

Capital Budget Overview and Policies

What is included in the Capital Improvement Plan (CIP) and Capital Budget?

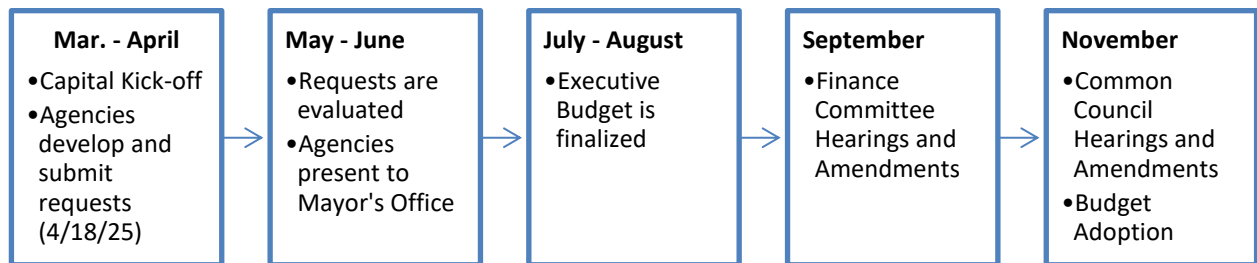
The City of Madison's **Capital Improvement Plan (CIP)** is a six-year planning and financial document that details investments to provide lasting improvements in the City's infrastructure and assets. A **capital project** is a large-scale, time limited program with a defined start and end date. A **capital program** is a large-scale, continuing work plan. The **capital budget** is the first year of the plan, which is appropriated by the Common Council. The remaining five years of the CIP are presented as a plan for the future.

Guidelines for Capital Projects and Programs

Per MGO 4.02(6)(c)(3), capital projects and programs must meet one or more of the following criteria:

1. Land purchases and improvements in excess of three thousand dollars (\$3,000); or
2. Projects requiring the borrowing of money including, but not limited to construction or reconstruction of public utilities, streets, sidewalks, storm and sanitary drainage facilities; or
3. New construction and construction of buildings in excess of five thousand dollars (\$5,000); or
4. Major alterations to buildings and facilities which are not routine repairs and which substantially enhance the value of a structure or change its use; or
5. Original equipment or motor vehicle purchases exceeding twenty thousand dollars (\$20,000) in cost and having a life expectancy of ten (10) years or more, unless, for new capital projects, the repayment term of the debt coincides with the useful life of the asset.

Capital Budget Development Timeline



Documents from all phases of the budget process are available on the City's Budget Website:

<https://www.cityofmadison.com/budget>

Guidance for Agencies Submitting Capital Requests

Agencies received the following guidance in March 2025 for submitting their 2026 budget requests.

Fiscal Responsibility & Planning

- The Citywide target is to keep projected debt service at or below projections for the 2025 CIP.
- Agencies should scrutinize projects and programs approved in the 2025 CIP to ensure the timeline and funding requests are realistic and reflect current plans.
- Agencies must prioritize their requests and explain the criteria used for prioritization.
- Projects approved in 2025 are not guaranteed funding in 2026. Projects may be reduced or delayed as needed to meet citywide borrowing targets and priorities.

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Changes to the 2025 CIP, Funding Increases and New Projects

- Agencies may propose changes to the 2025 CIP to reflect current plans. These changes can include reductions to reflect delayed or cancelled projects, cost neutral adjustments that shift funding across projects, and program increases in the last year of the CIP (2031).
- Agencies may submit requests that increase funding if there is a known increase to project costs (e.g. recent construction bids), or anticipated costs due to external economic factors (e.g. inflation).
- Agencies may submit requests for new projects in the last year of the CIP (2031) if the project is fully conceptualized. Projects that are primarily funded by non-borrowing sources, meet an emergency need, or were previously on the Horizon List, may be submitted prior to 2031.
- Agencies may request adding projects to the Horizon List if a project is anticipated in the CIP timeline but not fully scoped for a full budget proposal.

Federal Funding Assumptions

- When agencies were developing their requests in March – April of 2025, the U.S. Congress had not yet passed a federal budget. Agencies were instructed to assume continued federal funding based on levels approved in the 2025 CIP.
- The federal budget was adopted in July 2025. The City's executive capital budget reflects updated assumptions on certain federal funds, specifically the end of certain direct pay credits under the Inflation Reduction Act. These changes are detailed in the Executive Summary and in the agency highlights in the Engineering – Facilities and Fleet budgets.

Special Assessment

Various Public Works projects include funding from special assessments. Staff may administratively increase the special assessment budget and move budget across major projects if the final assessment exceeds the amount assumed in the budget, without seeking Common Council approval.

Savings Resulting from Use of General Debt Reserves

Common Council created MGO 4.17 in 2012 to prohibit the use of unused balances in the debt service fund for operating costs. The Ordinance states: "In any year when general debt reserves are applied to reduce general fund debt service, an amount at least equal to the general debt reserves applied must be directly appropriated from the general fund for capital projects, unless the Common Council, by a separate vote of two-thirds (2/3) of all members during approval of the budget, votes to do otherwise."

Projects Funded by a Direct Appropriation from the General Fund

The 2026 Executive Budget proposes funding three (3) projects, totaling \$3,298,065, through a transfer from the general fund to the capital fund (see table below). The funding for these projects will be shown in the 2026 Operating Budget in Direct Appropriations. The associated property tax levy for these projects will be offset by lower General Fund debt service. The reduced General Fund debt service is the result of applying General Debt Reserves generated by the actual bond issuance premium associated with the 2025 General Obligation (GO) debt issuance.

Agency	Project	Amount
FINANCE	CAPITAL BUDGET ADMINISTRATION	\$ 523,469
LIBRARY	LIBRARY COLLECTION	\$ 1,130,000
INFORMATION TECHNOLOGY	ENTERPRISE BUSINESS SOLUTIONS	\$ 1,644,596
	Total	\$ 3,298,065

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Reauthorizations /Carry Forward Balances

Capital projects and programs typically span multiple years. In some cases, General Obligation (GO) borrowing appropriated in one year may not be fully expended within the year. If the agency still requires these funds to successfully execute a project, this budget will be reauthorized as a carry forward balance.

Based on projected borrowing levels as of July 31, 2025, \$207.3 million in previously authorized GO borrowing will carry forward from 2025 to 2026. The table below shows the 31 projects (out of 165) carrying forward \$1.5 million or more in GO borrowing. These projects represent 78% (\$161.9 million) of the total carry forward amount. A full list of carryforward appropriations will be attached to Legistar File 89733. Additionally, a list of carryforward appropriations by agency are included in each agency budget.

Agency	Project	Carryforward GO Amount
COMMUNITY DEVELOPMENT	AFFORDABLE HOUSING-DEVELOPMENT	\$ 27,817,400
TAX INCREMENT DISTRICT	TAX INCREMENT DIST BORROWING PRJ	\$ 17,996,500
METRO TRANSIT	FACILITY REPAIRS &IMPROVEMENTS	\$ 9,850,000
ENGINEERING - MAJOR STREETS	PAVEMENT MANAGEMENT	\$ 9,431,430
TRANSPORTATION	North-South Bus Rapid Transit	\$ 7,831,000
ENGINEERING - MAJOR STREETS	RECONSTRUCTION STREETS	\$ 7,681,053
ENGINEERING - MAJOR STREETS	JOHN NOLEN DR	\$ 7,146,000
FIRE	FIRE STATION-6W BADGER RD	\$ 6,845,000
FLEET SERVICES	FLEET EQUIPMENT REPLACEMENT	\$ 6,500,000
PUBLIC HEALTH	South Madison Public Health Clinic	\$ 6,102,591
FLEET SERVICES	FIRE APPARATUS / RESCUE VEHICLES	\$ 5,850,000
PARKS	PARK LAND IMPROVEMENTS	\$ 3,939,855
LIBRARY	IMAGINATION CENTER AT REINDAHL PARK	\$ 3,625,000
MAYOR	SUSTAINABILITY IMPROVEMENTS	\$ 3,506,292
ECONOMIC DEVELOPMENT	GENERAL LAND ACQUISITION FUND	\$ 3,500,000
METRO TRANSIT	TRANSIT COACHES (MAJOR)	\$ 3,264,710
ENGINEERING - PED/BIKE	TROY DR UNDERPASS	\$ 2,465,679
PARKING	Park Access and Rev Control Equip	\$ 2,426,495
ENGINEERING - PED/BIKE	SIDEWALK PROGRAM	\$ 2,407,319
COMMUNITY DEVELOPMENT	HSNG CONSUMER LOAN PRGMS	\$ 2,301,400
ENGINEERING - FACILITIES MGMT	ENERGY IMPROVEMENTS	\$ 2,195,582
STORMWATER	PAVEMENT MANAGEMENT	\$ 2,105,484
STORMWATER	S PARK ST (OLIN TO RR)	\$ 2,075,000
STREETS	STREETS EQUIPMENT	\$ 2,052,000
ECONOMIC DEVELOPMENT	PARK FACILITY IMPROVEMENTS	\$ 2,000,000
TRAFFIC ENGINEERING	Safe Streets for All Federal Grant	\$ 1,975,000
METRO TRANSIT	TRANSIT SYSTEM UPGRADES	\$ 1,938,000
ECONOMIC DEVELOPMENT	LAND BANKING	\$ 1,895,000
ENGINEERING - FACILITIES MGMT	CCB OFFICE REMODELS	\$ 1,818,184
CDA REDEVELOPMENT	VILLAGE ON PARK REDEVELOPMENT	\$ 1,700,000
ENGINEERING - MAJOR STREETS	ATWOOD AVE RECONSTRUCTION	\$ 1,677,261
TOTAL		\$ 161,919,235

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How to Read Agency Budgets

Each agency budget contains the following sections:

1. Capital Improvement Plan (CIP) Overview
 - a. **Summary Table:** List of all capital projects and programs, with total funding by year
 - b. **Changes from 2025 Adopted CIP (Graph):** Clustered bar graph that compares the total funding for the agency, by year, in the 2026 Executive CIP and the 2025 Adopted CIP
 - c. **Description of Major Changes:** Comments on significant changes between the 2026 Executive CIP and the 2025 Adopted CIP. There is a comment on every project/program, even if there is no change. Comments may include changes in funding amount, funding source, project scope, timeline, or other aspects of the project.
2. Summary of Expenditures and Revenues
 - a. **2026 CIP by Expenditure Type:** Table with budget amounts by expenditure type (e.g. Bike Path, Building, Land, Street), by year
 - b. **2026 CIP by Funding Source:** Table with budget amounts by funding source (e.g. General Fund (GF) General Obligation (GO) Borrowing; Federal Sources; Impact Fees; Reserves Applied; TIF Increment), by year
 - c. **Borrowing Summary:** Table with General Fund GO Borrowing and Non-General Fund GO Borrowing by year
 - d. **Annual Debt Service:** Estimated debt service, assuming a 10-year repayment schedule and 3% interest
 - e. **Executive Budget by Funding Source (Graph):** Stacked bar graph showing GO Borrowing and Other Sources by year
3. Carryforward General Obligation Borrowing
 - a. **Carryforward GO Borrowing:** Table that summarizes funding authorized in prior capital budgets that will carryforward in 2026. Data reflects unspent funds as of July 31, 2025.
 - “Unused Appropriation Authority” column reflects all unused funds that will carryforward (borrowing, federal sources, grants)
 - “Reauthorized GO Borrowing” column reflects GO Borrowing that will be reauthorized in 2026
4. Project & Program Details
 - a. **Identifying Information:** Project Name, Number, Type (Project or Program); and Citywide Element
 - b. **Project Description:** Brief narrative on the purpose and scope of the project
 - c. **Funding Table:** Table that summarizes funding by source, by year
5. 2026 Appropriation Schedule
 - a. **2026 Appropriation Table:** List of all projects with funding appropriated in 2026. Table compares the agency request to the Executive Budget.