



Office of the Mayor

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To: Department and Division Heads

From: Mayor Paul R. Soglin

Subject: 2019 Capital Budget Instructions and Target

The President and Congress have no viable plan for investing in our nation's infrastructure. Massive tax cuts for corporations and the wealthy have ballooned the federal budget deficit. Our city's residents are left to address alone the monumental task of repairing roads, bridges, and key facilities, as well as finding ways to invest in the technology, transportation and public safety projects that help to create family supporting jobs and educate our children.

Madison has led the way in growing our state's economy – we are the engine of job growth in our state, providing the revenues that help our entire state prosper. We need to reinvest those resources wisely and in Wisconsin. We need to help all our residents achieve their goals. We need to increase access to jobs and education through bus rapid transit, we need to invest in affordable housing, and we need to rebuild our roads and bridges.

Rather than making wise investments, the current Governor and State Legislature leave us to fend for ourselves through the property tax. This tax on our homes and small businesses must pay for basic infrastructure, public safety services, community investments, and our children's education. We must add to our debt in order to continue growing Madison and the entire state.

We are in the midst of a major facility construction and improvement effort, including construction of the new \$10 million Midtown Police Station, the \$30 million renovation of the Madison Municipal Building and the construction of a new Pinney Library branch at a cost of \$10 million. Construction of a new fire station is set to begin in early 2019 at a cost of \$7 million, as well as a \$30 million fleet service facility to address health and safety issues and improve operations. We have added nearly \$30 million over the next six years to replace declining federal funding so that we can continue to replace buses and maintain our existing Madison Metro transit routes. Future projects in the current capital improvement plan (CIP) include a new library/community center at Reindahl Park, a new public works facility on the far west side, significant health and safety improvements at the Metro bus facility and construction of a new satellite bus storage facility, major renovations / replacements of two fire stations, and a police evidence storage facility.

The rapid growth in the capital budget has serious implications for our property tax payers, the level of services to our residents and the overall City budget. The cost to operate the new fire station will add over \$1.6 million annually to the operating budget in future years. General obligation debt has more than doubled over the past 10 years and the associated debt service has increased much faster than the overall budget. Debt service is currently at 15.5% of the budget and will rise to nearly 19% of the budget under the current CIP. Historically, the city had maintained debt service at or below 12.5% of the budget. Our current six-year capital plan calls for spending \$120 million more than the 15.5% debt service share of the budget and \$210 million more than the historic 12.5% level.

With this in mind, as part of the 2019 planning process, I am continuing to emphasize 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 2019 capital budget for your agency:

- Limit the overall general obligation bonding authority for your agency to the amounts included in the capital improvement plan (CIP) adopted as part of the 2018 capital budget. Agencies should not request additional general obligation debt for facilities projects that are at or beyond the planning and design stage. Agencies should look to delay projects currently planned for 2019 through 2021 to later years and eliminate low priority projects. Base funding for on-going capital programs (e.g., Pavement Management in Major Streets) added to the CIP in 2024 should be consistent with 2023 amounts.
- Agencies should closely scrutinize existing funding authority for on-going capital programs. Overall, agencies are spending only 65% of annual appropriations for these purposes, with several programs spending from appropriations authorized two to three years ago. These programs will be carefully reviewed during development of my executive budget.
- Prioritize the projects within your agency numerically 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 2019 CIP. These priority lists will be used to determine projects slated for elimination or deferral in lieu of reduction plans.
- Agency proposals for new projects should be accompanied by a full explanation of the need for the request and a corresponding description of the project or projects that will be deleted from the agency’s current capital improvement plan to pay for the proposed new project. Madison Metro capital budget needs will be reviewed in the context of the outlook for federal funding and the condition of existing facilities.
- Review projects scheduled for 2019 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.

