2022 CAPITAL BUDGET AND CAPITAL IMPROVEMENT PLAN

MAYOR'S MESSAGE AND BUDGET INSTRUCTIONS TO AGENCIES

FINANCE COMMITTEE BRIEFING

APRIL 26, 2021

BOND RATING

- Triple-A rated since the 1970s; ensures lowest possible cost of borrowing on city's general obligation debt.

- Rating is based on four key measures:

1. Strength of Local Economy and Tax Base – UW and state government provide solid stability; property tax has base growing; levy limits are considered a negative.

2. Manageable Debt Levels – Madison's debt levels have been rising and are on the high end of moderate; debt is retired quickly (most general obligation debt issued as 10 year promissory notes); debt as a share of income has remained stable.

3. Sufficient Fund Balance (Triple-A issuers are have at least a 15% fund balance) – Madison has a 15% fund balance policy.

4. Governance (Governing bodies exhibit prudence and adhere to financial policies) – Mayor and Council ensure policies are met, debt is within means, costs remain within revenues and fund balance is maintained.

2021 ADOPTED BUDGET: OPERATING VS. CAPITAL

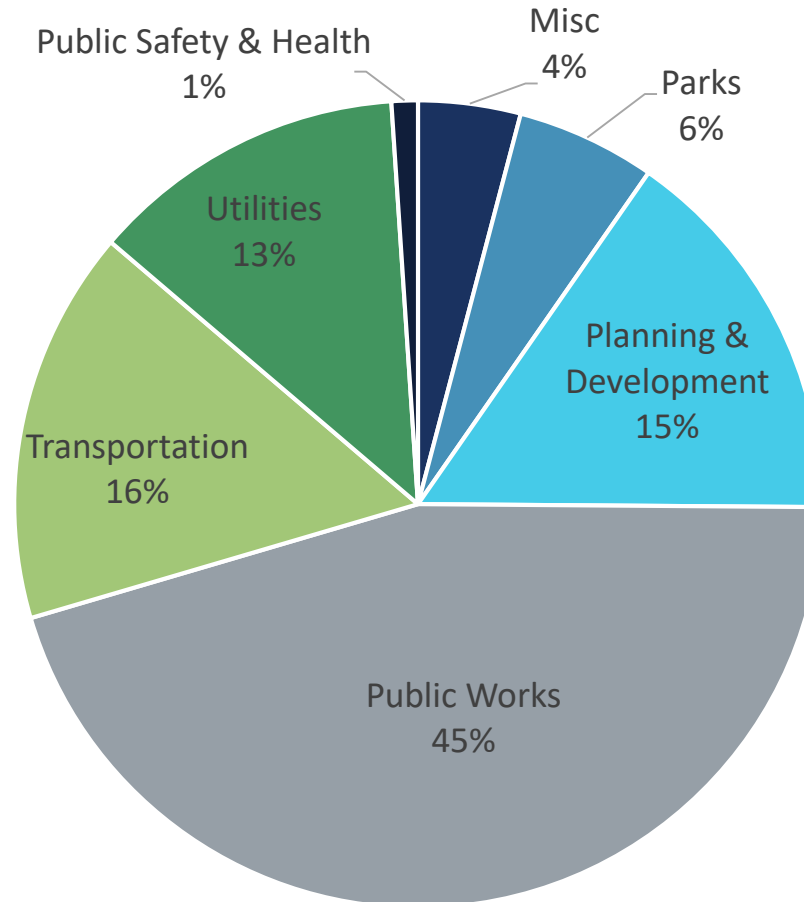2021 ADOPTED BUDGET=$881.6 MILLION

Capital
18.9%

Operating
81.1%

OPERATING BUDGET
$715.2 MILLION ALL FUNDS

Funds operations in *106* services across *37* City agencies
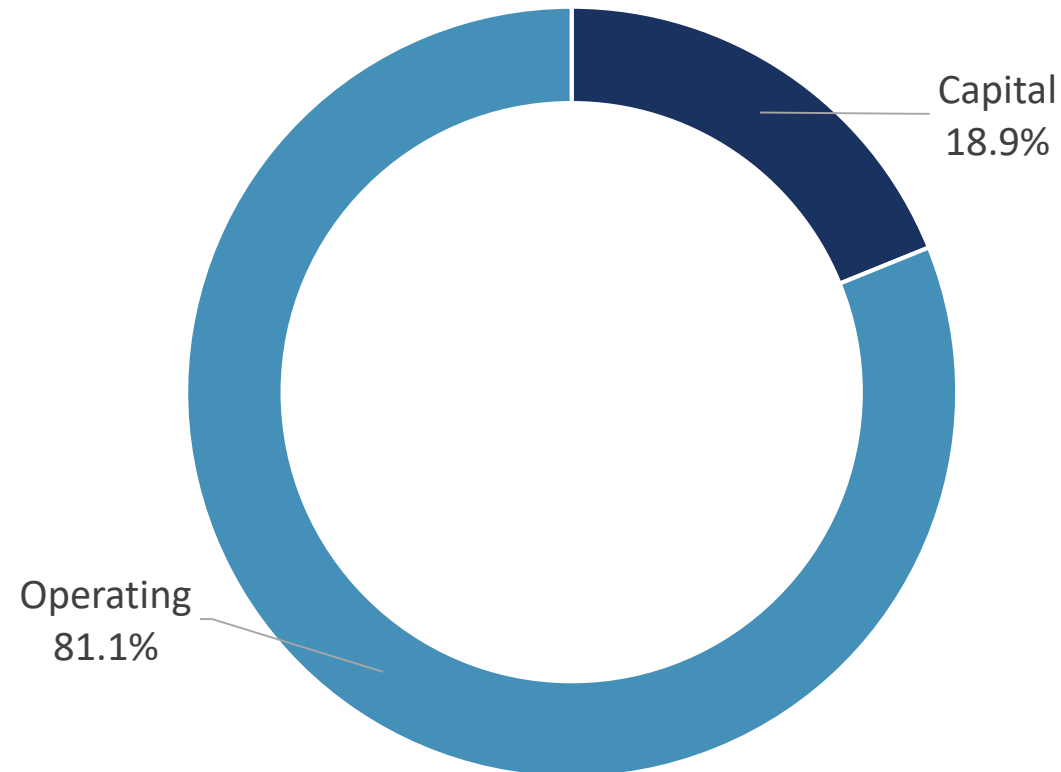
CAPITAL BUDGET
$166.4 MILLION

Funds *127* capital projects & programs

WHERE THE MONEY IS SPENT: CAPITAL BUDGET BY FUNCTION
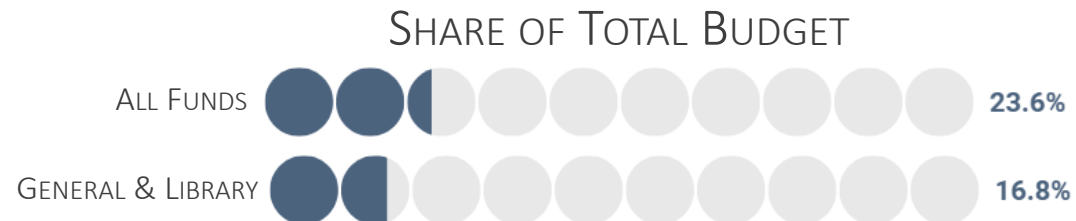
2021 Adopted Capital Budget by Function

DEBT SERVICE

Debt Service is the third largest portion of the City's budget (General/Library Fund).

In 2021, debt service for GO Borrowing is $98.7 million; up from $96.2m in 2020.

At the close of 2020, the outstanding GO Debt was $535m, representing approximately 1/3rd of the constitutional limit.

Debt Service Share of General Fund Budget
(assumes transit facilities projects funded by General Fund-supported GO debt)

Line chart values:
- 2015: 14.0%
- 2016: 14.8%
- 2017: 15.6%
- 2018: 15.9%
- 2019: 17.4%
- 2020: 16.9%
- 2021: 16.9%
- 2022: 17.1%
- 2023: 18.0%
- 2024: 18.6%
- 2025: 18.4%
- 2026: 18.2%
- 2027: 17.9%

— 2021 Adopted Budget

SHARE OF TOTAL BUDGET

ALL FUNDS — 23.6%

GENERAL & LIBRARY — 16.8%
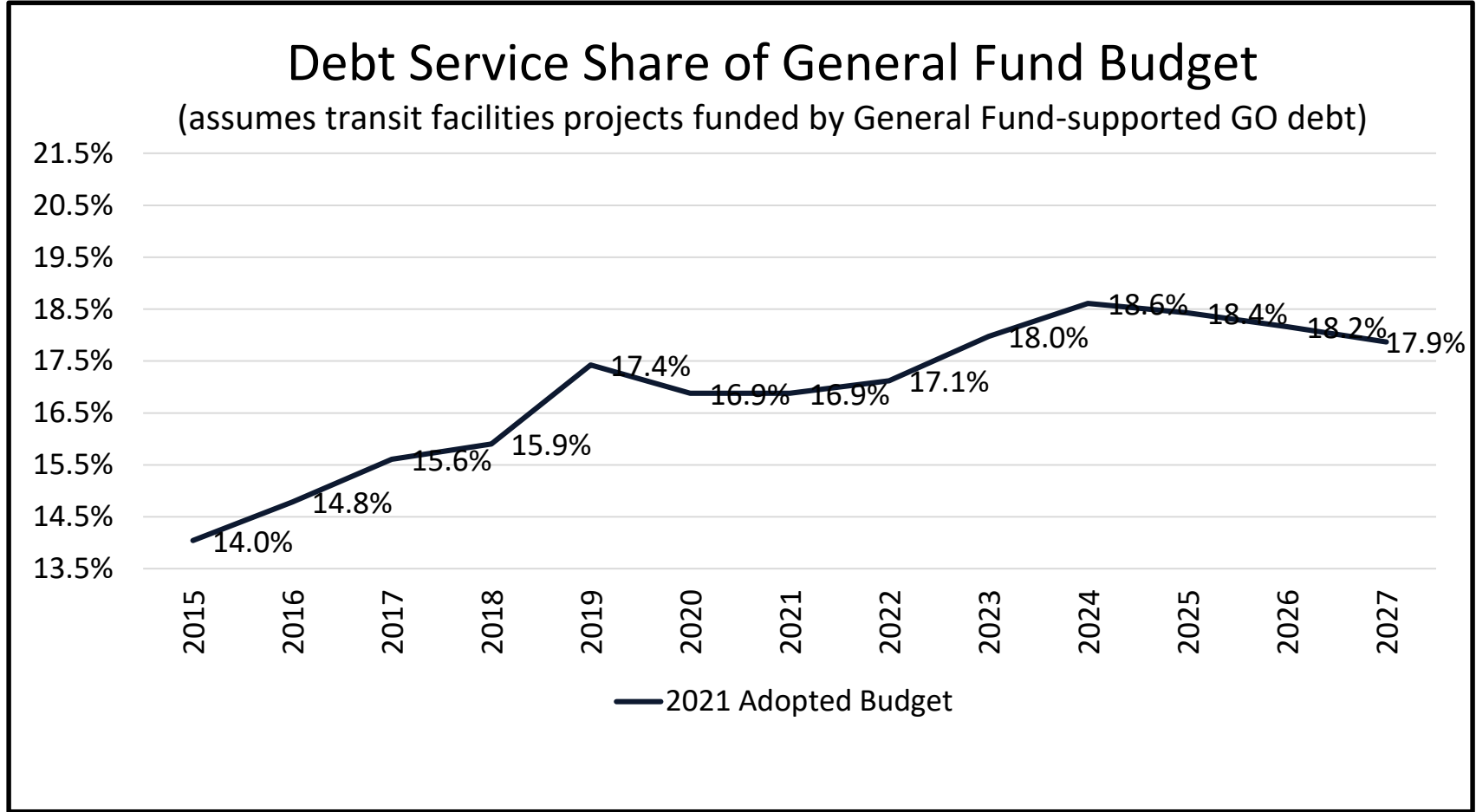
CIP PLANNING PROCESS: PROCESS OVERVIEW

We are here

Agency Requests

Planning process begins at Budget Kickoff where Mayor provides guidance for agency submissions

Agencies review current & planned projects to prioritize against Mayor's guidance

Agencies prepare proposals for all items within their Capital program

Agency requests submitted

Executive Budget

Agency requests are analyzed and evaluated in context of priority & readiness; Agencies attend briefings on their requests

Finance Recommendations put forth proposed CIP that meets Mayor's priorities & desired borrowing level

Finance Recommendations refined based on feedback from Mayor & Management Review Team

Executive Budget finalized; budget document prepared

Council Adoption

Executive Budget introduced at CC & referred to Finance Committee

Finance Committee holds hearings on Agency capital budgets

Finance Committee proposes & votes on amendments to Exec CIP; Budget is referred back to CC as amended

CC proposes additional amendments to CIP; Capital Budget & CIP is adopted

2022 BUDGET CALENDAR (CAPITAL IMPROVEMENT PLAN)

April 13th
- Capital Kickoff

May 25th
- Capital Budgets Due

June 1-25th
- Agency requests evaluated
- Agency Capital Briefings with Mayor's Office & Management Review Team

June 29th
- Finance Recommendations

July 30th
- Final Decisions

August 31st
- Executive Capital Budget Introduced

Sept 13-14th
- Finance Committee Hearings

Sept 20-24th
- FC Amendment Week (Capital)

September 27st
- FC Votes on Amendments

Nov 9-11th
- Budget Adoption

Management Review Team
- Management Review Team includes of the Public Works Team Lead, Transportation Director, PCED Director, IT Director, Equity Manager, Sustainability staff & Finance Director.

Council Updates
- The Council will receive regular updates on progress with developing the 2022 executive operating and capital budgets during regularly-scheduled Finance Committee meetings.

MAYOR'S MESSAGE & AGENCY TARGETS

- Mayor's priorities: climate resiliency, equity, financial sustainability, housing affordability, transit access

- All agencies are encouraged to find ways to decrease spending in the 2022 Capital Budget that will not unduly impact our ability to provide essential services

- Agency requests should be prioritized. The transmittal memo should discuss 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 and deviations from project schedules must be justified and clearly explained in the proposal tools.

BUDGET GUIDANCE: AGENCY BUDGET TARGETS

New Projects (discrete facilities, assets, etc.)

- Requests for new projects may be submitted, but must be conceptualized to the point that a complete budget proposal can be submitted.

Horizon List Projects (projects needing more definition before inclusion in capital improvement plan)

- Agencies will be allowed to submit budget requests for projects currently on the Horizon List so long as they can demonstrate the 'Issues to be Addressed' have been resolved and a complete budget submission can be developed.

- Agencies will be able to propose new projects to the horizon list.

Program Budgets (on-going activities, e.g., pavement management, playground improvements)

- Program budgets should continue into 2027 and can be adjusted by up to 5% in 2027 to account for inflationary construction costs.

2022 PROCESS: KEY ELEMENTS

1. Capital Budget Proposals -- Project and Program Prioritization

   - Capital budget decisions will be made by the Mayor's Office and Management Review Team through review of agency priorities in concert with Mayor's priorities and manageable debt service levels.

2. Surveillance Technology

   - Detailed background on need, utilization, data storage, public input and other information required pursuant to Madison General Ordinance Sec. 26.63(4)

3. Racial Equity and Social Justice

   - Agencies required to ensure racial equity is considered in the agency proposal decision-making process.

4. ARPA and Other Federal Funding

   - More information continues to become available

   - Some agencies will have sufficient information to incorporate federal funding into capital budget requests. For other agencies, this will be a dynamic process that may result in items added/modified/deleted in the executive capital budget.

AGENCY BUDGET REQUEST COMPONENTS

Transmittal Memo
- Memo drafted from Agency Head to Finance Director outlining overall goals & priorities of the agency's capital program

Proposals
- Request funding for capital spending & outline how the funds will be spent for each capital project & program

Surveillance Form (if applicable)
- Help meet the requirements of MGO Sec. 26.63(4) for the use of new Surveillance Technology

TRANSMITTAL MEMO

1. Capital Goals

2. Changes from 2021 CIP

3. Prioritized List of Capital Requests

4. Potential for Scaling Capital Requests

5. Impacts of COVID-19 on Capital Program

PROJECT & PROGRAM PROPOSALS – RACIAL EQUITY AND SOCIAL JUSTICE

New to 2022, this section continues efforts to include racial equity in budget decision-making processes.

These questions encourage agencies to consider budget requests in regard to their effect on marginalized communities.

Assistance to Agencies
1. Department equity team
2. DCR Equity Division
   Kristy Kumar
   Tariq Saqqaf

Racial Equity and Social Justice

We are continuing our efforts to articulate and prioritize racial equity and social justice in the City's budget and operations. Please respond to the following questions and incorporate these responses into your budget narrative to ensure racial equity is included in decision-making.

Describe 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)?

What City agencies or community partners are affected by, care about, or already working on issues related to this project/program?

Have we asked for their perspectives directly and, if so, how have we incorporated their feedback?

How will we continue to communicate with them in this process?

Have we used any data related to the project/program that details race, non-binary and transgender people, people with disabilities, those experiencing homelessness, or undocumented status?

○ Yes
○ No
○ Some, not all

Is the proposed budget or budget change related to a recommendation from any of the City's teams or initiatives that connect community need with opportunities to advance racial equity, inclusion, and social justice (e.g., NRTs, RESJI, LCET, MAC, WIC, Equitable Workforce Plans)?

○ Yes   ○ No

PROJECT & PROGRAM PROPOSALS – SURVEILLANCE TECHNOLOGY FORM

Completion of a Surveillance Technology form if any part of the request meets the definitional requirement of "Surveillance Technology", as defined in MGO Sec. 23.63(4)(a)

Under Madison General Ordinance Sec. 23.63(4) all Department requests to purchase, acquire or contract for the use of new Surveillance Technology or substantially change the use of existing Surveillance Technology that will connect to the City-wide Network will be referred to the Common Council via the budget process or through a resolution.

■ Definitions related to MGO Sec. 23.63 and APM 3-17:

- **"Surveillance Technology"** means any hardware, software, electronic device, or system utilizing an electronic device, owned by the City or under contract with the City, designed, or primarily intended, to collect, retain, process, or share audio, electronic, visual, location, thermal, biometric, olfactory or other personally identifiable information of members of the public for the purpose of surveillance.

- **Examples include, but not limited to:** cell site simulators; automatic license plate readers, gunshot detection systems, facial recognition software, gait analysis software, video cameras that record audio or video and can transmit or be remotely accessed; and unmanned aircraft systems equipped with remote video capabilities.

- The ordinance also includes a list of devices that are <u>NOT</u> considered "Surveillance Technology."

- **"Surveillance Data"** means any electronic data collected, captured, recorded, retained, processed, intercepted, analyzed, or shared by Surveillance Technology.

- **"Sensitive Surveillance Technology Information"** means any information about Surveillance Technology of which public disclosure would unreasonably expose or endanger City infrastructure; would adversely impact operations of City agencies; or may not be legally disclosed.

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