$761,000 in funding for additional non-personnel supplemental requests. A majority (\$400,000) of this funding is committed to the Community Development Division (CDD) to bolster funding for shelter operations and provide a cost of living adjustment to community organizations who provide critical services. Additional requests include local investments to maximize federal funding opportunities.

The following tables summarize supplemental requests in the following order: 1) new positions in the General Fund, 2) new positions in Other funds, and 3) non-personnel requests.

Supplemental Requests: New Positions General and Library Funds		
Agency	Description	Net Expense \$ 225,930
Engineering	<ul style="list-style-type: none"> Creates a 1.0 FTE Electrician Trainee Position creates a career pathway for the existing Green Power Trainee program and builds internal capacity for energy efficiency work 80% of the costs will be allocated to capital projects 	\$ 17,900
Fire	<ul style="list-style-type: none"> Creates 1.0 FTE Civilian EMS Trainer, replacing a commissioned staff The cost of the position will be offset by a reduction in overtime achieved by returning commissioned staff to the field 	\$ -
Mayor	<ul style="list-style-type: none"> Creates a Citywide Public Information Officer (PIO) position Position was requested by Neighborhood Resource Teams (NRT) as a key resource for communicating with residents 	\$ 119,850
Parks	<ul style="list-style-type: none"> Increase a part-time Horticulturist position (0.6 FTE) to a full-time 1.0 FTE Costs are offset by a reduction in hourly wages 	\$ -
Parks/ Parking	<ul style="list-style-type: none"> Create a 1.0 FTE shared Park Ranger/ Parking Enforcement Officer position Position would work with Parks in the summer and Parking in the winter 	\$ 37,600
PCED Office of Director	<ul style="list-style-type: none"> Increase a part-time Graphics Tech position (0.6 FTE) to a full-time 1.0 FTE Costs are offset by a reduction in hourly wages 	\$ -
Traffic Engineering/ Metro	<ul style="list-style-type: none"> Adds a Traffic Engineer position Position would be located in Traffic Engineering and would also support Metro Transit for projects related to signal timing for Bus Rapid Transit 	\$ 50,580

Supplemental Requests

Supplemental Requests: New Positions All Other Funds		
Agency	Description	Net Expense \$ 813,080
CDA	<ul style="list-style-type: none"> Creates a new Client Services Manager Position will build CDA's programming capacity, improve service levels, and support case management 	\$ 119,850
Fleet	<ul style="list-style-type: none"> Creates a new Fleet Technician Position would start mid-year. Costs are anticipated to be offset by savings from purchased services and supplies currently used to outsource repairs 	\$ -
Metro Transit	<ul style="list-style-type: none"> 2.0 FTE Transit Service Workers, 1.0 FTE Transit Utility Worker, and 1.0 Maintenance Supervisor to provide services at Metro's satellite facility 1.0 FTE Vehicle & Charging Engineer to be a technical resource as the agency shifts to electric vehicles and adds advanced charging systems 	\$ 505,800
Parks/ Parking	<ul style="list-style-type: none"> Creates a 1.0 FTE shared Park Ranger/ Parking Enforcement Officer position Position would work with Parks in the summer and Parking in the winter 	\$ 37,600
Public Health	<ul style="list-style-type: none"> Adds a 1.0 Environmental Health Manager Cost would be offset by fee increases for licensed establishments Adds 2.0 FTE certified medical interpreters to meet the growing need for interpretation services Cost would be partially offset by a reduction in contract costs 	\$ 68,000 (City share)
Traffic Engineering/ Metro	<ul style="list-style-type: none"> Adds a Traffic Engineer position Position would be located in Traffic Engineering and would also support Metro Transit for projects related to signal timing for Bus Rapid Transit 	\$ 50,580
Water	<ul style="list-style-type: none"> Adds a Customer Service representative Position would support increased interface time with customers due to transitioning to a new billing system and would start mid-2024 	\$ 31,250

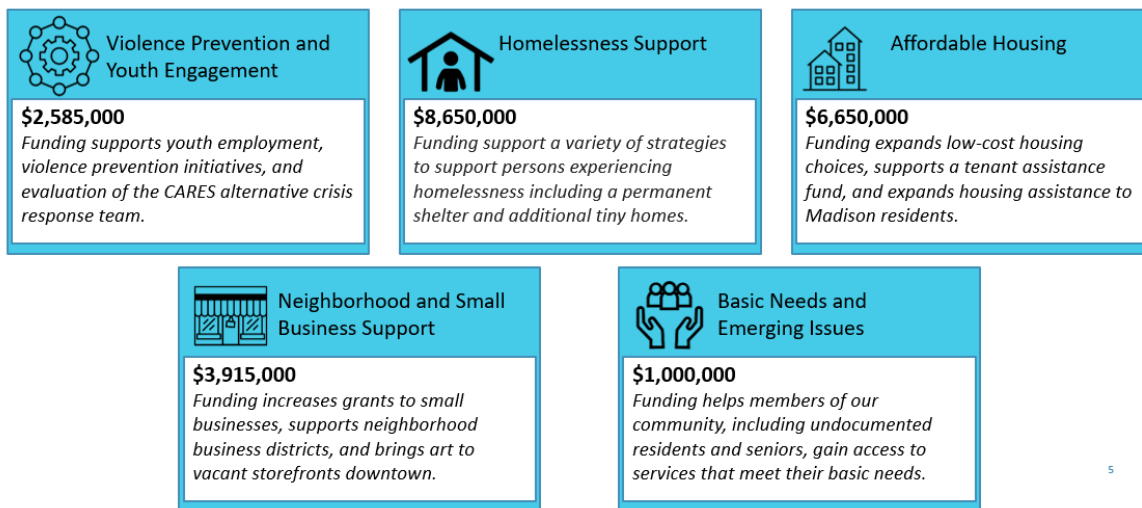
Supplemental Requests: Non-Personnel Costs General and Library Funds		
Agency	Description	Total \$ 761,000
Community Development	<ul style="list-style-type: none"> Adds funding for operating temporary shelters for unsheltered individuals Current operations are primarily funded through external sources, including state and federal grants, which will begin expiring in 2025 	\$ 300,000
	<ul style="list-style-type: none"> Adds a 5% cost of living increase for community contracts Includes early child care, school-age youth, and older adult services 	\$ 146,000
Mayor	<ul style="list-style-type: none"> Add funding for consulting and start-up expenses for the new citywide PIO position 	\$ 75,000
Planning	<ul style="list-style-type: none"> Increases the City's contribution for the MPO to leverage an additional \$120,000 in federal funding Includes funding for operational costs associated with the pedestrian mall experiment on the 400-600 blocks of State St. 	\$ 30,000
Police	<ul style="list-style-type: none"> Expands funding for 3rd party transports to Winnebago Mental Health Institute from the City; program was first trialed in 2023 	\$ 100,000
Traffic Engineering	<ul style="list-style-type: none"> Adds funding for a consultant to complete annual, state mandated reporting related to traffic lights at railroad crossing 	\$ 50,000
Transportation	<ul style="list-style-type: none"> Adds funding for a technical grant writing consultant for assistance with competitive federal grants 	\$ 30,000

American Rescue Plan Act (ARPA)

ARPA Project Plan

The City of Madison received \$47.2 million of federal funding through the State and Local Fiscal Recovery Funds (SLFRF) component of the American Rescue Plan Act (ARPA) to recover from the negative public health and economic impacts caused by the COVID-19 pandemic. The City adopted a plan in July 2021 ([Legistar 65935](#)) to use ARPA funds to address critical community issues, support an equitable recovery, and continue to provide government services. The City's plan allocated \$22.8 million in community investments in five priority areas and allocated \$24.4 million to fund government services. Per the U.S. Treasury's Final Rule, ARPA SLFRF funding must be obligated by December 31, 2024 and fully expended by December 31, 2026.

Community Investment Priority Areas, 2021 Project Plan Allocations



Reallocations to Address Community Needs

Since the adoption of the 2021 ARPA Project Plan, several reallocations were made across community investment projects. These adjustments have primarily moved funding within the Homelessness Support and Affordable Housing priority areas to increase funding for the Unsheltered Homeless Support.

2022 Adopted Budget:

- Reallocated \$1.5 million from the Hotels to Housing capital project to the Unsheltered Homeless Support operating project to provide additional support for operating the City's temporary shelters.

2023 Adopted Budget:

- Reallocated \$2 million designated for an Endowment for Homelessness Operating Funds to Unsheltered Homeless Support to provide additional support for operating the City's temporary shelters. The Endowment project was proposed prior to the publication of the ARPA Final Rule, which indicated funding an endowment would not be an eligible expense. The 2023 Adopted Budget moved funds across projects and added \$2 million in General Fund funding for the endowment.
- Made a technical adjustment to consolidate unspent funds from three separate youth employment and engagement projects into one project, and extend youth employment funding into 2023 and 2024.

American Rescue Plan Act (ARPA)

Summary of Reallocations in 2022 and 2023		
Project	Original Allocation (2021 Project Plan)	2023 Adopted Budget Allocation
Hotels to Housing Capital Project	\$ 2,500,000	\$ 1,000,000
Endowment for Homeless Operating Funds	\$ 2,000,000	\$ -
Unsheltered Homeless Support	\$ 2,000,000	\$ 5,500,000

ARPA in the 2024 Executive Budget

The 2024 Executive Budget carries forward unspent ARPA funds for all projects and proposes additional reallocations to ensure the City expends all operating project funds by the end of 2024. Under the Final Rule, recipients must obligate funds (i.e. have funds under contract) by December 31, 2024 and fully expend their allocations by December 31, 2026. In the past year, Congressional Republicans have introduced legislative initiatives to rescind, or “claw back,” unobligated ARPA funds. Though these efforts have not been successful, this presents a risk in delaying expenditures. To minimize risk and ensure the City maximizes the use of federal funds, the 2024 Executive Budget proposes multiple allocation changes. These adjustments will allow the City to continue funding high priority community needs and preserve General Fund resources for future years.

Proposed Adjustments

The proposal would reduce funding for the following projects by a total of \$2.9 million.

Community Development Division

- Reallocate the remaining \$1.0 million from the Hotels to Housing capital project. In the past year, the Community Development Division (CDD) and Dane County have both issued requests for proposals (RFPs) for developers to take on a hotel conversion project. There were no respondents to either RFP, suggesting this project will not be feasible in the next year.
- Reallocate \$1.0 million from the Renters Choice project. Renters Choice was a conceptual project aimed to support low-income individuals with security deposits and other barriers to rental. CDD explored options for program design, but determined that State laws would prohibit implementation. CDD is able to continue supporting low-income individuals and household with new allocations of federal Emergency Rental Assistance (ERA) funding, including support with security deposits.
- Reallocate \$500,000 from the Consumer Lending project, which was aimed at bolstering local funding for down payment assistance and rehabilitation projects. CDD has been able to use other federal sources to meet current demand and additional ARPA funding is not needed at this time.
- Reallocate \$329,200 in unspent funding from the Emergency Rental Assistance (ERA) Program Operations. This project had an initial allocation of \$400,000 to pay for 3 limited term positions to administer ERA funding. The City was successful in hiring additional staff, but was able to use other federal sources to fund the positions. This reallocation would move unspent funds into the projects listed in the next section.

Economic Development Division

- Reallocate \$100,000 from the Downtown Vacant Storefront Art program. This project was intended to facilitate partnerships between local artists and downtown businesses to revitalize vacant storefronts. After outreach by the Economic Development and Planning divisions, it was determined there was not sufficient property owner interest to implement the project as planned.

American Rescue Plan Act (ARPA)

The funding reductions above would increase funding for the following projects in 2024.

Community Development Division

- Add \$1.6 million in funding for Unsheltered Homeless Support. Operating the temporary shelters at Dairy Drive and Zeier Road costs approximately \$3.5 million annually. These facilities provide critical shelter for individuals experiencing homelessness, a group that has been disproportionately impacted by the COVID-19 pandemic. To date, the City has been able to operate these facilities using state and federal funding, as well as contributions from the Dane County and providers. Additional ARPA funds will support operations through 2024. This allocation will bring the project total to \$7.1 million.
- Create a new \$1.2 million project for Nonprofit Support to fund contracts for Neighborhood Center Support (\$921,000) and Southwest Madison Employment Center Operations (\$279,000). This use is authorized under Expenditure Category 2.34, Assistance to Impacted Nonprofit Organizations. CDD has existing contracts with these non-profits, which provide critical services in the community. Utilizing ARPA in 2024 allows the City to preserve General Fund resources for community services in future years.
 - Neighborhood Center Support: CDD contracts with 12 neighborhood centers, which function as neighborhood focal points and provide physical places within which residents can gather, interact with one another, and build a sense of community. These Centers serve low- and moderate-income individuals and families by providing a variety of programming and services.
 - Southwest Madison Employment Center Operations: The Urban League of Greater Madison (ULGM) operates a neighborhood employment center, providing employment training and support services. The center also provides space for community meetings and events.

Economic Development Division

- Add \$100,000 to the Small Business Equity and Recovery (SBER) program. The original ARPA allocation included \$2.6 million for SBER to provide financial assistance, resources and opportunities for small businesses, businesses owned by historically marginalized individuals, and organizations or programs assisting these businesses. Reallocating funds from the Downtown Vacant Storefront Art program would allow Economic Development to expand funding opportunities through SBER.