



Office of the Mayor

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Date: March 18, 2025
To: Department and Division Heads
From: Mayor Satya Rhodes-Conway
Subject: 2026 Capital Budget & Capital Improvement Plan: Agency Guidance

Madison's continued success is due in large part to City government making strategic, long-term investments in the infrastructure that improves the lives of all our residents. The City's capital budget and capital improvement plan (CIP) are roadmaps for where we make the crucial investments that support our community's long-term health. Fortunately, we have a strong foundation to build on. The fundamental financial health of our City is sound. We enjoy the highest possible rating from Moody's Investors Service, which allows us to borrow at the lowest possible interest cost. Our city's economy is strong and resilient, and if we proceed with prudence, we can maintain and improve our economy for everyone.

However, our next capital budget must reflect the uncertain realities of the state, national, and global context. We are likely to face a world with higher prices, greater need for community services, and reduced funding from the federal government. We need to prepare to be flexible and make difficult decisions under trying and potentially volatile economic conditions. More than ever, additions to the capital budget must meet multiple city priorities and focus on meeting the basic needs of everyone who calls Madison home.

That calls for prioritizing projects that meet the greatest needs of the community, will save money in the long-run, and limit the cost of debt service. I'm confident in our ability to do right by our residents by focusing on projects which underpin Madison's success: investments in basic infrastructure, increased efficiency to reduce long-term costs, housing, and projects that promote economic development.

I'm grateful to our talented staff for their hard work and creative thinking that will help us overcome external challenges. I have no doubt that by working together we can set the standard for how municipal governments find the balance between living up to the values of our community while also exercising fiscal prudence.

With this context, I am providing the following guidance for capital requests for the 2026 Capital Budget and Capital Improvement Plan (CIP).

Fiscal Responsibility & Planning

The 2025 adopted CIP is the baseline for the 2026 CIP.

- The 2026 executive capital budget will keep overall debt service as a share of the operating budget at or below projections for the 2025 CIP.
- Agencies should scrutinize the adopted 2025 CIP to determine if the timeline and funding reflect current plans, the project is realistic, and there is sufficient capacity to implement.
- Agencies must prioritize their requests in the transmittal memo.
- Projects included in the 2025 CIP are not guaranteed funding in 2026. Projects may be reduced or delayed as needed to meet citywide borrowing targets and priorities.

Changes to the Current CIP

Agencies may propose changes to reflect current plans. The following changes do not require submitting additional justification for approval.

- **Reductions:** Projects that will be delayed or will not happen as originally proposed should be submitted as a reduction proposal.
- **Cost neutral adjustments:** Agencies may shift project timelines within a project across years in the CIP. Agencies may also shift funding across projects as long as the total over the five years (2026 through 2030) does not increase from 2025 adopted levels.
- **Program increases in final year:** Agencies may request a 5% increase to programs in 2031.

Funding Increases and New Projects

Agencies may request budget increases or new projects under the following conditions. Agencies will be required to submit justification for these increases or new project requests.

- **Increases to existing projects and programs:** Agencies may submit increase requests if: 1) there is a known increase to project costs (e.g., recent construction bids, updated studies), or 2) there are anticipated cost increases related to inflation or other economic factors. Agencies must provide a detailed explanation of the data and analysis used to develop increase requests.
- **New Projects:** Agencies may submit new requests if: 1) the project is primarily funded by non-general obligation borrowing funding sources (e.g., grants, TIF increment), 2) the project meets an emergency need not anticipated in 2025, 3) the project is currently on the Horizon List and is ready to be advanced, or 4) the project is planned for the last year of the CIP (2031).
- **Horizon List:** Agencies may submit requests to add projects to the Horizon List if a project is forthcoming but is not fully scoped.

Federal Budget Uncertainty and Presidential Executive Orders

Given the uncertainty of the outcome of the federal budget process, agencies should continue including federal funding in the CIP until Congress adopts a federal budget and related legislation.

- The 2025 CIP should be the baseline for federal funding assumptions in the 2026 CIP. Agencies may update their proposal based on new information, but should not pre-emptively remove federal funding prior to final Congressional action on the federal budget.
- The transmittal memo should include a risk assessment of federal funding in the budget. This assessment should include a contingency plan if federal funding is reduced.
- Due to the timing of the federal budget process, the 2026 capital budget and CIP may not be able to fully reflect changes in federal funding. The focus of any changes necessary due to federal budget actions will be on the 2026 capital budget. Changes to the out-years of the CIP (2027-2031) can be reflected in the 2027 capital budget process.

Thank you for your commitment to serving the City and your stewardship of our resources.

Mayor Satya Rhodes-Conway