



Office of the Mayor

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April 4, 2016

To: Department and Division Heads

From: Mayor Paul R. Soglin

Subject: 2017 Capital Budget Instructions and Target

Infrastructure needs remain a priority for our nation, our state and our city. We continue to struggle with lack of legislative vision and leadership in Congress and at the State Capitol. Local government is left with difficult choices and limited options. I truly appreciate the efforts you have made to carefully balance competing priorities within your agency budgets.

I remain very concerned about the future fiscal effects of the 2016 adopted Capital Budget and Capital Improvement Plan (CIP). Many projects in the CIP are slated to occur in the 2017 through 2019 time period. Completing all of these projects in this timeframe is unrealistic from both the perspective of the impact on tax payers and the resources and time necessary for planning, design, engineering and construction. The graph below projects the growth of debt service from all planned capital projects in the 2016 CIP, including use of 20 year bonds for certain major projects. This rate of growth in debt service will significantly affect the operating budget and property taxes on the average value home over the next few years. We must keep our services to the public affordable. As such, I will be reviewing alternatives for up to a 50 percent reduction in the capital budget.

Fulfilling our important priorities will require careful planning. As part of the 2017 planning process, I am placing greater emphasis on analyzing outcomes of projects and programs funded through the capital budget, with a top priority for projects that help promote upward mobility and racial equity for Madison residents. Measuring the success of our capital investments is critically important as we are faced with difficult choices ahead. Toward that end, you should adhere to the following policies and targets in developing the proposed 2017 capital budget for your agency:

- Limit the overall general obligation and revenue bonding authority for your agency to the amounts included in the capital improvement plan (CIP) adopted as part of the 2016 capital budget. Seek to remove projects or reduce anticipated costs based on updated information. Agencies should also seek to delay projects currently planned for 2017 through 2019 to later years.
- Prioritize the projects within your agency numerically based on the overall priority of each project and provide an explanation for the project priority. Projects that extend the life of or replace existing infrastructure should be given higher priority over new facilities and projects that increase operating costs. This information will allow us to be strategic as we make decisions to finalize the 2017 CIP. As you review and prioritize projects, you should also seek to analyze

projects from an upward mobility and racial equity perspective. Projects in the 2016 capital budget year that are not yet under construction at the time of submitting the 2017 budget requests should be included in this priority list. Agency requests that prioritize new facilities with operating costs above existing infrastructure replacement or improvements will not be included in the 2017 executive capital budget. These priority lists will be used to determine projects slated for elimination or deferral in lieu of reduction plans.

- No new projects should be added to the 2017 Capital Budget or the 2018 to 2022 CIP. Agencies should seek to shift projects from 2017-2019 to 2020-2022 and beyond. Supplemental budget requests will not be accepted.
- Review projects scheduled for 2017 in the current capital improvement program and seek to appropriately allocate funding to the years the costs will realistically be incurred. Projects are often implemented over multiple years due to timing of site acquisition, planning and design considerations, regulatory approvals, and construction timetables. As was mentioned above, agencies should seek to defer projects to later years to the extent practicable.

I look forward to working with you and the Finance Department in the coming weeks on this important task.

