

CITY OF RACINE

2026 Operating Budget Overview

The City of Racine budget document serves as a comprehensive financial planning tool covering all City funds, including the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds, Utilities, and Internal Service Funds. The document also includes information regarding departmental goals and initiatives, positions by department, the fee schedule by department, ordinance modifications and a 10-year capital plan. This overview is intended to give a high-level snapshot of the overall budget, but specific details and narratives regarding the functional areas can be found in the larger document.

The city employs a decentralized approach to budget development, with department heads and managers responsible for preparing the working numbers that populate individual line items. They do so with guidance from the Mayor, City Administrator, and Finance Department. This document also serves to provide additional information about City departments, including the services they offer, key goals and initiatives, and the corresponding funding impacts for 2026. While the budget has been developed with a forward-looking perspective beyond 2026, maintaining the current level of service to residents—within the constraints of State-imposed expenditure limits and tax levy caps—remains an ongoing challenge.

While this budget was not as challenging as in recent years, primarily due to funds still available from the American Rescue Plan, the development of this budget still came with challenges. The city continues to face a structural deficit that has the cost of services increasing while major revenue sources remain flat. Funding from the federal government, under the American Rescue Plan, and hard choices that were made by the Common Council in previous budgets, gave us a reprieve from another year of difficult decisions, but future years will come with hard choices. The 2026 budget remains focused on prioritizing strategies to enhance customer service, reducing duplication and costs, implementing strategic initiatives, and maintaining the City's commitment to delivering essential services. Throughout 2026, we will continue to investigate ways to reduce costs and increase revenues yet still provide essential services to the citizenry.

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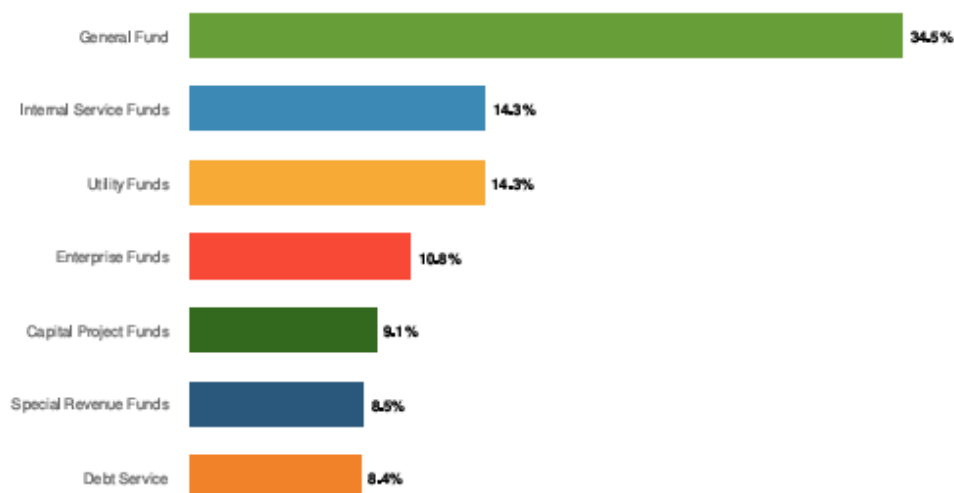
2026 Operating Budget Overview

The 2026 City of Racine budget contains strategic reorganizations to reduce duplication and overlapping efforts, reclassifications of expenses, and support for important initiatives and employees. These items and other larger items of interest are listed in the chart below:

| Items of Interest in the 2026 |
|--|
| New Referendum Special Revenue Fund to cover Fire expenses |
| Consolidation and Reorganization of Finance and Customer Service functions for Utilities |
| New Positions-HR Recruiter and Sanitary Sewer Sump Pump |
| Funding for demolition of McMynn Parking Ramp in the capital budget |
| Community Safety included in the general fund budget |
| Fee increases for Storm, Sanitary, Recycling and other fees |
| Salary increase 1% and Step for Non Represented Full and Part Time Employees |

The City of Racine budget document serves as a comprehensive financial planning tool covering all City funds, including the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds, Utilities, and Internal Service Funds. The total 2026 City budget is almost \$276M, an increase of 4.6% from the previous year. The most significant increases are in the special revenue funds and capital project funds. Below depicts total expenses by fund for the entire City budget, and the following pages of the overview will discuss further details on each fund group, beginning with General Fund.

2026 Expenditures by Fund



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2026 Operating Budget Overview

REVENUE HIGHLIGHTS

GENERAL FUND

General Fund revenues are made up of various categories. The various categories and the 2026 budget impact for each are discussed below.

| General Fund Revenues 2025 to 2026 Budget | | | | |
|--|---------------|---------------|--------------|----------------|
| | 2025 Budget | 2026 Budget | Change | Percent Change |
| Property Taxes | \$ 33,544,662 | \$ 33,389,229 | \$ (155,433) | -0.46% |
| Other Taxes | 400,000 | 420,000 | 20,000 | 5.00% |
| Intergovernmental Revenues | 42,354,825 | 42,370,376 | 15,551 | 0.04% |
| Licenses and Permits | 1,990,500 | 1,933,500 | (57,000) | -2.86% |
| Fines and Forfeitures | 1,142,000 | 1,322,000 | 180,000 | 15.76% |
| Charges for Services | 1,902,450 | 1,981,570 | 79,120 | 4.16% |
| Intergovernmental Charges for Services | 2,269,709 | 2,320,976 | 51,267 | 2.26% |
| Miscellaneous Revenues | 2,699,772 | 2,358,941 | (340,831) | -12.62% |
| Other Financing Sources | 4,626,506 | 4,660,216 | 33,710 | 0.73% |
| Budget Stabilization Fund Balance Applied | 3,703,284 | 4,525,000 | 821,716 | 22.19% |
| Total Revenues | \$ 94,633,708 | \$ 95,281,808 | \$ 648,100 | 0.68% |

Property taxes- Property taxes in the general fund decreased by about .46%. While the overall property tax levy increased in the 2026 budget, less tax levy was allocated to the general fund in 2026 because it was allocated to other funds like Transit, and Library.

Intergovernmental Revenues- This line item remained almost flat for 2026. This category primarily consists of our shared revenue and expenditure restraint payments from the State of Wisconsin.

Licenses and permits- The amount of revenue that is generated from permit and development fees is based on the development and construction market. The 2026 budget reflects a slight decrease to reflect actual results from prior years.

Fines and Forfeitures - The 2026 budget is increasing by over 15% due to a continued increase in parking fines written and collected by the Police Department and community service officers.

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2026 Operating Budget Overview

REVENUE HIGHLIGHTS (Continued)

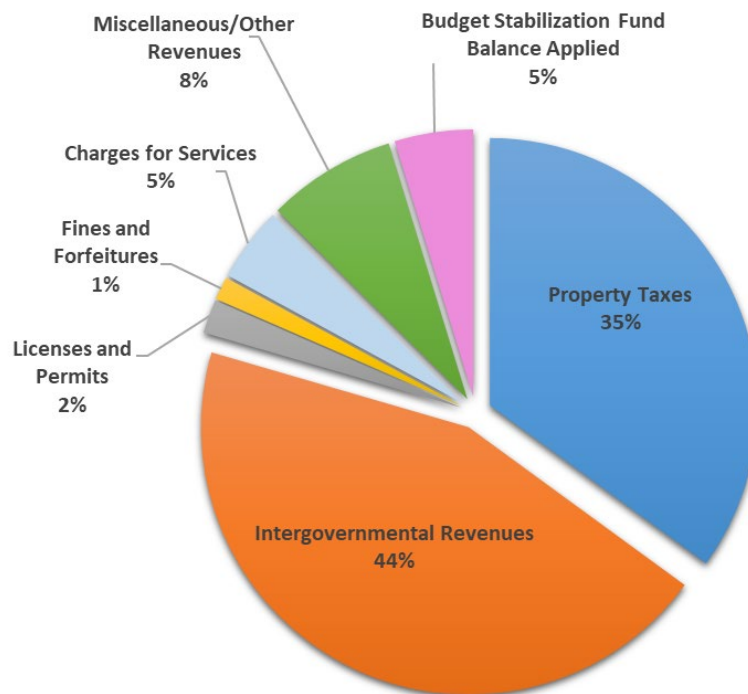
Charges for services- Includes revenues such as fire inspection fees, recreation and other park fees. This category increased for the 2026 budget because of an increase in the fire inspection fees, and vehicle towing revenue.

Miscellaneous Revenues- of which interest income is the largest component, decreased for 2026 as interest rates decrease and investable cash on hand decreases.

Other Financing Sources- This category includes the PILOT (*payment in lieu of tax*) payment from the Water Department and transfer from other funds. The 2026 other financing sources remained mostly flat.

Fund Balance Applied- The amount of fund balance applied in the 2026 budget increased from 2025 due to State grants budgeted in previous years that covered overtime costs that will expire in mid-2026. This category reflects the use of \$4.525M of fund balance in the general fund.

The largest components of the General Fund revenues are Property Taxes and Intergovernmental Revenues. The city's largest operating fund continues to rely heavily on State Shared Revenue and Property Taxes. Below depicts the general fund revenues by category.



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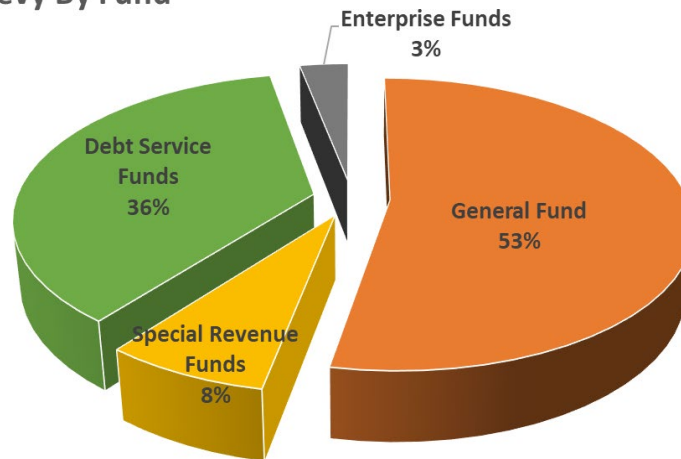
2026 Operating Budget Overview

REVENUE HIGHLIGHTS (Continued)

Property Tax Levy:

The Tax Levy for 2026 is \$62,923,089 which is a 7.5% increase from the prior year. The increase is a result of the referendum that was passed in 2025 to support fire operations, allowed increase due to net new construction increase, and increases debt service requirements. The tax levy is allocated to various operating funds within the budget as graphically represented below.

Tax Levy By Fund



The tax levy consists of two components, an **operational levy** and a **debt service levy**. The operational levy increased by over \$2 million with \$1.5 million authorized through referendum and over \$500 thousand allowed from net new construction. The tax levy for debt service increased to reflect principal and interest on debt in accordance with higher borrowing amounts and interest rates. The tax levy as proposed complies with the levy limit requirements imposed by the State of Wisconsin.

| | <u>2024</u> | <u>2025</u> | <u>2026</u> |
|-------------------|----------------------|----------------------|----------------------|
| | <u>Budget</u> | <u>Budget</u> | <u>Budget</u> |
| Operating Levy | \$ 38,673,000 | \$ 38,008,000 | \$ 40,042,000 |
| Debt Service Levy | <u>19,475,474</u> | <u>20,512,890</u> | <u>22,881,089</u> |
| | <u>\$ 58,148,474</u> | <u>\$ 58,520,890</u> | <u>\$ 62,923,089</u> |

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2026 Operating Budget Overview

REVENUE HIGHLIGHTS (Continued)

Property Tax Levy (continued):

Levy Limits

Levy limits restrict the annual tax levy growth by our percentage of net new construction. Local governments continue to be under levy limits imposed by the State. Under the levy limits, the tax levy cannot exceed the percentage increase in the City's net new construction percentage (with a few exceptions). While our net new construction was our highest on record, it remains less than our basic salary and benefit increases for the year. The levy limit calculation is complex and continues to negatively impact our city by not allowing an increase for inflation among other things.

| <u>COMMUNITY</u> <u>CODE</u> | <u>COUNTY</u> <u>NAME</u> | <u>MUNICIPALITY</u> | <u>2024 EQUALIZED</u> <u>VALUE</u> | <u>2025 NEW NET</u> <u>CONSTRUCTION</u> | <u>PERCENT</u> |
|---------------------------------|------------------------------|---------------------------|---------------------------------------|--|----------------|
| 51002 | RACINE | TOWN OF BURLINGTON | 1,223,052,700 | 18,597,100 | 1.52 |
| 51006 | RACINE | TOWN OF DOVER | 650,578,900 | 6,887,700 | 1.06 |
| 51010 | RACINE | TOWN OF NORWAY | 1,486,084,000 | 10,128,100 | 0.68 |
| 51016 | RACINE | TOWN OF WATERFORD | 1,101,144,100 | 6,821,300 | 0.62 |
| 51104 | RACINE | VILLAGE OF CALEDONIA | 3,709,713,100 | 34,231,700 | 0.92 |
| 51121 | RACINE | VILLAGE OF ELMWOOD PARK | 61,718,800 | 70,700 | 0.11 |
| 51151 | RACINE | VILLAGE OF MOUNT PLEASANT | 5,809,246,400 | 996,569,500 | 17.15 |
| 51161 | RACINE | VILLAGE OF NORTH BAY | 53,131,200 | 14,000 | 0.03 |
| 51168 | RACINE | VILLAGE OF RAYMOND | 837,302,900 | 10,682,300 | 1.28 |
| 51176 | RACINE | VILLAGE OF ROCHESTER | 579,490,000 | 7,434,200 | 1.28 |
| 51181 | RACINE | VILLAGE OF STURTEVANT | 1,028,551,400 | 24,107,600 | 2.34 |
| 51186 | RACINE | VILLAGE OF UNION GROVE | 592,849,500 | 29,404,600 | 4.96 |
| 51191 | RACINE | VILLAGE OF WATERFORD | 864,333,700 | 18,704,900 | 2.16 |
| 51192 | RACINE | VILLAGE OF WIND POINT | 376,815,700 | 149,000 | 0.04 |
| 51194 | RACINE | VILLAGE OF YORKVILLE | 952,469,400 | 9,405,100 | 0.99 |
| 51206 | RACINE | CITY OF BURLINGTON | 1,463,169,600 | 18,154,200 | 1.24 |
| 51276 | RACINE | CITY OF RACINE | 5,387,074,500 | 73,140,500 | 1.36 |

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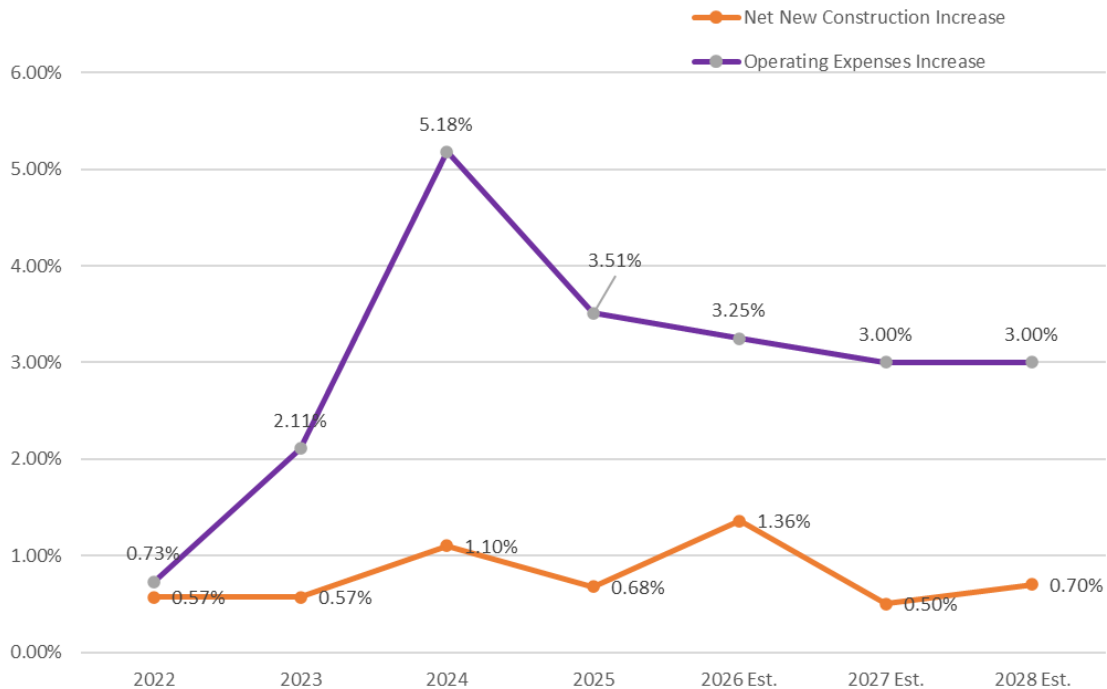
2026 Operating Budget Overview

REVENUE HIGHLIGHTS (Continued)

Property Tax Levy (continued):

Levy Limits

The 2026 budget includes a tax levy that complies with the levy limits established by the State of Wisconsin. The operational tax levy increased by just over \$2 million, due to the voter-approved referendum and the 1.36% net new construction growth within the city. Despite this increase, the City continues to face a structural deficit, as basic cost increases outpace the property tax revenue growth allowed under state-imposed limits. This fiscal challenge is expected to persist in 2027 and beyond. To address this ongoing issue, economic development that results in net new construction is essential. Such growth is critical to increasing the City's allowable tax levy and ensuring the continued delivery of high-quality services to our residents.



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2026 Operating Budget Overview

REVENUE HIGHLIGHTS (Continued)

Intergovernmental Revenues-State Shared Revenues

The largest portion of intergovernmental revenues comes from the State shared revenue and expenditure restraint programs. This program has been in existence for many years and is the largest source of non-tax levy revenue in the General Fund. It accounts for about 44% of the total General Fund revenue for 2026.

Shared Revenue includes county and municipal aid, supplemental county and municipal aid, utility aid, and expenditure restraint incentive program aid. It is distributed to Wisconsin municipalities and counties in July and November each year under sec. 79.02, Wis. Stats.

The City of Racine receives \$3.3 million annually under the expenditure restraint program. The program limits the operating expenditure increase to an inflationary calculation performed by the State. The allowable expenditure increase is 3.5% for the city for 2026. The 2026 budget is under the expenditure restraint limit as proposed. Any amendments that result in a net increase in expenses in the budget will put us in violation under the expenditure restraint program and will result in the loss of all \$3.3 million that we receive annually.

Fees and Charges for Services

With the property tax restrictions created by the State imposed levy limits, local governments, including Racine, are forced to raise revenues elsewhere to provide basic services. Each budget year all departments analyze their respective fees and propose changes as they see necessary to cover basic cost of services. Fee increases are proposed across almost all departments for the 2026 budget. A detailed fee schedule can be found behind a separate tab in your budget book. Fee increases are essential to our ability to cover the inflationary cost of services and maintain the city's aging infrastructure. An inability to raise fees or waiving fees will result in service cuts in the near and long term.

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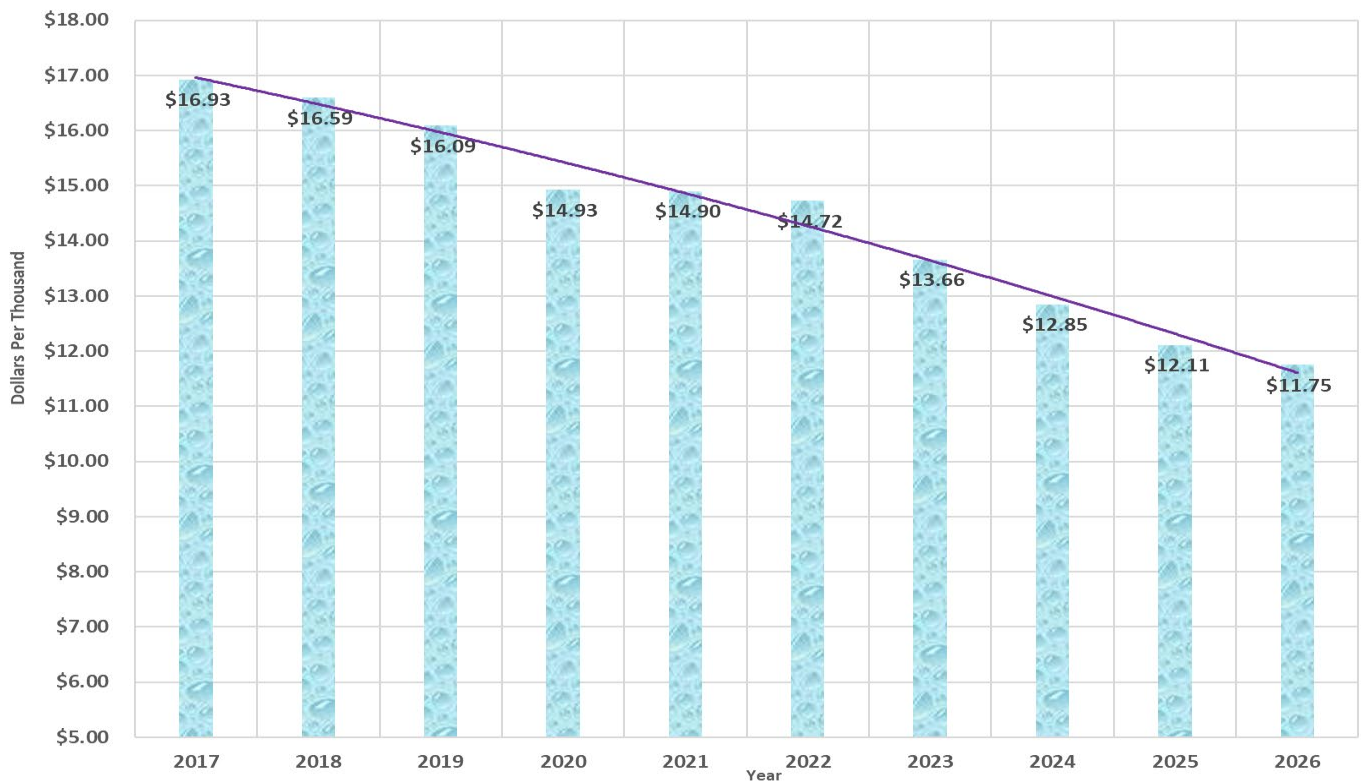
2026 Operating Budget Overview

REVENUE HIGHLIGHTS (Continued)

TAXES AND FEES

Tax Rate

Based on assessed values, the city tax rate is anticipated to decrease by almost 3% to \$11.75 per thousand. The tax rate is down over \$5.18 or 30.57% from the highest point in 2017. Assessed values are above \$5.3 billion and are the highest they have ever been.



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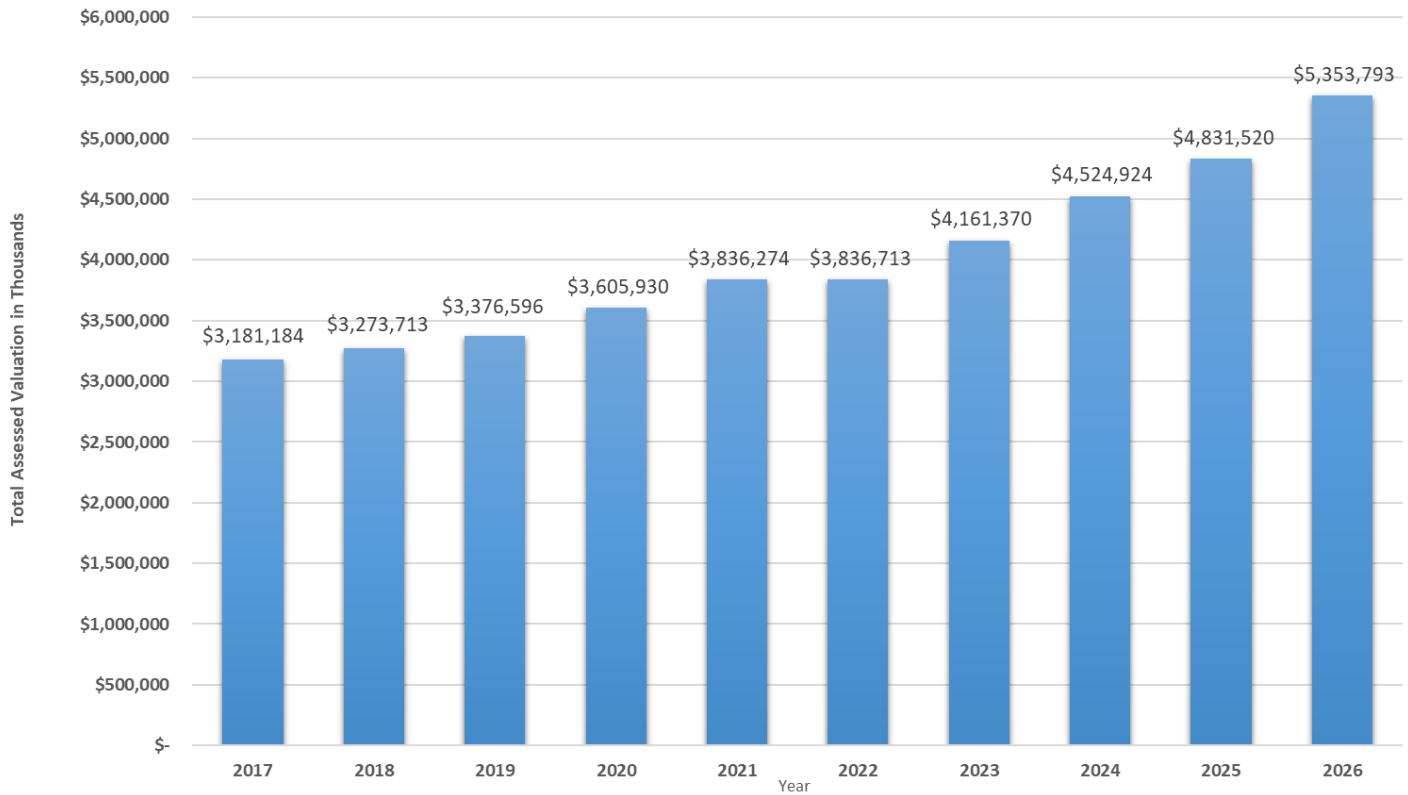
2026 Operating Budget Overview

REVENUE HIGHLIGHTS (Continued)

TAXES AND FEES

Assessed Value

Assessed values will increase about 10.81% overall and will be at the highest levels in history.



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2026 Operating Budget Overview

REVENUE HIGHLIGHTS (Continued)

TAXES AND FEES

Fees

The city budget incorporates a variety of fees and charges to support day-to-day operations and to maintain our aging infrastructure. When levy limits were enacted, they required a shift in funding — moving many operational costs from property tax revenue to fee-based revenue.

Each year, a comprehensive fee schedule is included with the annual budget, detailing any proposed fee changes by department. These fees are collected through several methods, including property tax bills, utility bills, rescue and ambulance billings, and general invoice billings.

Maintaining and adjusting fees is essential for the long-term financial sustainability of the city. Any reduction or waiver of fees may lead to diminished service levels and could have a long-term negative impact on critical infrastructure.

Below are examples of selected fees of general interest:

| <u>Fee</u> | <u>Bill Type</u> | <u>Bill Frequency</u> | <u>2025</u> | <u>2026</u> | <u>\$ Change</u> | <u>% Change</u> |
|--------------------------------------|----------------------|---------------------------|-------------|-------------|----------------------|---------------------|
| Sanitary Sewer Lateral Fee | Tax Bill | Annual | \$ 93.00 | \$ 97.00 | \$ 4.00 | 4.30% |
| Recycling Fee | Tax Bill | Annual | \$ 88.95 | \$ 93.22 | \$ 4.27 | 4.80% |
| Storm Water Fee | Utility Bill | Quarterly | \$ 187.43 | \$ 200.87 | \$ 13.44 | 7.17% |
| Sewer Utility Fee | Utility Bill | Quarterly | \$ 2.89 | \$ 2.97 | \$ 0.08 | 2.77% |
| Water Utility Fee | Utility Bill | Quarterly | \$ 3.11 | \$ 3.11 | \$ - | 0.00% |
| Sanitary Sewer Surcharge-Residential | Utility Bill | Quarterly | \$ 30.00 | \$ 31.00 | \$ 1.00 | 3.33% |
| Sanitary Sewer Surcharge-Commercial | Utility Bill | Quarterly | \$ 75.00 | \$ 78.00 | \$ 3.00 | 4.00% |
| Sanitary Sewer Surcharge-Public | Utility Bill | Quarterly | \$ 175.00 | \$ 184.00 | \$ 9.00 | 5.14% |
| Sanitary Sewer Surcharge-Industrial | Utility Bill | Quarterly | \$ 175.00 | \$ 184.00 | \$ 9.00 | 5.14% |

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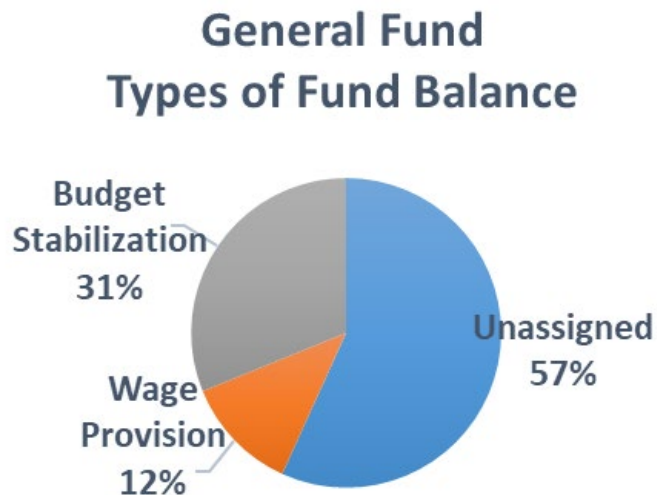
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RESERVE FUNDS/FUND BALANCE

The City maintains both undesignated fund balance and assigned fund balance. Fund balance is assigned within the General Fund for both wage provision and for budget stabilization as authorized by the Common Council. Per Resolution 0863-21 any unassigned General Fund Balance in excess of 25%, but no more than 30% of the subsequent year's expenditures shall be assigned to **Wage and Benefit Provision**. Any General Fund balance in excess of 30% of the subsequent year's expenditures shall be assigned to the **Budget Stabilization Provision**.

As anticipated, the 2026 budget will appropriate approximately \$4.525M of fund balance to balance the 2026 budget. The fund balance applied will come from \$1M from the wage provision fund balance to cover wage increases for non-represented employees and \$3.525M of budget stabilization fund balance to pay for general operational expenses.

Spendable general fund reserves will remain at a high level of approximately \$37M at the end of 2026 or almost 38% of the 2026 budget. While it is likely that we will apply fund balance in future budgets, spending fund balance at these levels is not sustainable into the future.

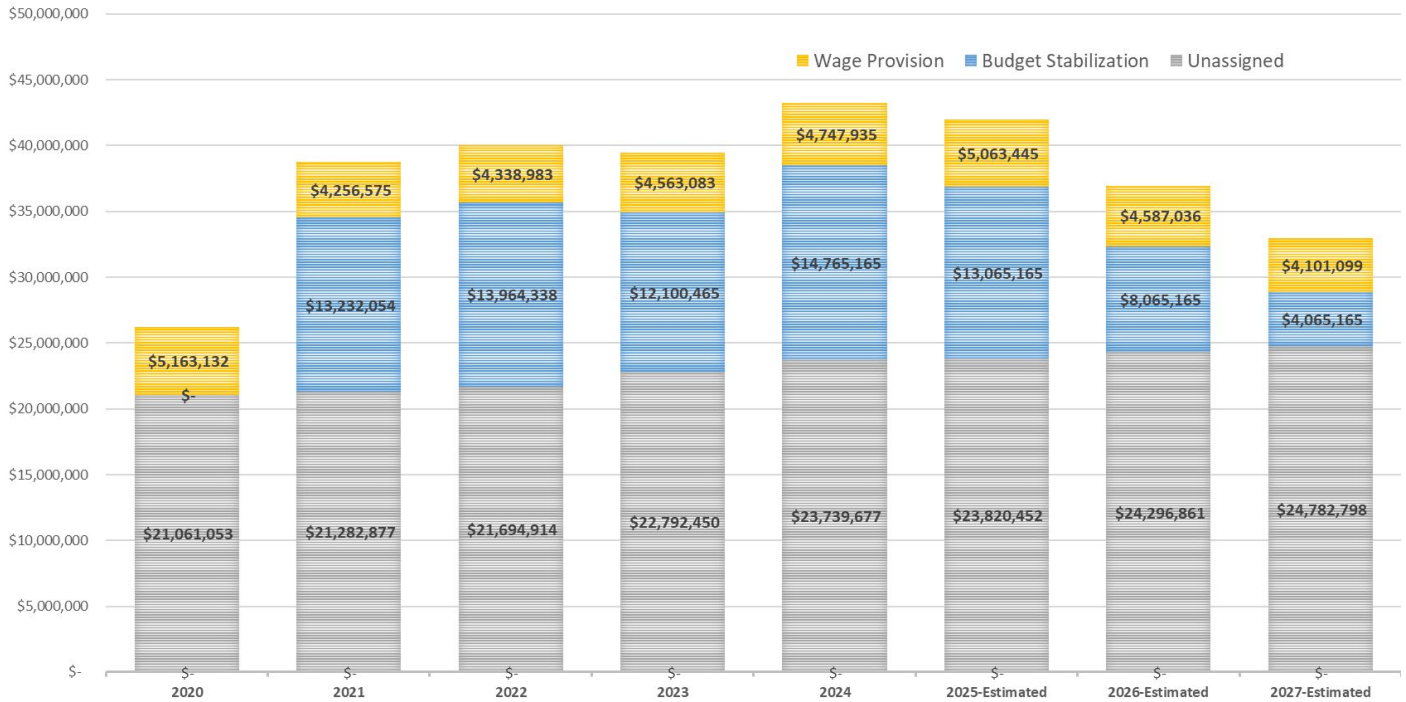


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RESERVE FUNDS/FUND BALANCE (continued)

The chart below depicts our general fund spendable reserves by category since 2020. Balances shown are estimated year end balances through 2027 based on projections. General fund balance should remain above 30% to protect our bond rating in the future.



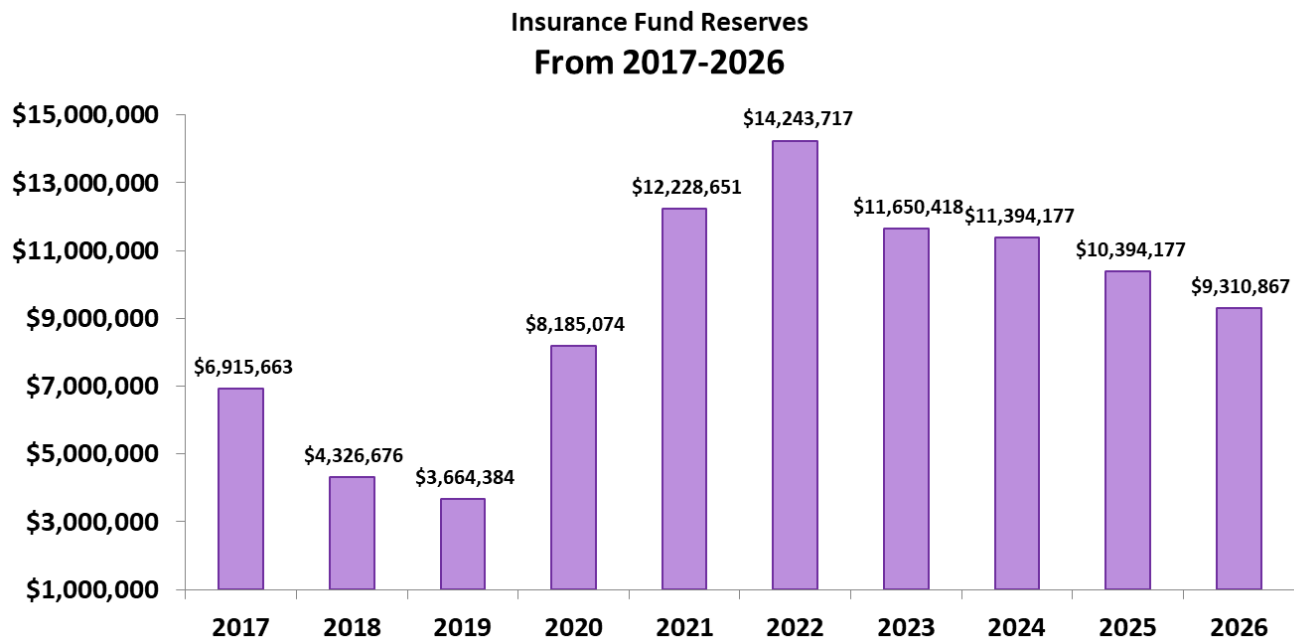
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2026 Operating Budget Overview

RESERVE FUNDS/FUND BALANCE (continued)

The City also maintains a designated Insurance Fund balance in the Insurance internal service fund. Although these reserve funds may be used as revenue to support the Insurance Fund expenditures, such fund balance shall, per resolution, be maintained at a minimum of 5% of the Healthcare appropriations adopted for the subsequent budget year.

The 2026 budget appropriates just over \$1 million of reserve funds used primarily to cover the cost of the continued City provided HSA contributions to employees. City provided HSA contributions are dependent on available funding and the action of the Common Council annually and are not sustainable at the current levels long term. With the new health plan administrator, Centivo, and the option of a lower deductible co-pay plan, it is anticipated that employees may move away from the high-deductible health plan in 2026. The change in the plan administrator and the new network options resulted in only a minor increase in insurance fund costs for 2026. The city continues to struggle with the costs associated with legacy retiree benefits which will continue far into the future. Fund balance remains high, significantly exceeding the 5% required threshold, however the City should continue to remain conservative with the use of reserves to stabilize the budget. Being self-insured, it is imperative that the City continue to have sufficient health care reserves to mitigate unanticipated cost fluctuations.



CITY OF RACINE

2026 Operating Budget Overview

EXPENDITURE HIGHLIGHTS

The General Fund expenditure budget for 2026 has an increase of approximately \$648,000, or .68% from 2025 primarily due to general increases from wages and benefits. With costs for fire operations being allocated to both the EMS and Referendum special revenue fund, the cost increases in the general fund appear negligible.

The general fund reflects the continued support for essential services, including public safety with increases in most departmental categories. General fund expenditures include a step and 1% wage increase for all non-represented full and part time employees. The public safety category reflects the reclassification of fire department costs to both the EMS fund and the Referendum Fund. Increases in the general fund may not appear as large as many costs continue to be reallocated to other funds to be funded by fees or grants in response to the tax levy limit restrictions.

| General Fund Expenditures 2025 to 2026 Budget | | | | |
|--|---------------|---------------|------------|----------------|
| | 2025 Budget | 2026 Budget | Change | Percent Change |
| General Government | \$ 10,934,633 | \$ 11,678,620 | \$ 743,987 | 6.80% |
| Health | 3,725,723 | 3,437,347 | (288,376) | -7.74% |
| Public Safety | 54,338,403 | 53,978,266 | (360,137) | -0.66% |
| Public Works | 13,423,435 | 13,591,175 | 167,740 | 1.25% |
| Education and Recreation | 8,719,823 | 9,079,289 | 359,466 | 4.12% |
| Community Development | 3,491,691 | 3,517,111 | 25,420 | 0.73% |
| Total Expenditures | \$ 94,633,708 | \$ 95,281,808 | \$ 648,100 | 0.68% |

Other general fund expenditure items of note by function are as follows:

General Government- this area shows an increase in the budget based primarily on more elections in 2026.

- ✓ New position in the Human Resources Department focusing on recruitment
- ✓ New position in customer service to support the implementation of the sump pump program.
- ✓ Additional funding for elections
- ✓ Additional funding in the Common Council budget for more meetings.

Health Department- this area includes:

- ✓ Decrease reflects a budget more aligned with actual results as much of the department is funded with grants.

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2026 Operating Budget Overview

EXPENDITURE HIGHLIGHTS (continued)

Public Safety- this area includes:

- ✓ Includes the Department of Community Safety
- ✓ Reflects the transfer of salary and benefit costs from the Fire Department in the general fund to the EMS and Referendum Special Revenue Fund.

Public Works- this area includes:

- ✓ Increase to general non represented salary increases
- ✓ Additional wages and benefits covered by fees and charges in other funds.

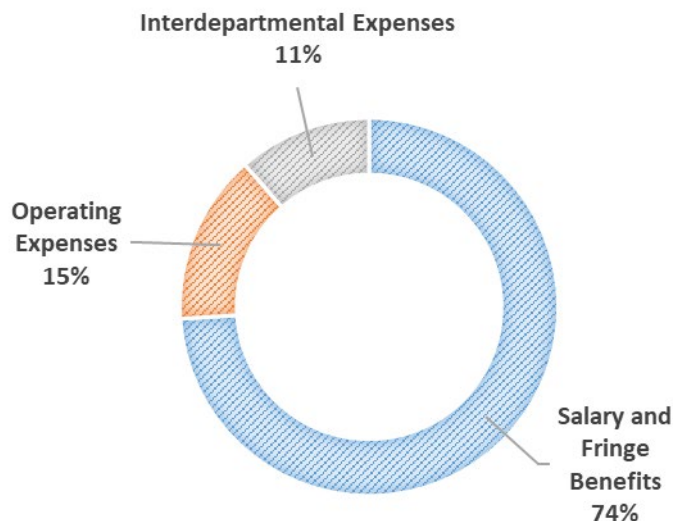
Education and Recreation-this area includes:

- ✓ Increase to general non represented salary increases
- ✓ Continuation of additional lifeguards.

Community Development-this area includes:

- ✓ Increase to general non represented salary increases
- ✓ Funding from grants and TID's as allowable is utilized for some salary and benefits.

Personnel costs (salary and fringe benefits) continue to be the driving force of the general fund expenditures, while public safety constitutes over 57% of our budgetary costs in the general fund.



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OTHER FUNDS HIGHLIGHTS

In addition to the general fund, the City also has various other funds that contribute to the annual budget, including special revenue funds, debt service funds, capital project funds, utilities, and internal service funds.

Special Revenue Funds

Special Revenue Funds are used to account for revenues that are legally restricted or committed to specific purposes, excluding capital projects or debt service. These funds are primarily supported by non-property tax revenues (such as user fees, grants, or other sources), although they may receive limited property tax support.

In the 2026 budget, a new Special Revenue Fund has been established to track revenues and expenditures related to the voter-authorized fire department referendum. This reflects increased transparency and compliance with funding restrictions.

Over recent years, there has been a strategic reallocation of expenses from the General Fund to Special Revenue Funds when costs are covered by user fees or designated revenue sources. This approach helps to align expenditures with appropriate funding sources and reduce pressure on the General Fund.

Expenditures in the special revenue funds for 2026 increased by over 14% from the prior year. This increase was a result of an increase in basic costs associated with services and the new referendum fund. Special revenue fund budgets are listed below:

| Expenditures by Special Revenue Fund | |
|--------------------------------------|---------------|
| Referendum-Fire | \$ 1,500,000 |
| Library | \$ 4,904,057 |
| Waste Disposal | 3,003,345 |
| EMS | 4,072,000 |
| Municipal Court | 481,512 |
| Cemetery | 774,973 |
| Neighborhood Enhancement | 1,457,162 |
| Sanitary Sewer Maintenance | 6,737,156 |
| Room Tax | 580,200 |
| Total Expenditures | \$ 23,510,405 |

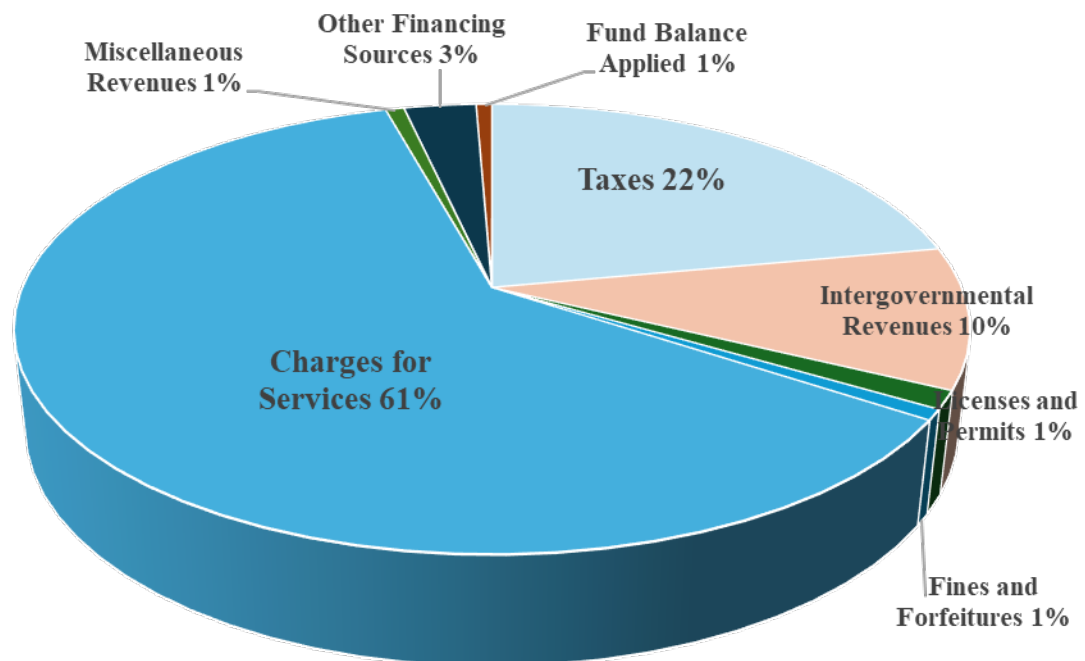
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OTHER FUNDS HIGHLIGHTS (continued)

Special Revenue Funds

Special Revenue Funds are primarily supported by charges for services, which remain the dominant revenue source in the 2026 budget. These funds ensure that the cost of specific services is borne by the users who directly benefit from them, rather than relying heavily on the property tax levy. The primary sources of revenue include EMS fees, recycling fees, sanitary sewer maintenance fees, cemetery fees, and the sanitary sewer surcharge for commercial ratepayers. Due to continued cost increases across all service categories, most user fees will increase in 2026, including those for recycling, sanitary sewer maintenance, sanitary surcharge, and cemetery services.



Special Revenues by Source

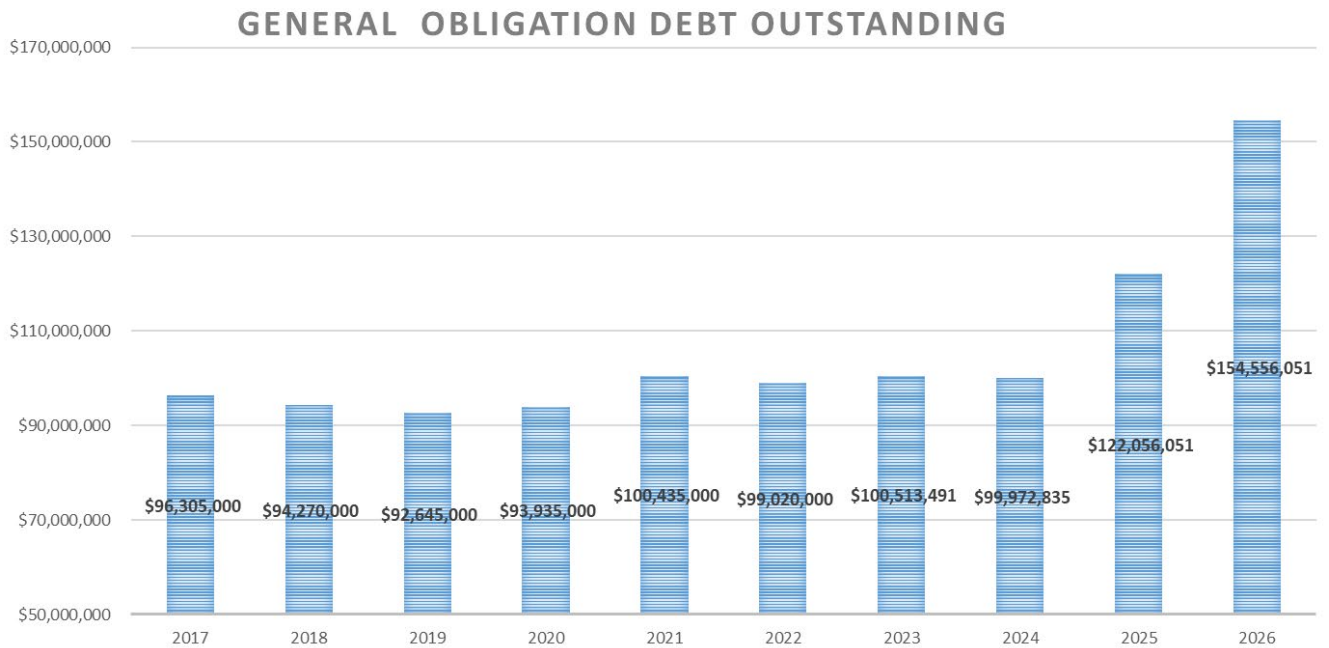
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OTHER FUNDS HIGHLIGHTS (continued)

Debt Service Funds

The City currently holds an Aa- bond rating from Standard & Poor's, reflecting its solid financial operations, strong reserve balances, and a manageable debt plan. To maintain this favorable rating, the city must continue its practice of responsible budgeting while preserving sound reserve levels. Between 2025 and 2026, the City's overall level of indebtedness is expected to increase, driven primarily by investments in aging infrastructure, construction of a safety building, and development projects. Despite this increase, the City's outstanding debt remains at reasonable levels and well within its debt capacity limit, ensuring continued fiscal stability and creditworthiness.



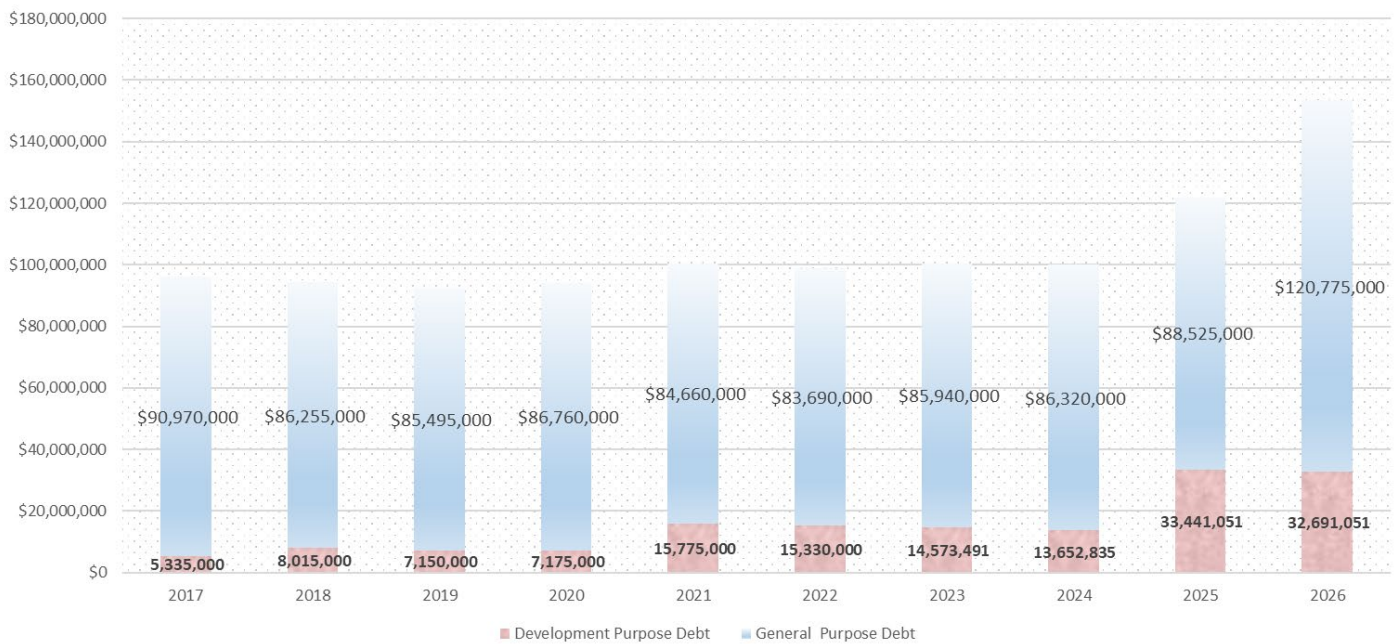
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2026 Operating Budget Overview

OTHER FUNDS HIGHLIGHTS (continued)

Debt Service Funds

Development purpose debt will account for about \$33 million of our outstanding debt at 12/31/25. Development purpose debt has increased over the last few years to support various development projects including the Hotel Verdant, Belle City Square Development, and the Lincoln King Community Center Clinic. These developments, and others like it, have a substantial positive economic impact on our community including increased net new construction and assessed and equalized value.



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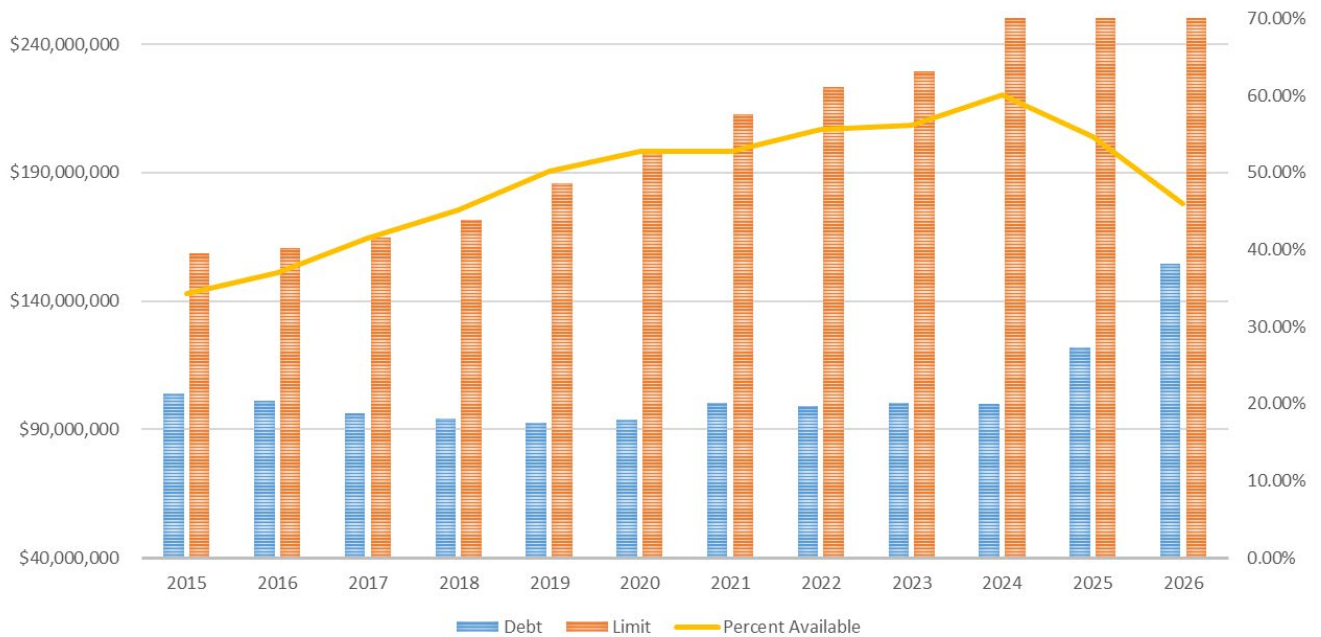
2026 Operating Budget Overview

OTHER FUNDS HIGHLIGHTS (continued)

Debt Service Funds

The City's debt capacity (capacity to borrow) is an indicator of fiscal stability and is based on the equalized value of the City. As equalized value rises, borrowing capacity increases. The estimated debt limit for 2026 is \$286M, leaving the City's estimated borrowing capacity at a healthy 46% at the end of 2026. The decrease in our borrowing capacity in 2026 is a result of significant borrowing anticipated for the construction of a public safety facility.

AVAILABILITY TO BORROW



CITY OF RACINE

2026 Operating Budget Overview

OTHER FUNDS HIGHLIGHTS (continued)

Capital Projects Funds

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The City has four budgeted capital project funds, with annual costs totaling around \$25.1M.

| Expenditures by Capital Project Fund | | | | |
|---|--------------------|--------------------|---------------|-----------------------|
| | 2025 Budget | 2026 Budget | Change | Percent Change |
| General Obligation Bond Fund | \$ 14,719,596 | \$ 16,887,462 | \$ 2,167,866 | 14.73% |
| Equipment Replacement Fund | 4,112,135 | 3,893,868 | (218,267) | -5.31% |
| Intergovernmental Revenue Sharing Fund | 2,770,000 | 3,742,000 | 972,000 | 35.09% |
| Equipment Lease Fund | 298,000 | 594,000 | 296,000 | 99.33% |
| Total Expenditures | \$ 21,899,731 | \$ 25,117,330 | \$ 3,217,599 | 14.69% |

There are a few items of interest in the 2026 capital project funds budget.

- In the General Obligation Bond Fund, the City will be borrowing more than in the prior year as our buildings and infrastructure continue to require significant maintenance. The Bond Fund also includes \$1M for the demolition of our oldest parking ramp, McMynn, in the downtown.
- An Equipment Lease fund was developed in 2023 to account for the expenses associated with leasing vehicles. This is being used primarily for police vehicles. The program is funded by the sale of vehicles and vehicle trade in. The leasing option is readily used by other governments and was useful during COVID when vehicle delivery lead times were at impossible levels. The city has since discontinued leasing vehicles as lead times for purchase have normalized.
- The Intergovernmental Revenue Sharing Fund shows an increase of 35% due to a recalculation of the revenue sharing payment resulting in additional funds received from agreement parties based on growth in surrounding communities.

CITY OF RACINE

2026 Operating Budget Overview

OTHER FUNDS HIGHLIGHTS (continued)

Enterprise Funds

Enterprise funds are used to account for and report any activity for which a fee is charged to external users for goods or services and must be used for activities which meet certain debt or cost recovering criteria. The City reports 4 enterprise funds in the annual budget with total expenditures of over \$29.8M. Expenses in Enterprise funds increased about 4.5% from 2025. Increases occurred in Transit, Stormwater, and Civic Centre.

| Name | FY2023 Actual | FY2024 Actual | FY2025 Adopted | FY2026 Proposed |
|--------------------------------|----------------------|----------------------|-----------------------|------------------------|
| Enterprise Funds | | | | |
| Transit | \$12,746,436 | \$14,415,311 | \$14,572,319 | \$15,556,877 |
| Parking System | -\$475,634 | \$1,489,750 | \$1,863,904 | \$1,642,403 |
| Stormwater Utility | \$6,999,689 | \$6,492,112 | \$11,525,706 | \$11,848,341 |
| Civic Centre | \$577,597 | \$732,198 | \$699,000 | \$780,000 |
| Radio Communication Resources | \$184,602 | \$201,027 | \$0 | \$0 |
| Total Enterprise Funds: | \$20,032,689 | \$23,330,398 | \$28,660,929 | \$29,827,621 |

Utility Funds

Utility Funds account for the operations of the City's water and wastewater systems. The Utilities are projecting \$39.5M in expenditures in 2026, which represents a 1.5% increase over the prior year. Utility operations are funded with user fees charged to rate payers.

| Name | FY2023 Actual | FY2024 Actual | FY2025 Adopted | FY2026 Proposed |
|--------------------|----------------------|----------------------|-----------------------|------------------------|
| Water Utility | \$21,655,012 | \$21,806,598 | \$23,893,000 | \$24,458,000 |
| Wastewater Utility | \$12,495,549 | \$12,906,311 | \$15,065,133 | \$15,079,566 |
| Total: | \$34,150,561 | \$34,712,909 | \$38,958,133 | \$39,537,566 |

CITY OF RACINE

2026 Operating Budget Overview

OTHER FUNDS HIGHLIGHTS (continued)

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The City reports 4 internal service funds within the annual budget, the largest being the Insurance Fund. Expenditures in the internal services funds increased by about \$1.7 million for 2026 with most of that increase being attributed to the insurance fund.

| Name | FY2023 Actual | FY2024 Actual | FY2025 Adopted | FY2026 Proposed |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Equipment Maintenance | \$4,834,434 | \$4,732,076 | \$5,075,500 | \$5,235,318 |
| Information Systems | \$4,748,075 | \$5,648,887 | \$6,865,004 | \$7,334,838 |
| Building Complex | \$3,326,805 | \$3,609,416 | \$3,811,037 | \$4,172,927 |
| Insurance | \$19,683,765 | \$20,601,819 | \$22,134,325 | \$22,855,659 |
| Telephone | \$343,150 | \$346,031 | \$0 | \$0 |
| Total: | \$32,936,228 | \$34,938,229 | \$37,885,866 | \$39,598,742 |

Conclusion

This budget represents a strategic approach to maintaining essential services, investing in critical infrastructure, and ensuring the long-term financial health of the city. It reflects our continued commitment to fiscal responsibility, transparency, and sustainability, while adapting to evolving community needs and state-imposed financial constraints.

As we move forward, we remain focused on balancing service delivery with prudent financial management. The support and engagement of our residents, staff, and elected officials are vital to achieving these goals. Together, we can ensure our city remains a resilient, vibrant, and well-managed community for generations to come.

The detailed budget book, including comprehensive revenue and expenditure account information, can be found in the following pages. Budget deliberations and considerations will involve departmental presentations, public input, and feedback from elected officials. The fiscal details provided in this budget are designed to support departmental goals and initiatives, the proposed fee schedule, position authorizations, ordinance modifications, and the 10-year Capital Improvement Plan included within this document

The comprehensive budget document can be found on the City of Racine website at <https://cityofracine.org/finance/budget/>