

Capital Budget Overview and Policies

What is included in the Capital Budget?

The City of Madison's Capital Improvement Plan (CIP) is a planning and financial document that details investments to provide lasting improvements in the City's infrastructure, assets, and services. A **capital project** is a large-scale, time limited program with a defined start and end date. A **capital program** is a large-scale, continuing work plan. The Capital Budget appropriates funding for capital projects and programs that comprise the first year of the CIP. The remaining five years of the CIP are included as a plan for the future.

The City of Madison has established a policy to remove from the Capital Budget those items with a useful life of less than the repayment term of General Obligation debt (usually ten years). Those items should be considered in the Operating Budget under MGO 4.02(6)(c)(3).

Guidelines for Capital Projects and Programs

Capital projects included in the CIP must meet one or more of the following guidelines:

1. Land purchases and improvements in excess of three thousand dollars (\$3,000); or
2. Projects requiring the borrowing of money including, but not limited to construction or reconstruction of public utilities, streets, sidewalks, storm and sanitary drainage facilities; or
3. New construction and construction of buildings in excess of five thousand dollars (\$5,000); or
4. Major alterations to buildings and facilities which are not routine repairs and which substantially enhance the value of a structure or change its use; or
5. Original equipment or motor vehicle purchases exceeding twenty thousand dollars (\$20,000) in cost and having a life expectancy of ten (10) years or more, unless, for new capital projects, the repayment term of the debt coincides with the useful life of the asset.

Guidance for Agencies Submitting Capital Requests

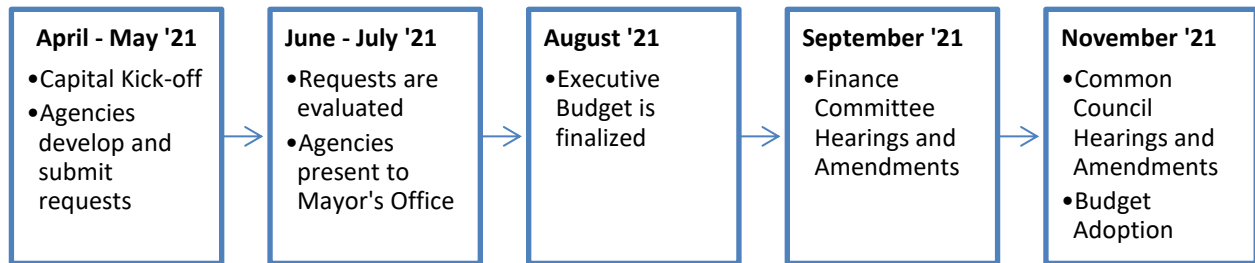
Agencies received the following guidance for developing capital budget requests:

- All agencies are encouraged to find ways to decrease spending in the 2022 Capital Budget that will not unduly impact the City's ability to provide essential services.
- Agencies should prioritize requests and provide an overview memo describing the criteria used to establish the prioritized list.
- Agency requests for existing projects should be consistent with the adopted 2021 Capital Improvement Plan. Increases from existing funding levels or changes to projects must be justified and clearly explained.
- Agencies may submit requests for new projects that were not included in a prior year CIP; however, new projects must be conceptualized to the point where a complete budget proposal can be submitted.
- Agencies will be allowed to submit budget requests for projects currently on the Horizon List so long as they can demonstrate outstanding issues have been resolved and a complete budget can be developed.
- Program budgets should continue into 2027 and can be adjusted by up to 5% to account for inflationary construction costs.

In addition to the above guidance, a new section on racial equity and social justice (RESJ) was added to 2022 Capital Request form. All agencies were required to articulate how their proposal would impact RESJ goals, specifically, "how Black, Indigenous, and People of Color, people living with lower incomes, and people who are otherwise marginalized (because of gender, age, home language, etc.) would be affected by the proposed budget or budget change(s)." Agency requests were submitted to the Finance Department on Tuesday, May 25, 2021, and can be found here: <https://www.cityofmadison.com/finance/budget/2022/capital>

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Capital Budget Development Timeline



Special Assessment

Various Public Works projects include special assessments as a funding source. City staff are allowed to administratively increase the special assessment budget for projects where the final assessment exceeds the amount assumed in the budget, including movement across major projects, without seeking Common Council approval.

Savings Resulting from Use of General Debt Reserves

In December 2012, the Common Council created MGO 4.17 to prohibit the use of unused balances in the debt service fund for operating expenses. The Ordinance states: "In any year when general debt reserves are applied to reduce general fund debt service, an amount at least equal to the general debt reserves applied must be directly appropriated from the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds (2/3) of all members during approval of the budget, votes to do otherwise."

Projects Funded by a Direct Appropriation from the General Fund

Consistent with the Guidelines for Projects above, the Capital Budget funds certain projects and studies through a direct appropriation to capital (see table below). The funding for these projects will be shown in the 2022 Operating Budget with the associated property tax levy offset by lower General Fund debt service. The reduced General Fund debt service is the result of applying estimated General Debt Reserves generated by the projected bond issuance premium associated with the 2021 general obligation debt issuance. The 2022 Executive Budget proposes funding for the three projects listed below totaling \$915,000.

Agency	Project	Amount
LIBRARY	LIBRARY COLLECTION	740,000
IT	ELECTION EQUIPMENT FOR CLERK	100,000
ZOO	HENRY VILAS ZOO	75,000
	Total	\$915,000

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Reauthorizations /Carry Forward Balances

The 2022 Capital Budget shows new capital appropriations for the upcoming year. Carry forward balances will be presented as part of the resolution authorizing the GO Borrowing, which is adopted by the Common Council in September 2021. Based on projected borrowing levels, \$67.4 million in GO Borrowing project balances will carry forward from 2021 to 2022. Twenty four projects (of 161) account for 74% (\$49.7m) of the project balances that will be carried forward. See the table below for a summary of carry forward appropriations

Agency	Project	Amount
COMMUNITY DEVELOPMENT	AFFORDABLE HOUSING-DEVELOPMENT 2021	3,970,000
COMMUNITY DEVELOPMENT	MEN'S PERMANENT HOMELESS SHELTER	3,000,000
COMMUNITY DEVELOPMENT	AFFORDABLE HOUSING-DEVELOPMENT 2020	500,000
ECONOMIC DEVELOPMENT	LAND BANKING 2021	1,450,000
ENGINEERING - FACILITIES MGMT	CCB FOURTH FLOOR REMODELING	815,000
ENGINEERING - FACILITIES MGMT	CCB IMPROVEMENTS 2021	521,363
ENGINEERING - MAJOR STREETS	RECONSTRUCTION STREETS 2021	2,300,000
ENGINEERING - MAJOR STREETS	JOHN NOLEN DRIVE	1,980,000
ENGINEERING - MAJOR STREETS	GAMMON ROAD, SOUTH	517,290
FLEET SERVICES	2020 FLEET EQUIPMENT REPLACEMENT	2,800,000
FLEET SERVICES	2021 FLEET EQUIPMENT REPLACEMENT	2,400,000
FLEET SERVICES	2021 FIRE APPARATUS/RESCUE VEHICLES	1,745,000
FLEET SERVICES	FLEET SERVICE RELOCATION	732,569
FLEET SERVICES	FLEET FIRE EQUIPMENT 2020	600,000
INFORMATION TECHNOLOGY	ENTERPRISE FINANCIAL SYSTEM	550,000
METRO TRANSIT	METRO SATELLITE BUS FACILITY	7,228,000
METRO TRANSIT	FACILITY REPAIRS &IMPROVEMENTS 2020	1,940,000
PARKS	GARVER ENVIRONMENTAL	800,000
STORMWATER	STORMWATER QUALITY SYSTEM IMPR 2021	4,450,000
STORMWATER	PAVEMENT MANAGEMENT 2021	850,000
STREETS	SALT STORAGE BARN - BADGER ROAD	1,070,000
STREETS	ST FUELING STATION AT SOUTH POINT	500,000
TAX INCREMENT DISTRICT	TAX INCR DIST 46 BORROWING PRJ	7,000,000
TRANSPORTATION	BUS RAPID TRANSIT 2021	2,000,000
	TOTAL	49,719,221

New Investments in the 2022 Capital Budget

Town of Madison Final Attachment Capital Costs

A series of annexations over the years has left the Town of Madison with approximately 3.9-square miles of land divided into 9 non-contiguous areas. In November 2022, the City of Madison will absorb 90% of the remaining Town of Madison land and 79% of the population, and the rest of the Town will be attached to the City of Fitchburg. The 2022 Executive Capital Budget and Capital Improvement Plan includes funding to support key costs associated with providing services to the Town of Madison following the Final Attachment. The following table outlines the costs included in the 2022 Executive Capital Budget.

Agency	Description	Amount
COMMUNITY DEVELOPMENT	Affordable Housing Developer Loans with South Madison TID	1,500,000
ECONOMIC DEVELOPMENT	Land banking, other loans, and grants with South Madison TID	1,300,000
STREETS	Equipment to support Streets services such as refuse and recycling collection, including toolcat and rearloaders	310,000
STREETS	Recycling and refuse carts for Town residents	100,000
CLERK*	Additional voting equipment for five polling locations	100,000

*Included in Information Technology capital budget

American Rescue Plan Act (ARPA)

The City of Madison will receive \$47.2 million of federal funding through the State and Local Recovery Funds 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 has adopted a plan to use ARPA funds to address critical community issues, support an equitable recovery, and continue to provide government services. The following tables outlines the capital investments included in the 2022 Executive Capital Budget.

Agency	Description	Amount
COMMUNITY DEVELOPMENT	Hotels Converted to Housing	2,500,000
COMMUNITY DEVELOPMENT	Salvation Army Darbo Site	2,500,000
COMMUNITY DEVELOPMENT	Youth Centered Housing Project	2,000,000
COMMUNITY DEVELOPMENT	Homeownership Support/Rehabilitation Program (Consumer Lending)	500,000
ECONOMIC DEVELOPMENT	Small Business Equity & Recovery (SBER) Program	2,000,000
MAYOR'S OFFICE SUSTAINABILITY	Naturally Occurring Affordable Housing (NOAH) Energy Efficiency Program	250,000

For more information on ARPA, go to www.cityofmadison.com/arpa