

Budget Outlook and Capital Budget for 2016 - 2021

Board of Estimates Discussion Process
May 13, 2015
City Finance Department

Outline

- Operating budget status and outlook
- Capital budget status and outlook
- Long-Range Facilities Planning
- Board of Estimates capital budget review process
 - Agency presentations
 - Prioritization process
 - Capital budget calendar

Background – Operating Budget

- Levy for operations strictly controlled by state levy limits.
- Anticipated growth in operating levy cannot accommodate both pay increases for existing staff and new staff for new facilities.
- Debt service is not controlled under the levy limits
- Debt service drives the overall growth in property tax levy from year to year.

Background – Capital Budget

- 2015 Capital Improvement Plan GO borrowing:

2015 -- \$148 million

2018 -- \$93 million

2016 -- \$142 million

2019 -- \$107 million

2017 -- \$121 million

2020 -- \$102 million

[2012 through 2014 avg. -- \$62 million]

Background – Capital Budget

- Anticipated levy increases if fully implemented:

2016 – 8.8%

2017 -- 8.2%

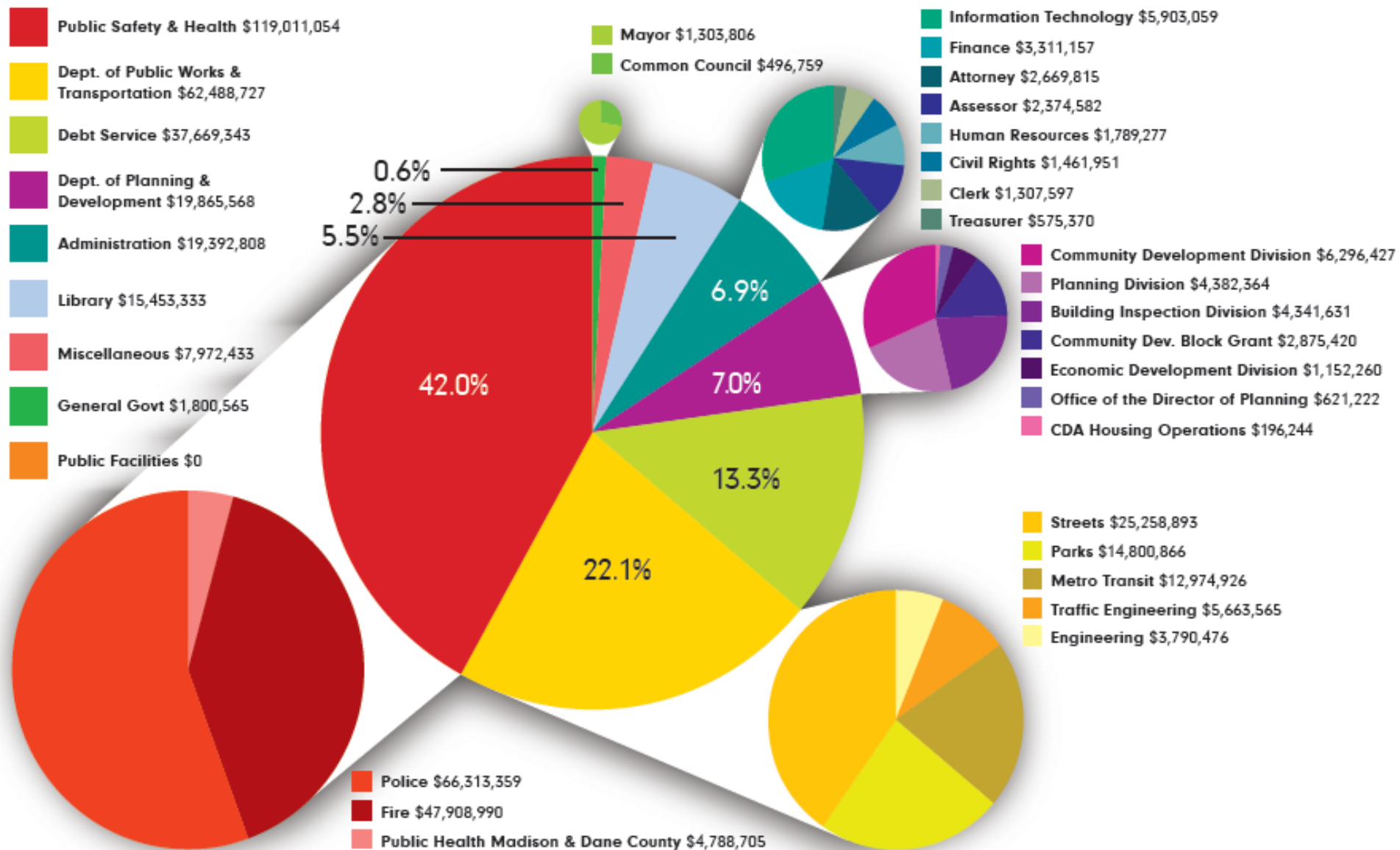
2018 – 5.9%

[2012 through 2014 average = 3.1%]

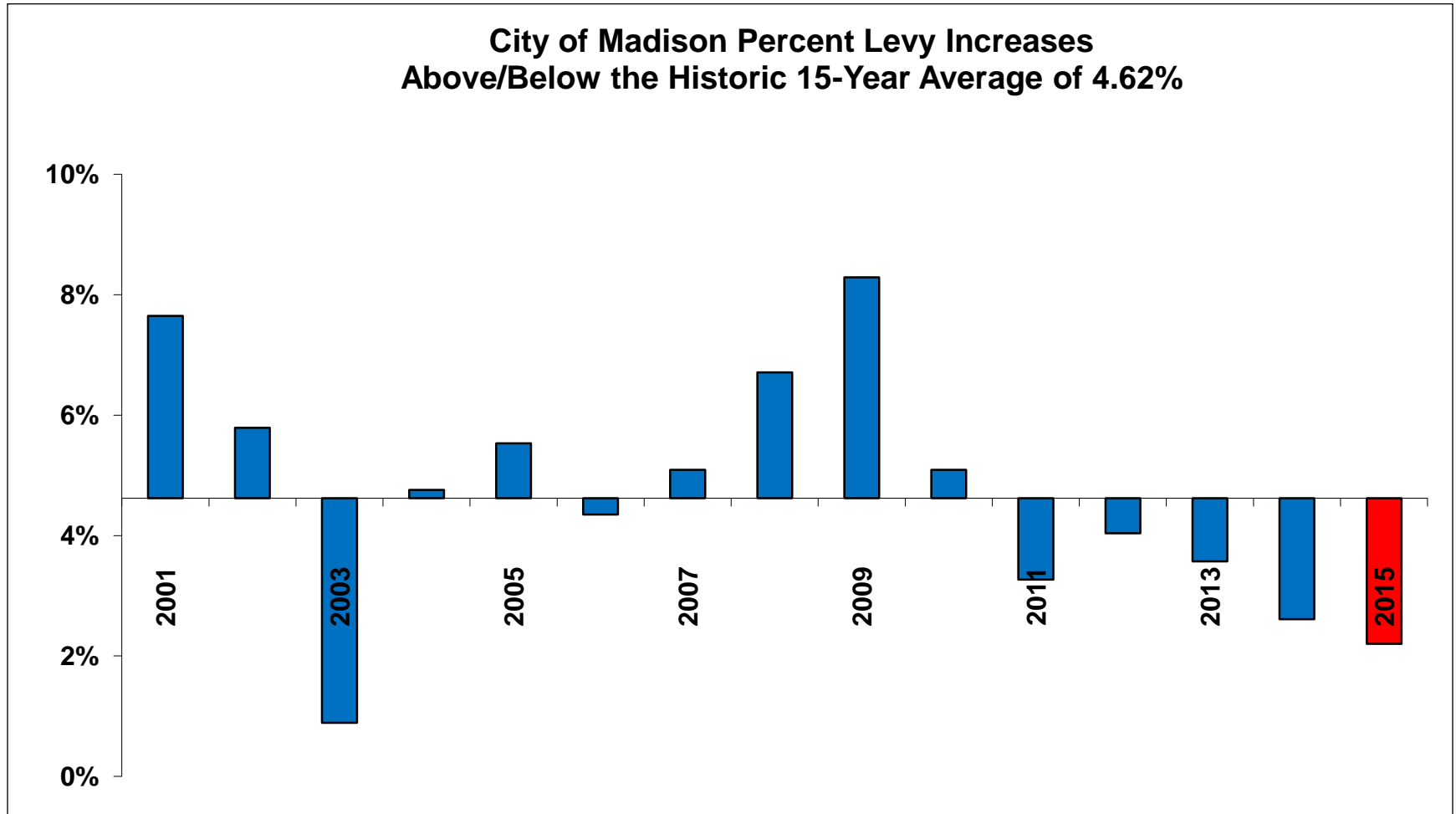
Background – Capital Budget

- Cost to staff new facilities.
- Balancing needs of aging infrastructure with service delivery goals.
- Capacity to plan, design, engineer and construct projects.
- Realistic timing of projects.

2015 Operating Budget Expenditures by Function & Department



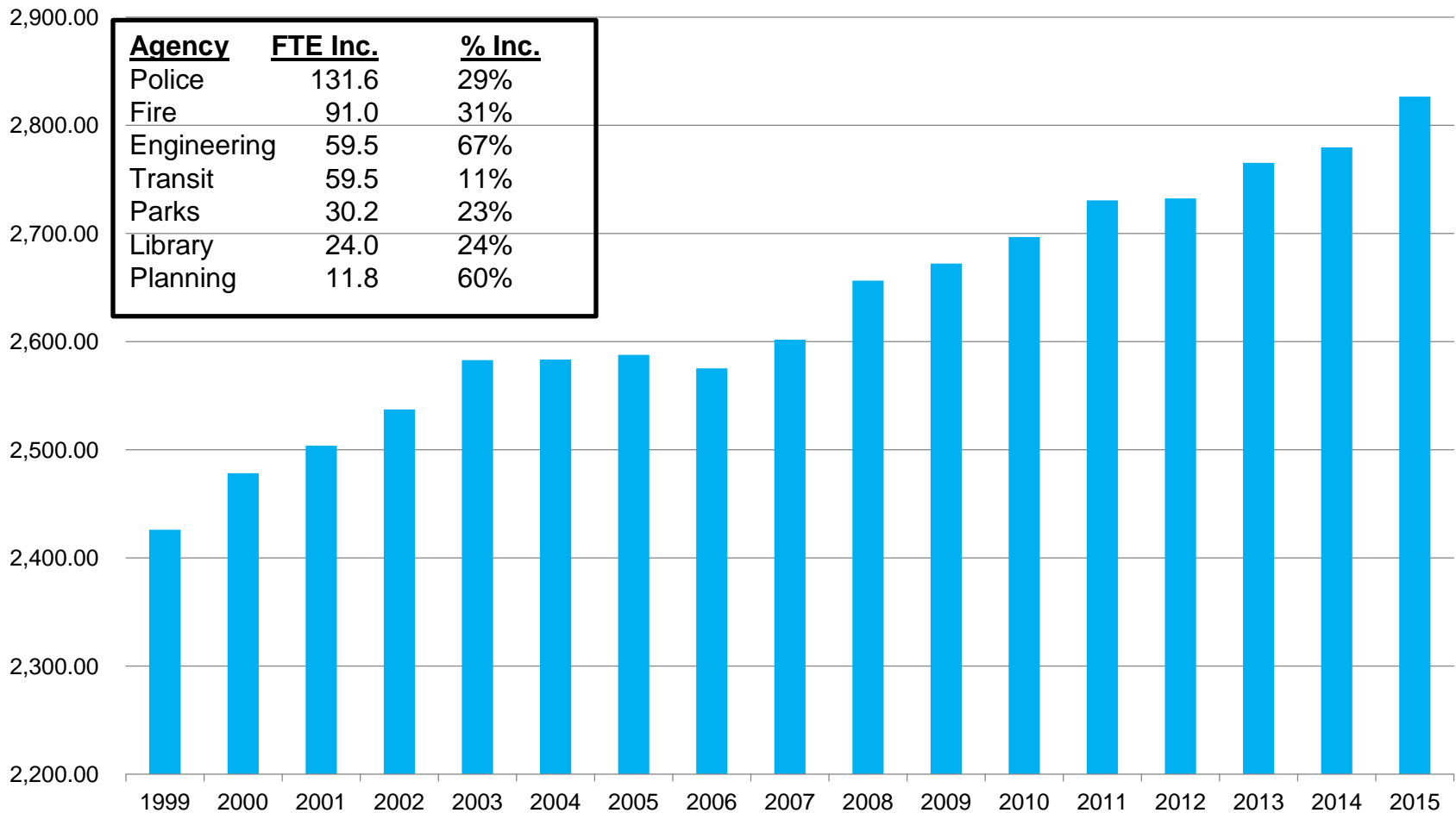
Trends – City Property Tax Levy



17% Increase in Positions since 1999

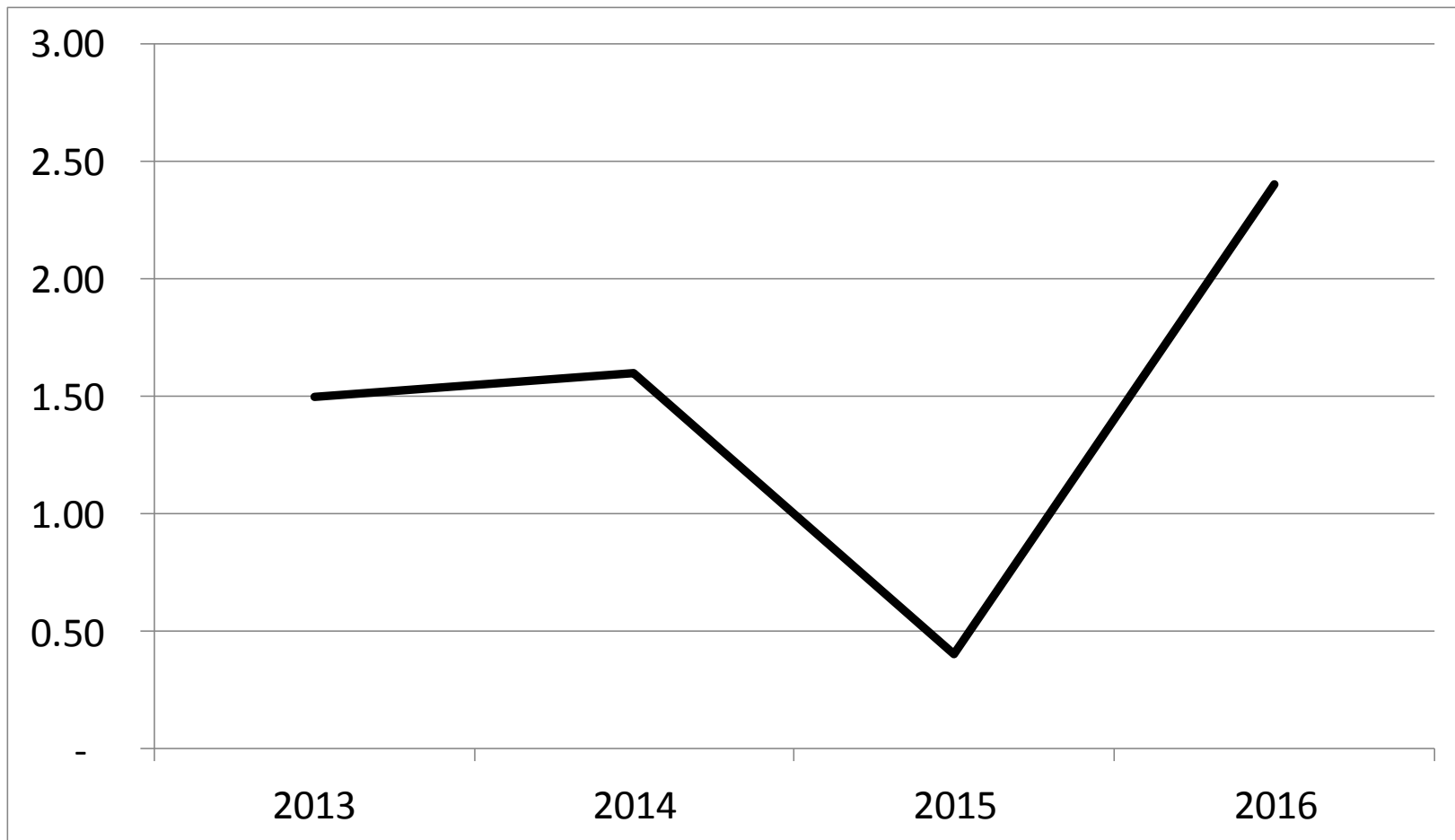
Same rate of growth as city population

Growth focused in a few agencies



Excludes Overture and Public Health; does not adjust for transfer of services between agencies (e.g., Facilities Maintenance consolidation into Engineering added 20.5 FTE positions in 2008)

Inflation -- Actual / Forecast



Strict State-Mandated Levy Limits

- Growth limited to net new construction; City's growth factor estimated at 2.23% for 2016 calculation.
- City's unused carry-over from 2015 is \$288,273
- Debt service excluded from limits – each \$1.0 million of additional debt service (~ \$7.7 million of borrowing) = 0.5% added to levy, mill rate and taxes on average value home.
- Can exceed limits with referendum.

2016 Operating Budget Gap

2016 Starting Point	
Advance Commitments	\$17.3m
Allowable Levy Increase	\$8.6m
Gap	(\$8.7m)

- Advance commitments include projected revenues and expenditures, including contracted and projected salaries and fringe benefits, as well as one-time items from 2015.
- Estimates could change due to updated revenue estimates, actual 2015 borrowing, Attic Angels case, WRS rates, and health insurance rate and plan design changes.
- Estimates do not include funding for any new initiatives.

Estimated City Levy for 2015/16

- Net Taxable Property (preliminary)
 - Residential assessed values up 4.0%
 - Overall net taxable property values up 4.73%
 - Average value home up 3.5% to \$245,894
- With levy limits (and \$77 million in 2015 borrowing)
 - Levy up 4.2%
 - Mill rate down 0.5%
 - Taxes on average value home up 2.9% (\$66)

Capital Budget and Capital Improvement Plan

- Long-term investments that will generally result in creation or improvement of an asset.
- Fund sources include general obligation debt, revenue-supported debt, federal grants, other contributions and sources.
- Capital Improvement Plan (CIP) is a six-year forecast that attempts to identify and prioritize long-term infrastructure needs.

Elements of Aaa Bond Rating

- Rapid retirement of debt – 10 year level principal; moderate level of debt.
- Stable economy – State government and UW; strong health care and technology sectors.
- Healthy reserves – 15% fund balance.
- Strong financial management – Governing body authorized to levy for debt payments; financial reporting and transparency.

Capital Budget / CIP Issues

- Rate of increase in taxes; revenue options
- Rate of increase in debt service; debt levels
- Prioritization of infrastructure needs
 - Existing buildings vs. new facilities
 - Economic development opportunities
 - Land use goals
- Prioritization of operating needs
 - Existing vs. new staff
 - Pay increases; wages vs. benefits
 - Reallocation of resources / results-oriented budgets

Points to Consider

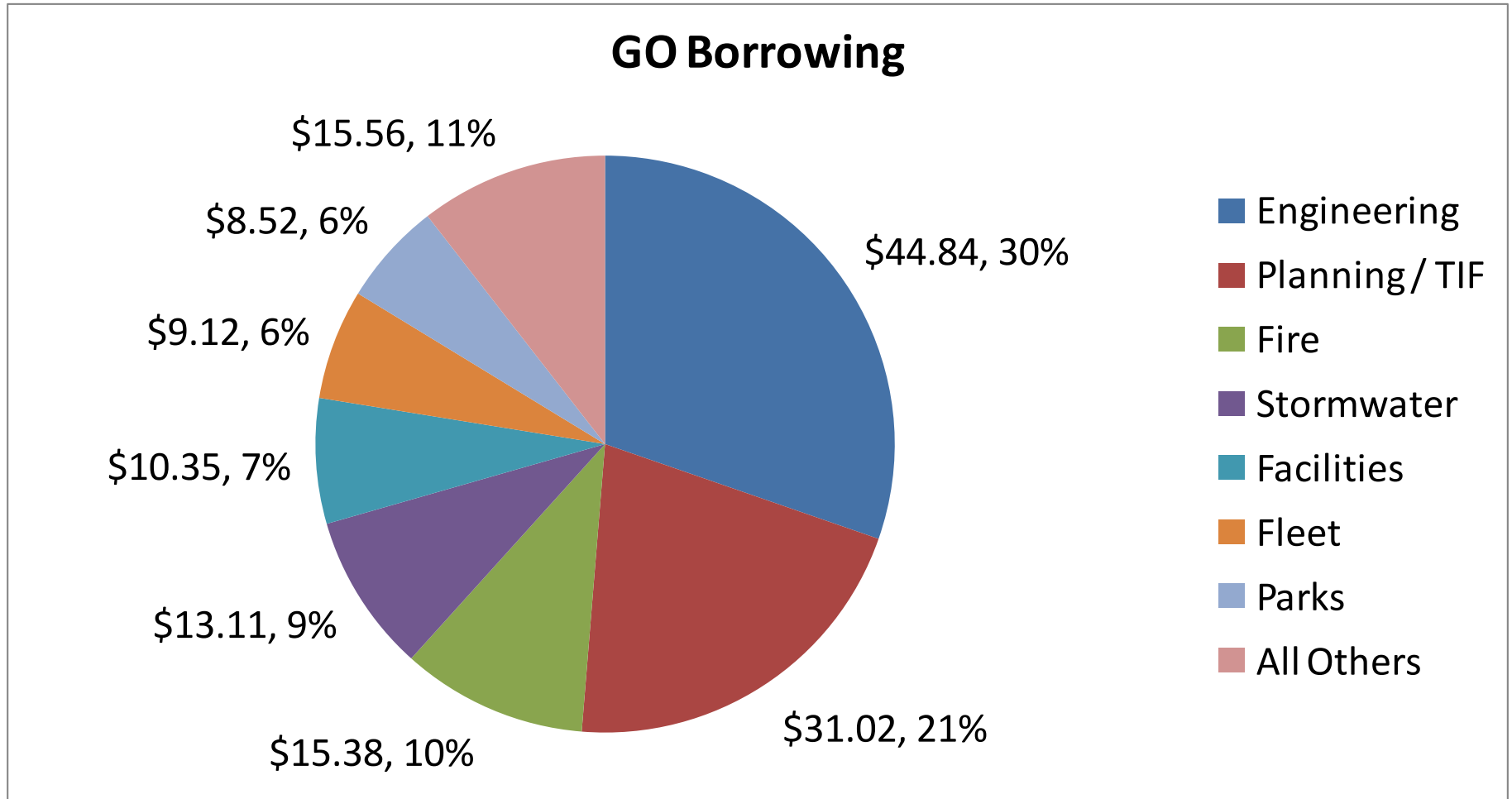
- **Levy limit affects ability to expand operations costs** – rate of increase in compensation and expansion of staffing adds to budget gap.
- **Borrowing affects the growth in the levy** – pace of borrowing / CIP affects rate of growth in levy.
- **Revenue options are limited** -- TIF borrowing and TID closures could provide additional operating and capital resources in some years.

2016 Mayor's Capital Budget Instructions

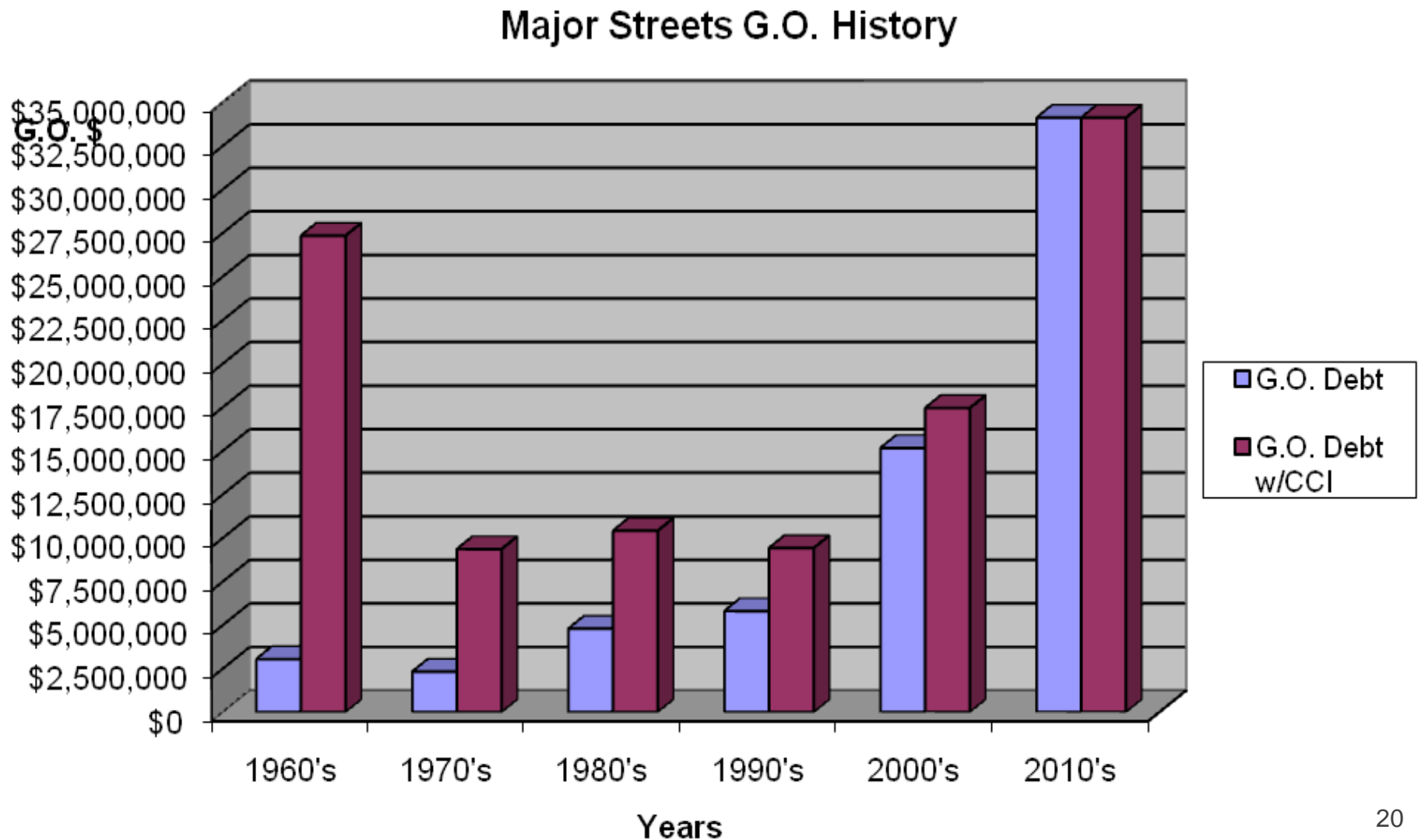
- No changes to 2015 CIP except for delays/reductions.
- Focus on deferring projects past 2016-2018
- Allow new projects in 2021
- 10% reduction plans; focus on entire projects
- Supplemental requests allowed

2015 Capital Budget Allocations

(\$ in millions)



Replacing 1960's Infrastructure



Major New Facilities since 2000

2000 TO 2006 -- \$25M

- Ashman Library -- \$1.8m
- West Police District -- \$3.2m
- Fire Station 11 -- \$3.1m
- Water Utility HQ -- \$6.1m
- East Police District -- \$3.9m
- Engineering Service Bldg. -- \$6.9m

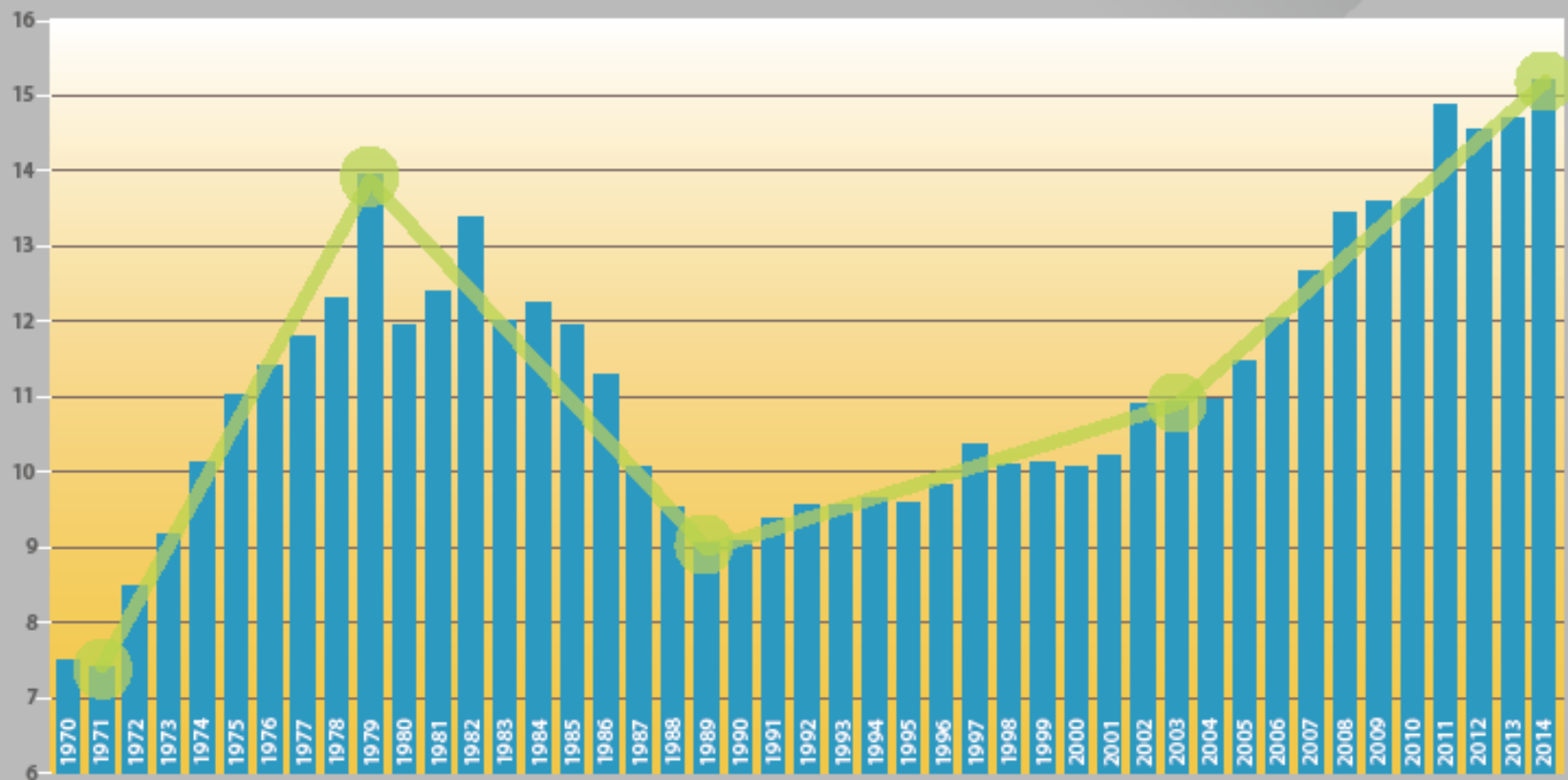
2007 TO 2015 -- \$55M

- Goodman Park Maintenance Facility -- \$3.7m
- Sequoya Library -- \$4.8m
- Fire Station 12 -- \$3.0m
- Goodman – South Madison Library -- \$1.3m
- South Point Warm Storage -- \$2.2m
- Central Library -- \$21m (city share)
- Fire Station 13 -- \$4.5m
- Fire Station 1 / Fire Admin -- \$15m

Metro Transit



Annual Fixed Route Ridership 1970 - 2014

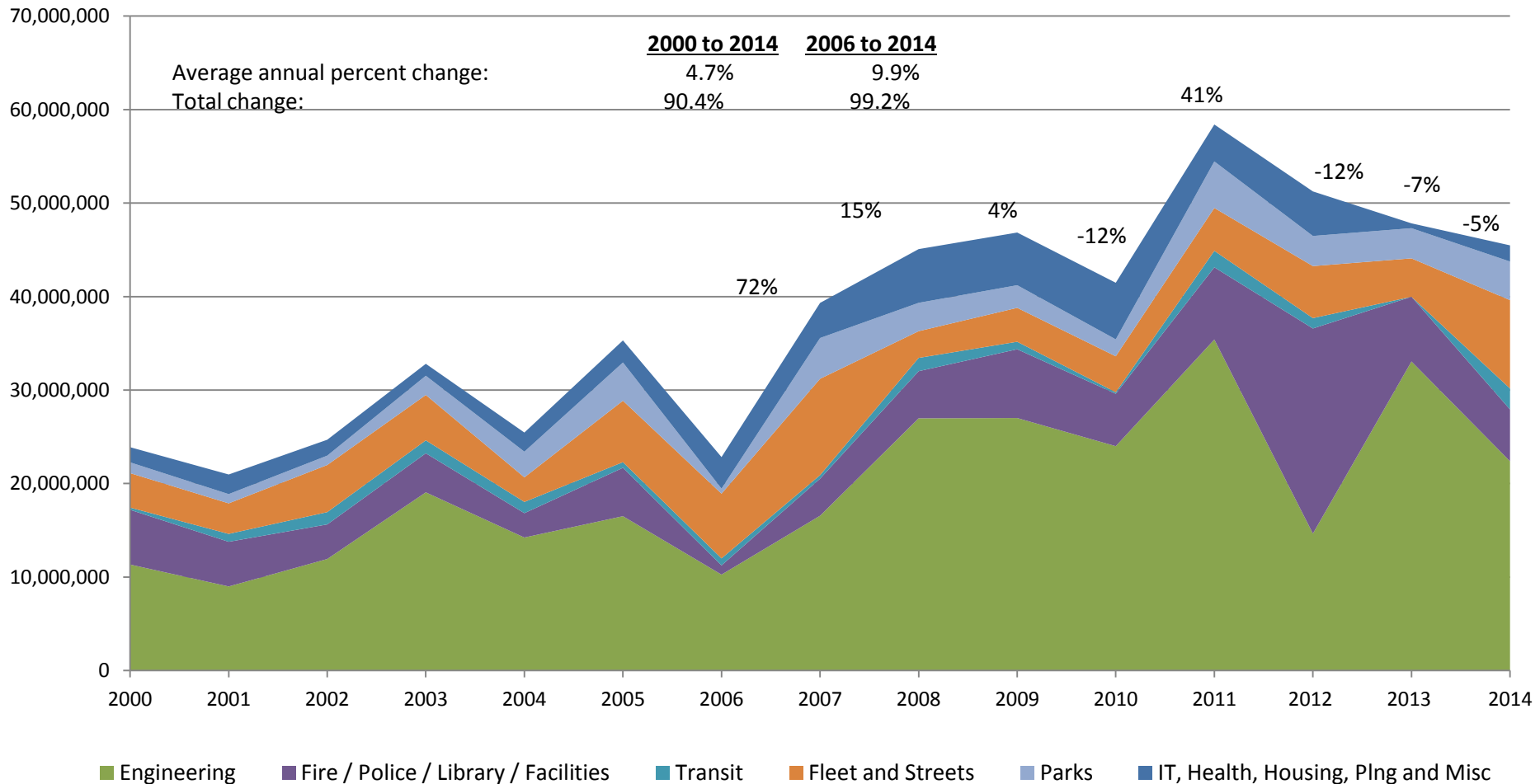


Annual Boardings in Millions

Capital Budget Trends

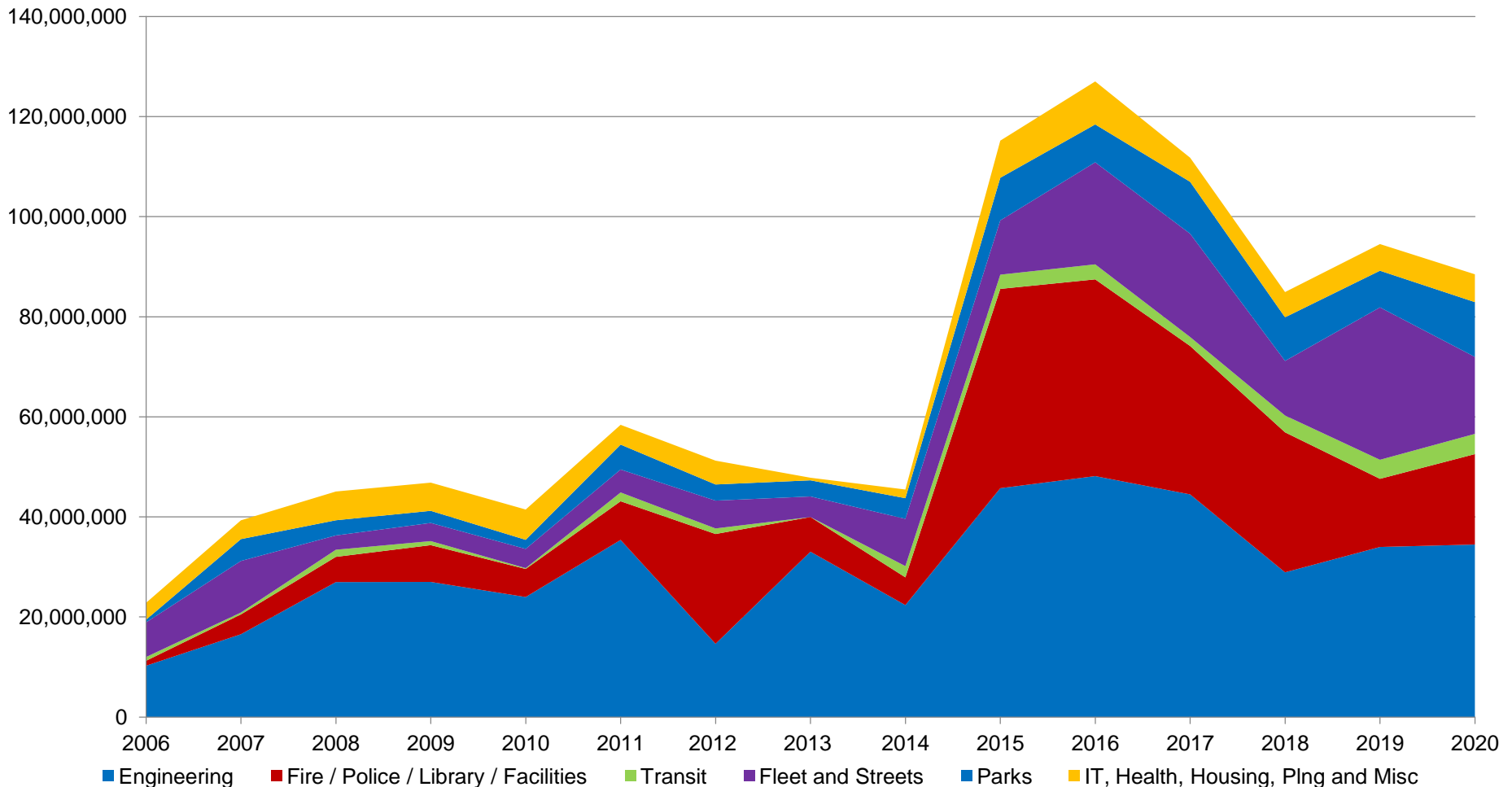
Change in Actual GO Debt -- 2000 to 2014
excludes Stormwater, TIF, refinancing of WRS and refunding bonds

	<u>2000 to 2014</u>	<u>2006 to 2014</u>
Average annual percent change:	4.7%	9.9%
Total change:	90.4%	99.2%

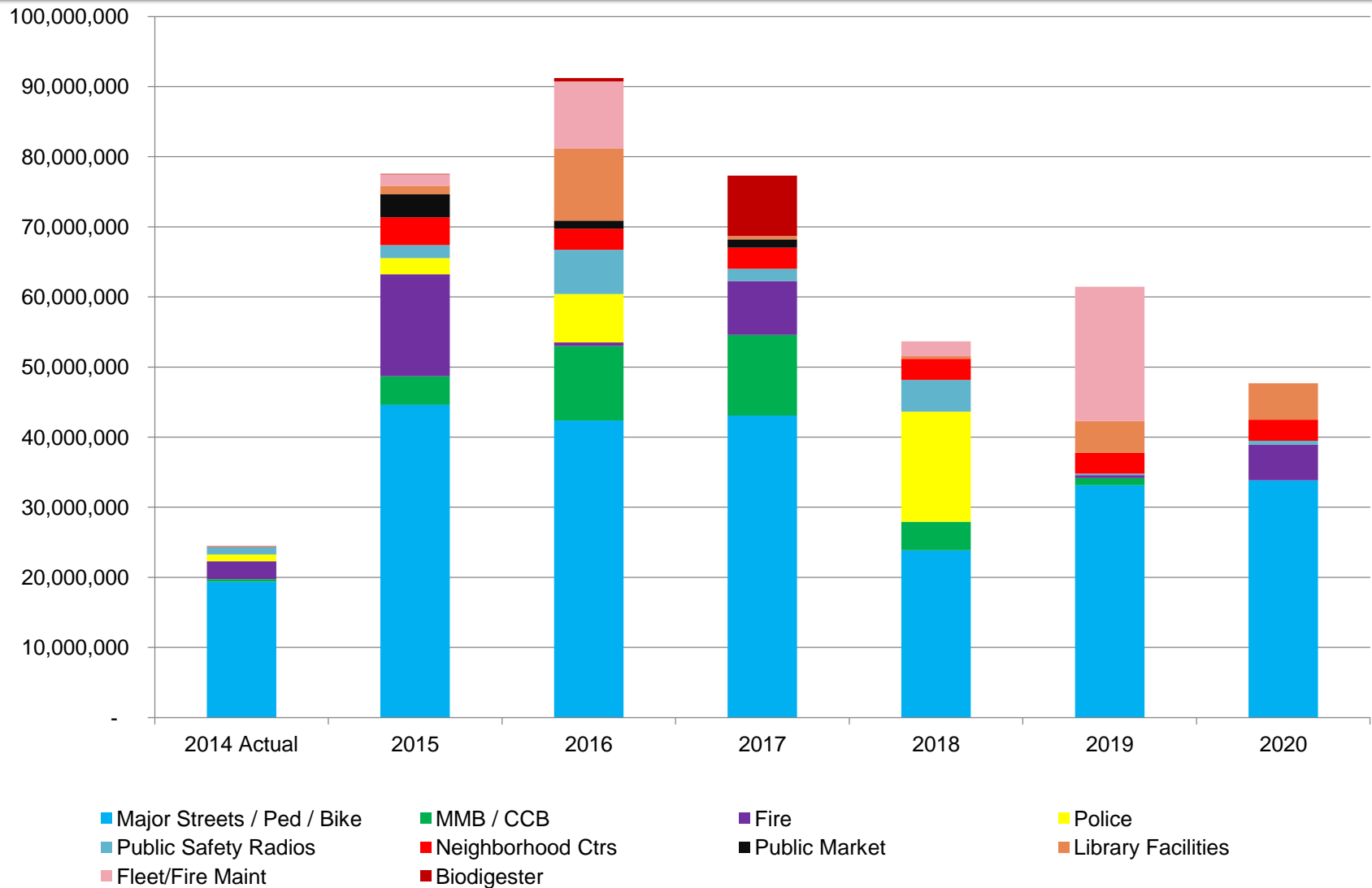


CIP Compared to Actual Borrowing -- 2006 to 2020

excludes Stormwater, TIF, refinancing of WRS and refunding bonds



Major Increase in Borrowing for Facilities



Key Projects in CIP

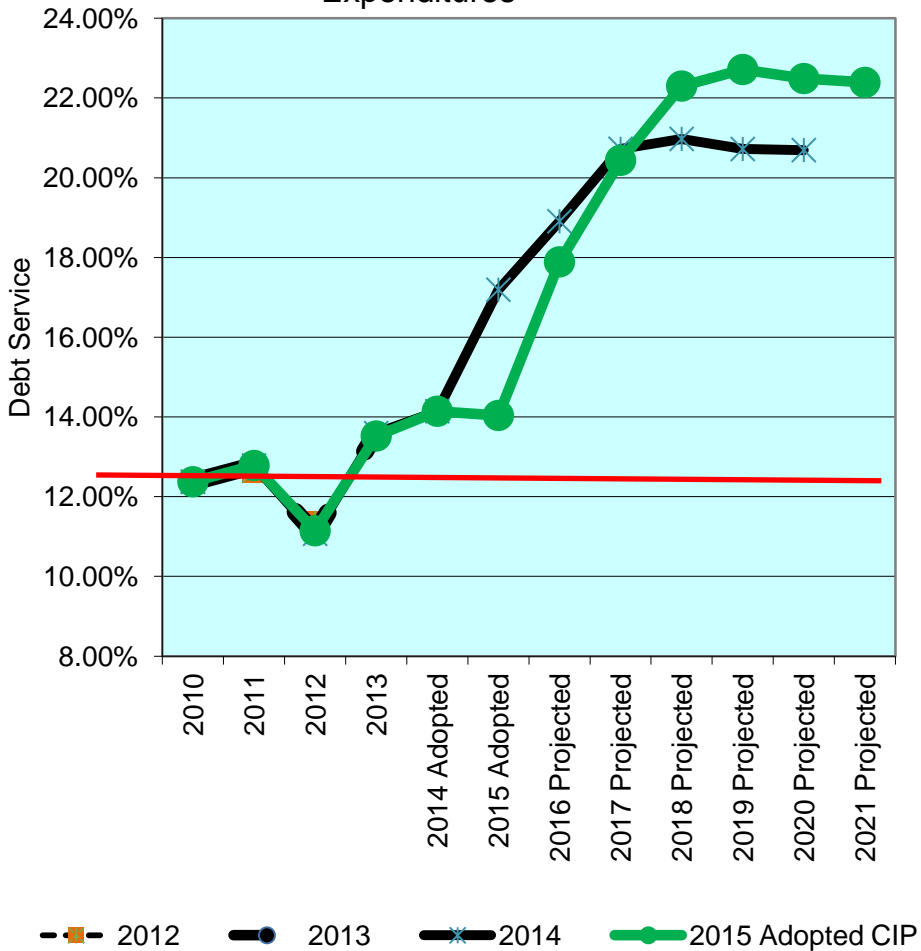
Project	GO Borrowing Amount	Anticipated Additional Operating Costs	Years
Fire Admin/ F.S. 1	\$15 million	\$0	2015
MMB Renovation	\$30 million	Minor savings	2015-19
Fleet/Fire Maintenance	\$33 million	\$0	2015-16; 2018-19
Pinney Library	\$8 million	\$0	2015-16
Public Safety Radio	\$15 million	\$0	2015-2020
Police Midtown Station	\$9 million	\$1 million	2015-16
Police Evidence	\$16 million	?	2018
Fire Station 14	\$8 million	\$900,000	2016-17

Key Projects in CIP

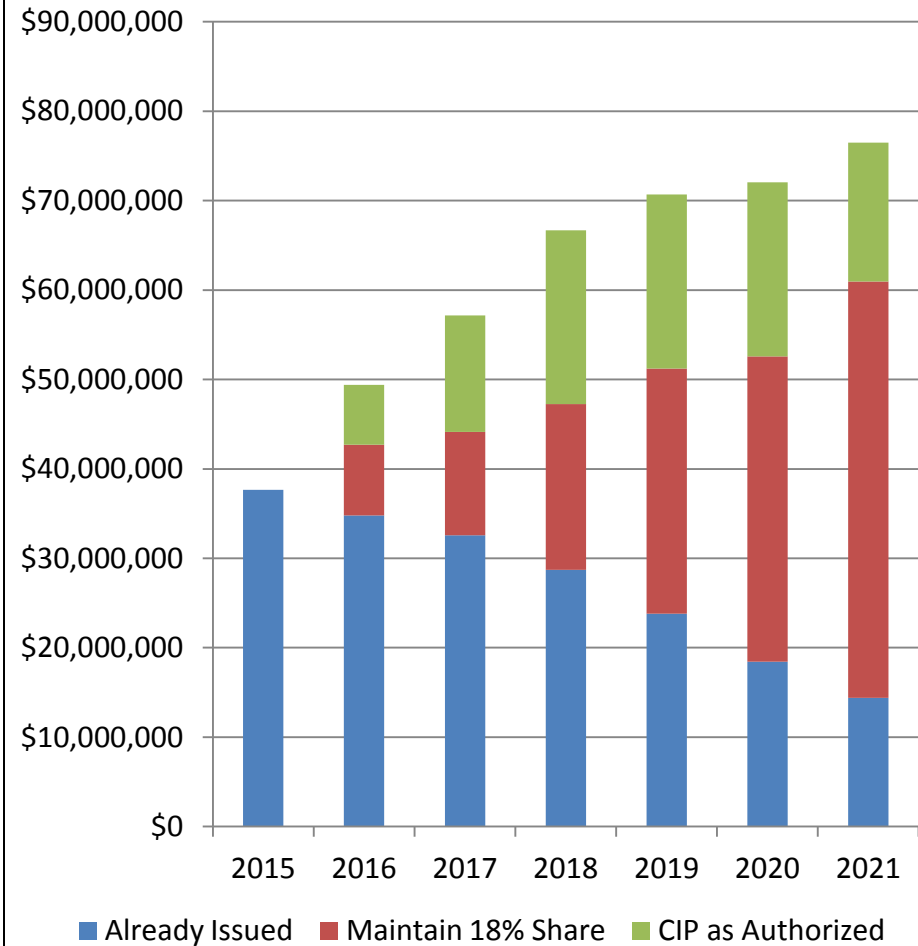
Project	GO Borrowing Amount	Anticipated Additional Operating Costs	Years
Monroe Street	\$10 million	\$0	2016-17
Olbrich Gardens	\$5 million	\$0	2016-17
EAB Mitigation	\$14 million	\$ 900,000/yr	2015-2023
Biodigester	\$9 million	TBD	2015-2017
Neighborhood Ctrs	\$19 million	\$200,000/ctr	2015-2020
Public Market	\$6 million	TBD	2015-2017
Affordable Housing	\$4 million	~\$200,000/yr	2015-2020
Sustainability Plan	\$6 million	TBD	2015-2020
TOTAL	\$207 million	\$4m - \$5m	

Debt Service and the Budget

Ratio of Debt Service to Total General Fund Expenditures



General Fund Debt Service



Long-Range Facilities Planning

2012 Budget

- Space needs related to bus and vehicle fleet, fire and streets equipment, police evidence storage, and water utility equipment.
- Identify the following:
 - Overall space requirements
 - Facility relocation options
 - Potential property acquisitions
- Long-term facilities plan provided to Common Council in June 2012.
- Findings included in future CIPs.

Discussion and Analysis Themes

- East Washington Avenue Corridor
- City Office Space / Regional Facilities
- Co-location opportunities
- Alternative Sites Analysis

City Facilities Needs

Priority Needs	Building Size (sq. ft.)	Site Size (acre)
Fire Maintenance	10,000	.5
Metro Bus: Satellite Facility	365,607	12
Library Maintenance	20,000	1
MPD Evidence and Vehicle	80,000	3
Fleet Services	51,000	2.5
Radio Shop	15,000	.5
Fire Administration	25,000	condo unit in high-rise
<u>Longer-Term Needs</u>		
Water Operations	60,000	3
Intermodal Bus Station	xx,xxx	x
Streets – (Far West PW)	134,640	4
Madison Municipal Business	86,000	na
City County Building	186,000	na

Board of Estimates Capital Budget Review Process

- Agency Presentations
- Prioritization Process
- Budget Calendar

Review Process Overview

- Background on key projects from agencies.
- Understand project conceptualization and prioritization process within agencies.
- Review key projects and establish priorities from BOE perspective
- Provide a report to the Mayor by mid-July for incorporation into the 2016 Executive Capital Budget

Meeting Schedule

May 13th

- Overview Session

May 28th

- Major Facilities
- Parks

June 22nd

- Engineering
- Traffic Engineering

June 30th

- PCED
- Metro Transit
- Fleet / Streets (Biodigester)

2016 CIP Goals

- What's the primary goal of the Department's CIP?
 - What community needs are addressed with the proposed projects?
 - Discuss specific demand for service and utilization rates where relevant

Planning Process

- Outline the steps in Department's CIP planning process
 - Discuss how long-range plans guide proposed projects
 - How was the community involved in planning efforts?
 - How were Madison elected officials engaged in process?
 - Discuss any mandates influencing the proposed projects

Meeting Agenda

- Departments provide overview of proposed projects currently in the 2016 CIP using template prepared by Finance (first 60 to 90 minutes)
- BOE members ask questions and discuss priority of major projects (second 60 to 90 minutes)

Possible Goals for Guidance

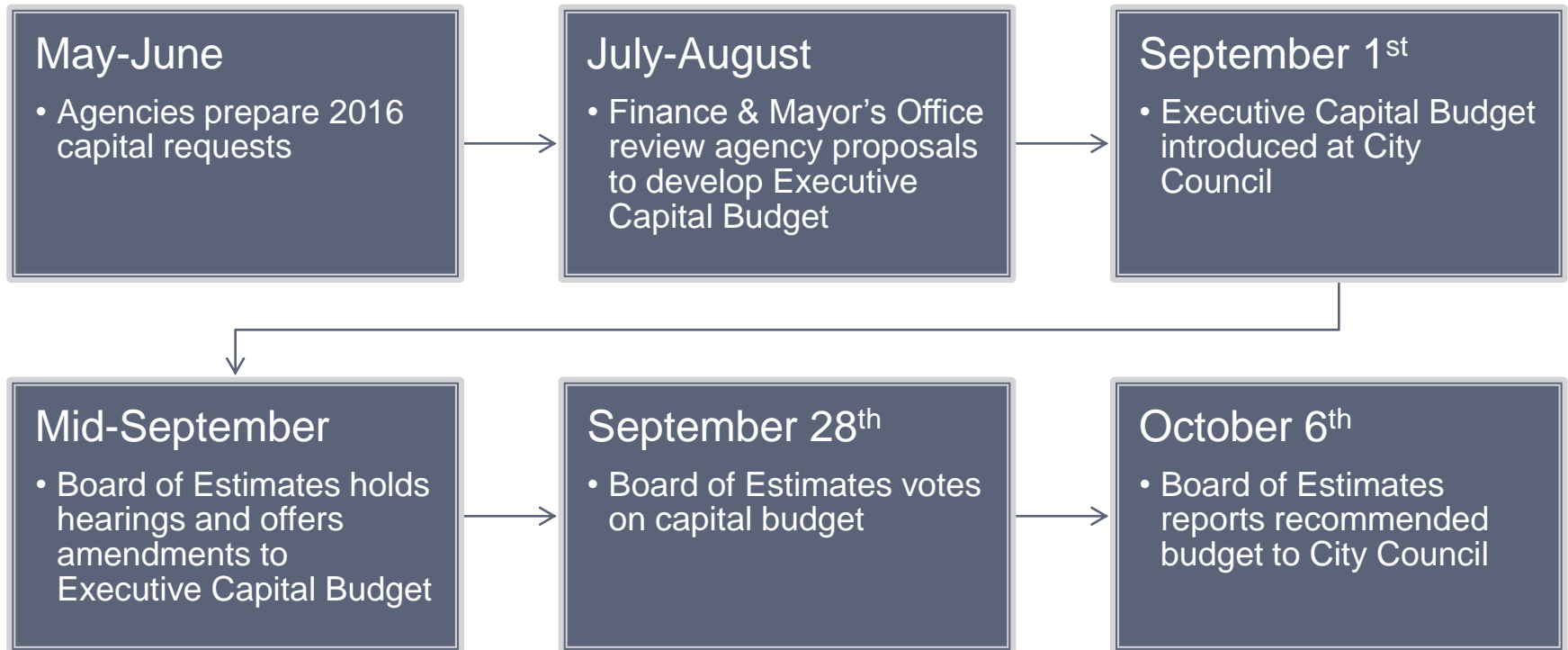
from 1994 resolution

- Growth Management: Madison must be economically, socially and culturally vibrant for the City and the region to thrive. To be vibrant and to maintain its vitality, Madison should share in the growth that is occurring in Dane County. This growth must be managed in such a way to balance our economic, social and environmental health to maintain a sustainable City.
- Neighborhoods: Madison should be a series of quality neighborhoods in which people will want to work, to recreate and, most importantly, to live now and in the future. Residents, City government, property owners, employers and other government institutions have shared responsibility for achieving this goal.

Possible Goals for Guidance from 1994 resolution

- Valuing Family, Youth and Diversity: Madison will build a community where people feel safe, get along with each other, wish to stay and involve themselves in improving their community. (The strategies for this goal focus on equity.)
- Organizational Strength and Effectiveness: The City should make the best use of the internal resources it has available in order to improve the delivery of City services. These internal resources are comprised of employees, tools and technology and methods of operation.
- City Financial Position: Madison will maintain the ability to finance basic municipal services, strive to meet customer service demands created by a growing City, and meet state and federal mandates while retaining our strong financial position and minimizing the adverse impact on property tax payers.

Capital Budget Calendar



Prioritizing Capital Investment

