



Office of the Mayor

Satya Rhodes-Conway, Mayor

City-County Building, Room 403

210 Martin Luther King, Jr. Blvd.

Madison, WI 53703

Phone: (608) 266-4611 | Fax: (608) 267-8671

mayor@cityofmadison.com

cityofmadison.com

Date: March 21, 2023
To: Department and Division Heads
From: Mayor Satya Rhodes-Conway
Subject: 2024 Capital Budget & Capital Improvement Plan: Agency Guidance

I write you today to kick off the 2024 Capital Budget process. The City's capital assets – its infrastructure, fleet, technology, and investments in affordable housing – are critical to creating a safer, more accessible and more equitable city for all residents. As I move through the city every day, traveling from the office to neighborhood meetings to local businesses, I see evidence of the diligence and hard work of City staff at every turn. Every street, sidewalk, bike path, streetlight, park, and library exists thanks to dedicated City staff who see capital projects through from design to construction. In addition to the visible projects, there are many projects that are less visible, including sanitary sewer and stormwater infrastructure, water wells and pipes, and the City's fiber network, that are essential for City operations. I am grateful for all the talented City staff who maintain our assets and design improvements to our built environment. As we begin planning for 2024, I look forward to working with all of you to move forward on the City's ambitious capital plans while continuing to maintain our existing assets.

My priorities for the 2024 capital budget are to continue investing in critical community needs and focusing on the long-range vision for the city. We must continue funding affordable housing, economic development, and basic infrastructure. All of our funding decisions must center equity and address systemic disparities in our community AND all of our funding decisions must promote climate resilience and environmental sustainability. Agency budget proposals should consider how projects improve the lives of residents who have been historically marginalized, how they reduce greenhouse gas emissions, and how they build community resilience. I encourage you to take a Team City approach, and to collaborate with other agencies whenever possible to find efficiencies and improve service to our community.

We are starting 2024 with a strong foundation. We have laid the groundwork for many transformative projects during my tenure as mayor, including funding a permanent shelter for men experiencing homelessness, increasing funding for affordable housing, leveraging federal grants for bus rapid transit, and investing in PFAS mitigation and stormwater infrastructure. Additionally, the City's general obligation debt has the highest possible rating from Moody's Investors Service (Aaa), which ensures the lowest possible interest cost. At the same time, the city and country continue to face challenges. Interest rates have risen since last year and continuing supply chain disruptions are raising the cost of goods and services. The social and economic impacts of the pandemic continue. Despite these challenges, I am encouraged by the work we have accomplished together and want to build on the momentum to deliver results for our residents.

With this context, I am providing the following guidance for capital requests for the 2024 Capital Budget and Capital Improvement Plan (CIP):

Fiscal Responsibility & Planning

- Agencies should scrutinize projects and programs approved in the 2023 CIP to ensure the timeline and funding requests reflect current plans, are realistic, and that there is sufficient staff capacity to move them forward.
- Consistent with on-going fiscal responsibility goals, the 2024 executive capital budget will have an overall borrowing target that keeps projected debt service as a share of the operating budget at or below levels projected in the 2023 CIP. The capital budget has increased in recent years as the city has responded to external economic pressures, such as unprecedented inflation, made necessary investments to replace aging infrastructure, and broken ground on major projects that address community needs. To help meet that borrowing target, agencies may request to increase GO borrowing for projects approved in the 2023 CIP by up to 5%. This increase applies to the agency's budget as a whole – agencies may propose shifting funding across programs or years to reflect implementation plans; however, the total increase for 2024 should be limited to 5%. Additional details on the increase are included in the kick-off slides.
- Any requests to increase funding beyond the allowable 5% or any other significant changes in project scope or schedule must be explained in the transmittal memo.
- Agencies should assume continued funding for maintenance programs, including an increase of up to 5% if needed.

New Projects

- Agencies may submit requests for new projects. New projects must be fully conceptualized with a complete budget proposal ready for submission.
- Agencies should look for every opportunity to maximize federal dollars and secure federal grants. We have an excellent track record of doing this and can support smaller agencies that need help.
- If there is no federal funding for the project, an agency may submit the request for the last year of the CIP (2029). Requests for project prior to 2029 may be considered if the project meets an emergency need; there is a critical timing / sequencing component with another project; an existing project can be delayed / reduced in cost; or the project was on the 2023 Horizon List with an anticipated implementation date prior to 2029.
- If there is potential for external funding, an agency may submit the request in any year of the CIP as long as they demonstrate sufficient staff capacity to implement the project. Additional details on requirements for new projects is included in the kick-off slides.

Prioritization and Strategic Alignment

- Agencies must prioritize their requests. **Projects** should be ranked with clearly defined criteria for prioritization. **Programs** do not need to be ranked, but the description should include an explanation of how funding is prioritized within programs and potential for scaling programs.
- Agencies once again will need to answer questions on racial equity and social justice, climate resilience and sustainability, alignment with strategic plans, and operating impacts for each project.

Horizon List

- Agencies may submit requests for projects currently on the Horizon List so long as they can demonstrate the 'Issues to be Addressed' have been resolved and that a complete budget proposal can be submitted.
- Agencies may submit requests to add projects to the Horizon List if a project is forthcoming but is not fully scoped. Agencies should work directly with their assigned budget analyst to develop Horizon List requests. Additional details on requirements for the horizon list are included in the kick-off slides.

All capital budget requests will be carefully reviewed by myself and my capital budget team. I am committed to continuing funding for maintenance and core infrastructure, while also addressing key priorities that help the city address housing, climate change, economic development, and equity challenges. Requests should balance the need for maintaining city assets in good repair with the opportunities for major transformative projects. Additionally, agencies should be mindful of the borrowing targets above to ensure the long-term financial sustainability of our operating budget as we set borrowing levels in each year of the CIP.

Developing the City's 2024 capital budget and setting out a 5-year plan for investments is a significant ask. It is also an opportunity to help Madison achieve our goals and be a community where all residents can thrive. Thank you for your commitment to serving the City and your stewardship of our collective resources.