From:	Alex Saloutos
To:	Finance Committee
Cc:	Govindarajan, MGR; Verveer, Michael; Vidaver, Regina; Madison, Sabrina; Mayor; Evers, Tag; District10@Council.Us
Subject:	Concerns Regarding Agenda Item 6 – Madison LakeWay Cost Sharing Agreement, istar ID No. 91378
Date:	Tuesday, January 20, 2026 4:14:42 PM
Attachments:	260110_LEGISTAR91378_MEMORANDUM_LAKEWAYPROJECTPHASE1.pdf

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Dear Finance Committee Members,

Please find attached a memo outlining several concerns regarding Agenda Item 6, the proposed Cost Sharing Agreement with Dane County for the Madison LakeWay project (Legistar ID No. 91378). While I support the LakeWay project, the agreement as drafted raises significant fiscal concerns, including an unexplained 20% budget increase, unlimited City exposure to cost overruns and fundraising shortfalls, and a fiscal note that does not disclose these contingent obligations.

I respectfully request that the Committee consider addressing these issues before approval.

Thank you for your consideration.

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M E M O R A N D U M

Date: January 21, 2026

To: Finance Committee

From: Alex Saloutos

RE: **Madison LakeWay Cost Sharing Agreement with Dane County, Legistar ID No. 91378**

I am writing to bring several concerns to your attention regarding Agenda Item 6 on today's agenda, January 21, 2026, regarding the proposed Cost Sharing Agreement with Dane County for the Madison LakeWay Community Causeway Improvements (Legistar ID No. 91378). While I support the LakeWay project in principle, the agreement as currently drafted contains significant fiscal and procedural issues that warrant careful consideration before approval.

1. Unexplained 20% Budget Increase Without Documentation

The 2026 Capital Budget, recently approved by the Common Council, established a $10 million project budget. The proposed agreement, however, states the project cost is $12 million, a 20% increase. This discrepancy is significant and troubling for several reasons: the fiscal note accompanying this legislation does not acknowledge or explain the increase; no estimates or bids have been obtained to support the higher figure; and there is no documentation in the record to justify the additional $2 million. The Committee should request an explanation for this budget increase and consider whether the fiscal note should be revised to reflect the actual anticipated project costs before proceeding.

2. City Obligated to Cover All Fundraising Shortfalls

Section 6 of the agreement states that the City "anticipates an additional $3,000,000 of Project costs to be paid for by private fundraising, with any shortages in private fundraising…being solely the responsibility of the City." This provision creates a potentially significant unfunded obligation. The experience with Madison Public Market fundraising efforts suggests this is a serious and legitimate concern. There is no evidence in the record regarding the current status of LakeWay Partners' fundraising efforts or any assessment of the likelihood of achieving the $3 million target. To my knowledge, this requirement that the City cover all fundraising shortfalls is not reflected in the capital budget, and the fiscal note provides no discussion of this contingent obligation or identification of funding sources should the shortfall materialize.

3. Unlimited City Exposure to Cost Overruns

Section 6 also states that "additional capital costs beyond those estimated" are "solely the responsibility of the City." The agreement contains no cap on total project costs and no termination provision that will allow the City to withdraw if costs exceed acceptable thresholds. This structure places unlimited financial risk on the City while capping the County's contribution at $2 million regardless of actual costs. What happens if bids come in at $15 million? Or $25 million? As currently drafted, the City would be obligated to proceed.

4. Inequitable Risk Allocation Between City and County

The agreement establishes an inequitable distribution of risk. The County's contribution is fixed at $2 million (16.7% of the estimated $12 million project), while the City bears 100% of the risk for any fundraising shortfalls, cost overruns, or other unanticipated expenses. A more equitable arrangement would establish proportional cost-sharing for overruns and shortfalls, perhaps with an agreed-upon ceiling for both parties.

5. No Termination Rights Before Bid Acceptance

The agreement appears to obligate the City to complete this project regardless of actual costs once it is executed. There is no provision allowing the City to terminate the agreement before bids are accepted or construction commences. Given the uncertainty around actual project costs—no bids have been solicited, and we have already seen a 20% increase from budget to agreement—the City should retain the ability to withdraw from this agreement without penalty if bids exceed acceptable levels. This is standard practice for intergovernmental agreements of this nature.

6. Misleading Fiscal Note

The fiscal note states that "no additional appropriation is required." However, the agreement obligates the City to cover any fundraising shortfalls (up to $3 million) and unlimited cost overruns. These contingent obligations clearly could require additional appropriations, yet they are not disclosed in the fiscal note. This characterization is misleading and does not provide the Committee or the public with accurate information about the City's potential fiscal exposure. The fiscal note should be revised to disclose these contingent obligations and identify potential funding sources.

RECOMMENDATIONS

I respectfully request that the Finance Committee consider the following actions before approving this agreement:

1. Request an explanation for the $2 million increase from the approved capital budget figure.

2. Request a revised fiscal note that discloses all contingent obligations and identifies potential funding sources.

3. Request documentation on the current status of private fundraising efforts.

4. Amend the agreement to include a termination clause allowing the City to withdraw before bid acceptance if costs are deemed unacceptable.

5. Amend the agreement to establish proportional cost-sharing with the County for fundraising shortfalls and cost overruns, up to an agreed-upon ceiling.

6. Establish a maximum total project cost beyond which the City is not obligated to proceed.

These modifications would protect the City's fiscal interests while still allowing the LakeWay project to move forward with appropriate safeguards. Thank you for considering these concerns.