



Office of the Mayor

Satya Rhodes-Conway, Mayor

City-County Building, Room 403

210 Martin Luther King, Jr. Blvd.

Madison, WI 53703

Phone: (608) 266-4611 | Fax: (608) 267-8671

mayor@cityofmadison.com

cityofmadison.com

Date: April 13, 2021
To: Department and Division Heads
From: Mayor Satya Rhodes-Conway
Subject: 2022 Capital Budget & Capital Improvement Plan: Agency Guidance

Over the past year we have engaged in addressing a new global threat on a scale none of us had seen in our lifetimes. In the midst of this global pandemic, city agency staff responded by swiftly implementing new policies and procedures to protect the public and the workforce; adapting to new working environments while also delivering ideas to build a capital budget plan that supported the city's fragile economy; identified ongoing improvements that make Madison resilient in a changing climate; and re-imagined planned projects to anticipate the new normal that would emerge post-COVID.

Today, we are beginning to emerge from the pandemic. We are on pace to vaccinate a majority of Dane County residents over the next several weeks. Our hope is that the city is returning toward normalcy after a challenging year, and we must use this opportunity to leverage lessons learned in the pandemic to improve the way we serve city residents and revitalize the city we love.

The COVID-19 pandemic has led to unprecedented impacts on the city's budget, including an estimated \$67 million in lost revenue and reductions in critical fund balances. These fiscal impacts will linger as the city works to shore up shortfalls caused by the pandemic. Even with a significant influx of one-time federal support, the city must continue to think strategically about capital investments to ensure that the costs of capital projects remain on track to support updated infrastructure and investments without negatively impacting other areas of operating spending.

As we emerge from the COVID-19 pandemic, we must prioritize confronting ongoing challenges, including housing affordability, transit access, and resiliency in the face of a changing climate. All of these initiatives will be informed by an understanding of the institutionalized racism that plagues our nation and our city, and that must be addressed as part of a systematic response to the issues we face. If we learned anything from 2020, it's that challenges posed by racism are every bit as daunting as those created by the global health crisis from which we are only beginning to emerge. In contrast to the public health measures implemented in response to the pandemic, dismantling prejudice and inequality requires thoughtful, strategic investments in areas that policymakers have too frequently used to reinforce racism -- including housing, transportation, and environmental protection. We must put an equity lens at the forefront of our budget deliberations in the coming years as we seek to provide a community where all residents can thrive.

Based on these challenges, I am providing the following guidance for capital requests for the 2022 Capital Budget and Capital Improvement Plan:

- All agencies are encouraged to find ways to decrease spending in the 2022 Capital Budget that will not unduly impact our ability to provide essential services.
- Agency requests should be prioritized. The agency overview memo should clearly discuss the criteria used to establish the prioritized list.
- Agencies will be required to answer new equity questions regarding each project and program offered. Agencies should highlight these responses in their transmittal memo, indicating how the proposal meets the City's equity goals. More guidance and assistance on answering these questions will be provided by the City's Racial Equity and Social Justice teams in the next few weeks.
- Agency requests for existing projects should be consistent with the adopted 2021 Capital Improvement Plan. Increases from existing funding levels and deviations from project schedules must be justified and clearly explained.
- Requests for new projects may be submitted, but must be conceptualized to the point that a complete budget proposal can be submitted.
- Agencies will be allowed to submit budget requests for projects currently on the Horizon List so long as they can demonstrate the 'Issues to be Addressed' have been resolved and a complete budget submission can be developed.
- Agencies may submit requests to add projects to the Horizon List if: (1) the project is forthcoming in the term of the CIP; and (2) the project has definition in most but not all key areas of project planning, including the timeline, matching funding sources, OR ongoing operating costs.
- Program budgets should continue into 2027 and can be adjusted by up to 5% to account for inflationary construction costs in 2027.

As you prepare your proposals, keep in mind that I will rigorously review each proposal. Continuing the status quo is not a sufficient justification for capital investment. I will be looking for proposals that help the city confront housing, transit, climate change, and equity challenges while recovering from the COVID-19 pandemic. Budget proposals should be focused on the investments we are making in our community and neighborhoods as we want to see them in the future rather than focusing on how we preserve the current state or return to pre-pandemic conditions. Further, I will be aggressive in offering reductions to ensure a responsible level of debt service in the operating budget for the coming years. Creativity and innovation continue to be a must.

Building the city's 2022 capital budget offers opportunities to apply lessons learned from the COVID-19 pandemic to help Madison emerge stronger and more resilient than ever.

2022 CAPITAL BUDGET AND CAPITAL IMPROVEMENT PLAN

MAYOR'S MESSAGE AND BUDGET INSTRUCTIONS TO AGENCIES

FINANCE COMMITTEE BRIEFING

APRIL 26, 2021



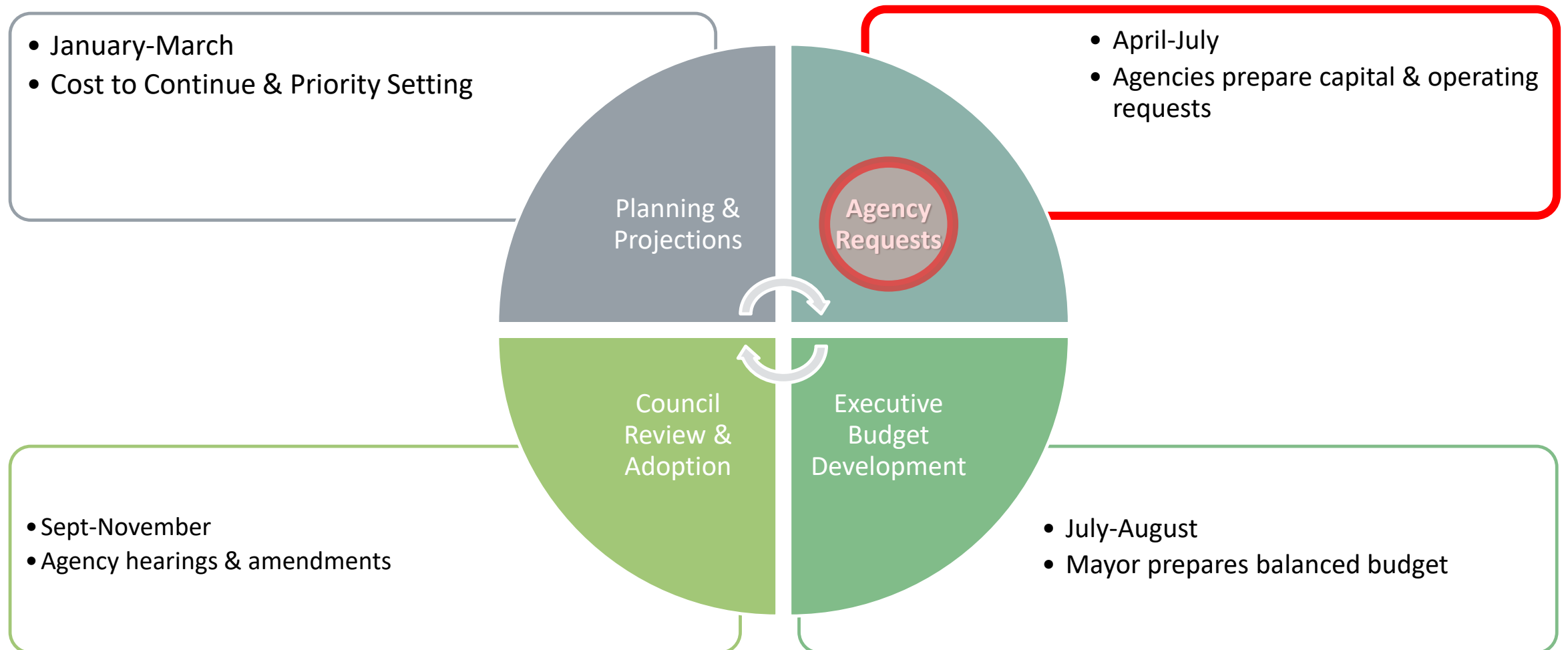
CAPITAL VS OPERATING

| CAPITAL | OPERATING |
|---|--|
| The capital budget funds physical infrastructure | The operating budget funds the City's daily operations |
| Capital projects are for long-term projects that may span multiple years (i.e., MMB Renovation) | Includes all City programs and services as well as the staff and supplies for those services |
| Primarily funded by selling bonds; ultimately paid back by debt service the Operating Budget | Funded by taxes, fees & fines, and State & Federal grants |
| The planning process is focused on the upcoming year and the 5 following years | The planning process is focused on the upcoming year |

BOND RATING

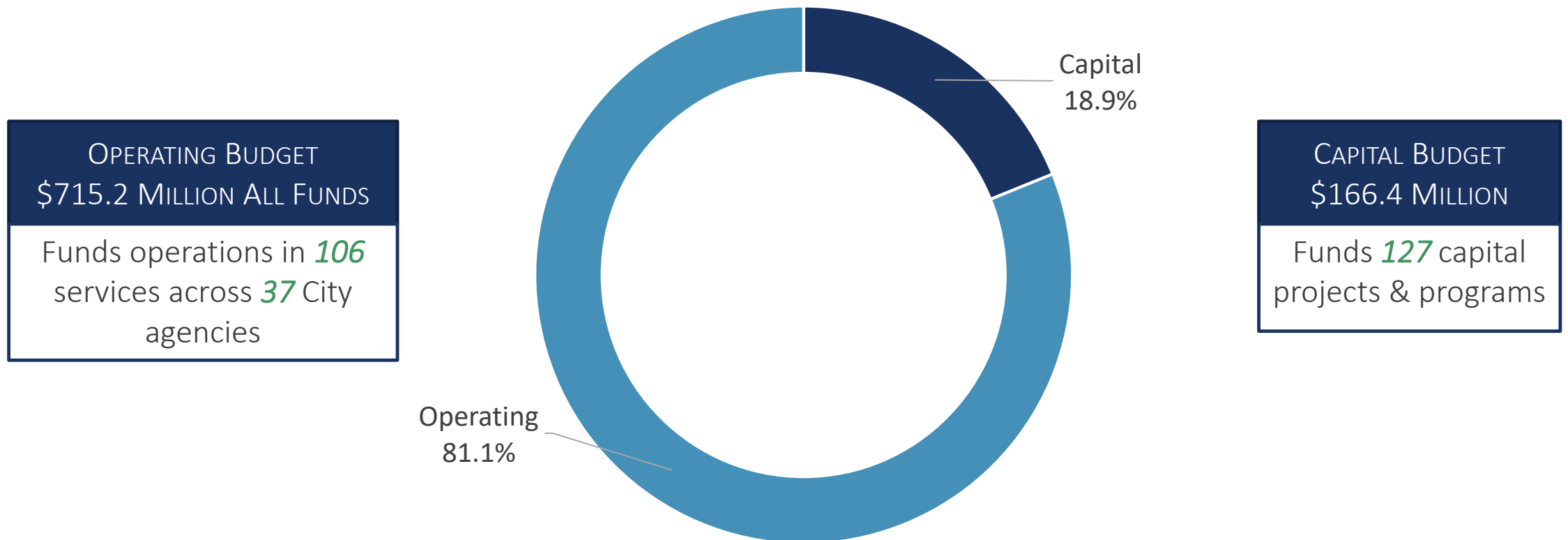
- Triple-A rated since the 1970s; ensures lowest possible cost of borrowing on city's general obligation debt.
- Rating is based on four key measures:
 1. Strength of Local Economy and Tax Base – UW and state government provide solid stability; property tax has base growing; levy limits are considered a negative.
 2. Manageable Debt Levels – Madison's debt levels have been rising and are on the high end of moderate; debt is retired quickly (most general obligation debt issued as 10 year promissory notes); debt as a share of income has remained stable.
 3. Sufficient Fund Balance (Triple-A issuers are have at least a 15% fund balance) – Madison has a 15% fund balance policy.
 4. Governance (Governing bodies exhibit prudence and adhere to financial policies) – Mayor and Council ensure policies are met, debt is within means, costs remain within revenues and fund balance is maintained.

BUILDING THE BUDGET: PROCESS OVERVIEW



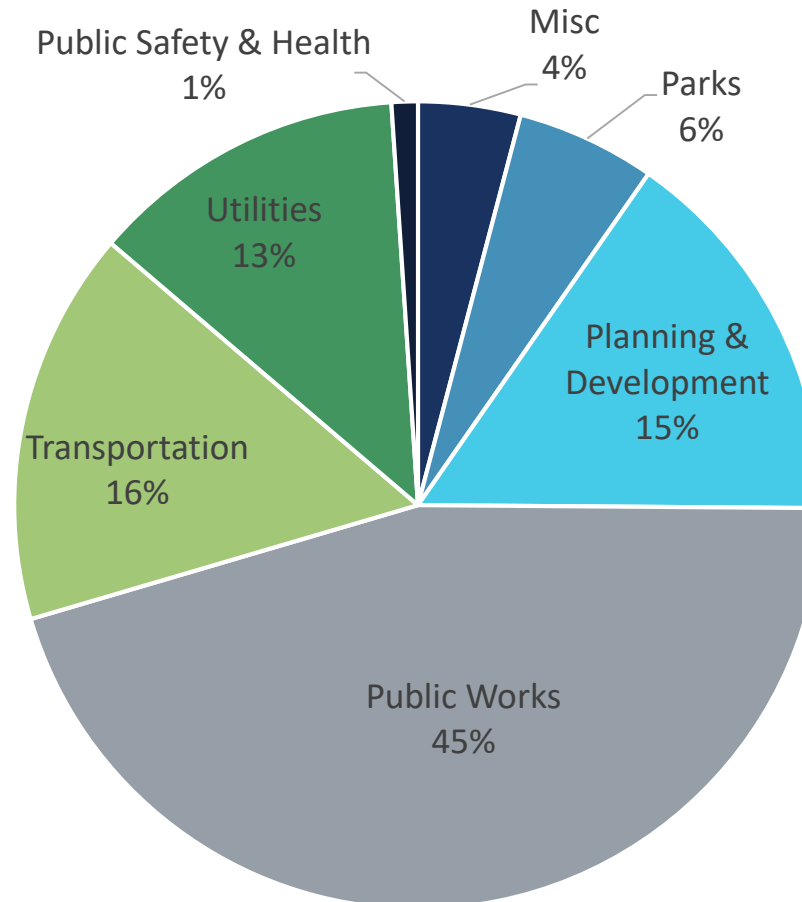
2021 ADOPTED BUDGET: OPERATING VS. CAPITAL

2021 ADOPTED BUDGET=\$881.6 MILLION



WHERE THE MONEY IS SPENT: CAPITAL BUDGET BY FUNCTION

2021 Adopted Capital Budget by Function

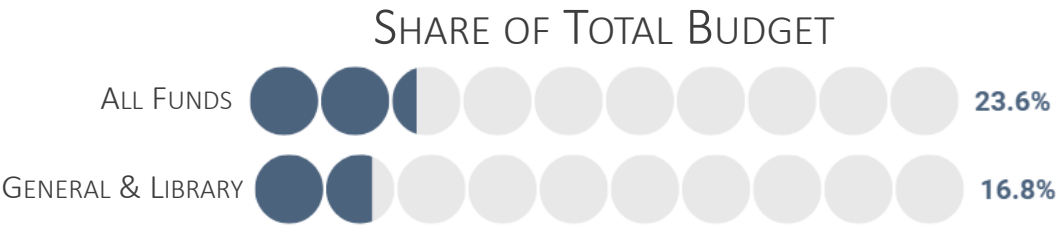
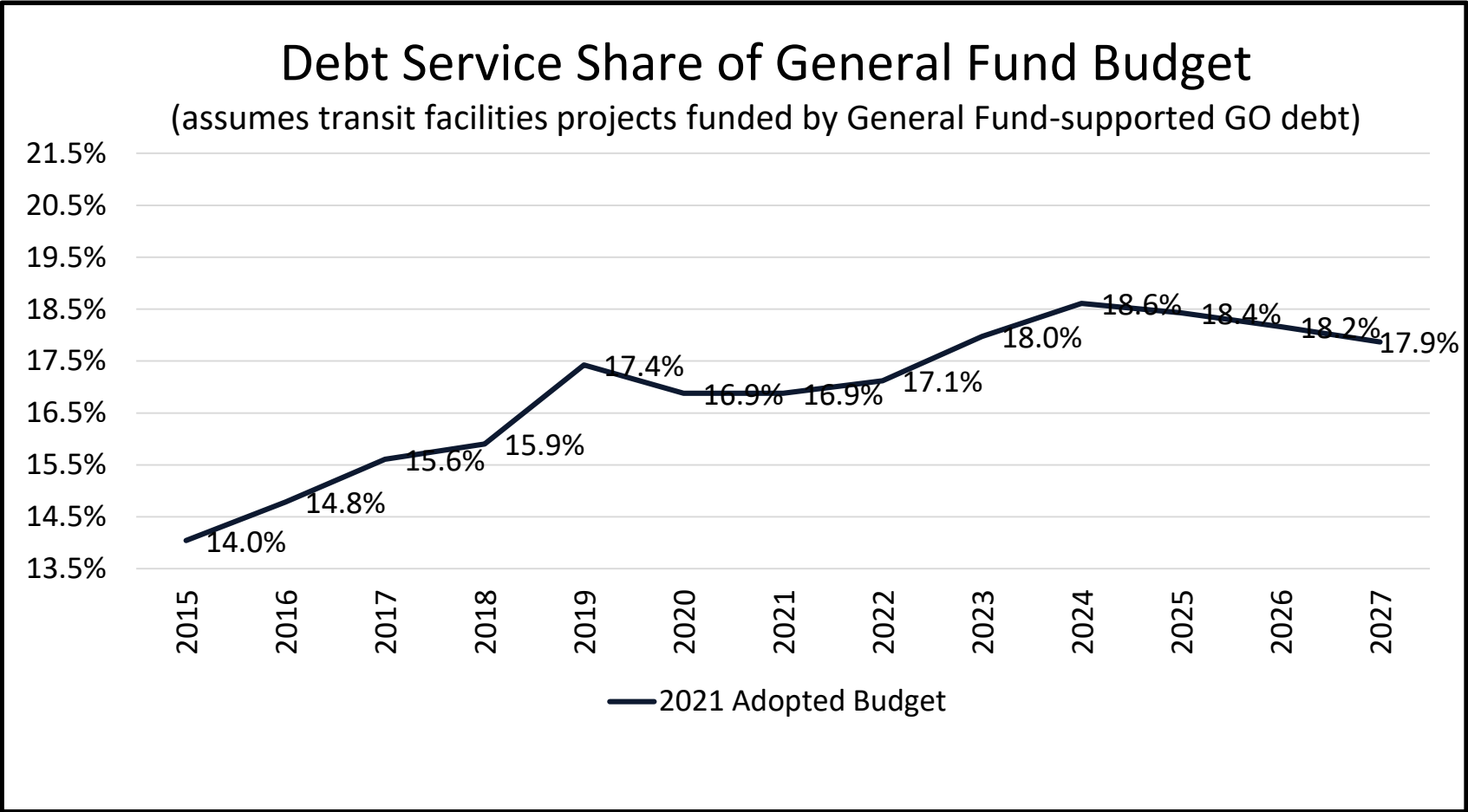


DEBT SERVICE

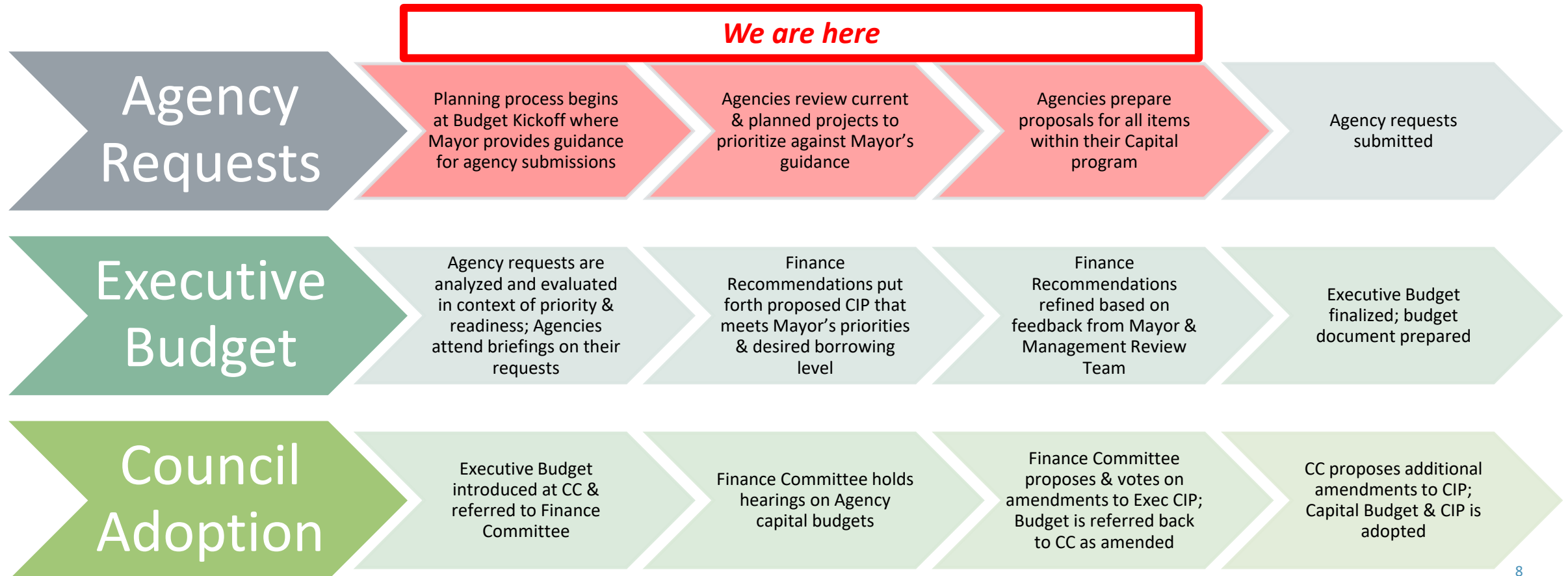
Debt Service is the third largest portion of the City's budget (General/Library Fund).

In 2021, debt service for GO Borrowing is \$98.7 million; up from \$96.2m in 2020.

At the close of 2020, the outstanding GO Debt was \$535m, representing approximately 1/3rd of the constitutional limit.



CIP PLANNING PROCESS: PROCESS OVERVIEW



2022 BUDGET CALENDAR (CAPITAL IMPROVEMENT PLAN)



Management Review Team

- Management Review Team includes of the Public Works Team Lead, Transportation Director, PCED Director, IT Director, Equity Manager, Sustainability staff & Finance Director.

Council Updates

- The Council will receive regular updates on progress with developing the 2022 executive operating and capital budgets during regularly-scheduled Finance Committee meetings.

MAYOR'S MESSAGE & AGENCY TARGETS

- Mayor's priorities: climate resiliency, equity, financial sustainability, housing affordability, transit access
- All agencies are encouraged to find ways to decrease spending in the 2022 Capital Budget that will not unduly impact our ability to provide essential services
- Agency requests should be prioritized. The transmittal memo should discuss the criteria used to establish the prioritized list.
- Agency requests for existing projects should be consistent with the adopted 2021 Capital Improvement Plan. Increases from existing funding levels and deviations from project schedules must be justified and clearly explained in the proposal tools.

BUDGET GUIDANCE: AGENCY BUDGET TARGETS

New Projects (discrete facilities, assets, etc.)

- Requests for new projects may be submitted, but must be conceptualized to the point that a complete budget proposal can be submitted.

Horizon List Projects (projects needing more definition before inclusion in capital improvement plan)

- Agencies will be allowed to submit budget requests for projects currently on the Horizon List so long as they can demonstrate the 'Issues to be Addressed' have been resolved and a complete budget submission can be developed.
- Agencies will be able to propose new projects to the horizon list.

Program Budgets (on-going activities, e.g., pavement management, playground improvements)

- Program budgets should continue into 2027 and can be adjusted by up to 5% in 2027 to account for inflationary construction costs.

2022 PROCESS: KEY ELEMENTS

1. Capital Budget Proposals -- Project and Program Prioritization
 - Capital budget decisions will be made by the Mayor's Office and Management Review Team through review of agency priorities in concert with Mayor's priorities and manageable debt service levels.
2. Surveillance Technology
 - Detailed background on need, utilization, data storage, public input and other information required pursuant to Madison General Ordinance Sec. 26.63(4)
3. Racial Equity and Social Justice
 - Agencies required to ensure racial equity is considered in the agency proposal decision-making process.
4. ARPA and Other Federal Funding
 - More information continues to become available
 - Some agencies will have sufficient information to incorporate federal funding into capital budget requests. For other agencies, this will be a dynamic process that may result in items added/modified/deleted in the executive capital budget.

AGENCY BUDGET REQUEST COMPONENTS

Transmittal Memo

- Memo drafted from Agency Head to Finance Director outlining overall goals & priorities of the agency's capital program

Proposals

- Request funding for capital spending & outline how the funds will be spent for each capital project & program

Surveillance Form (if applicable)

- Help meet the requirements of MGO Sec. 26.63(4) for the use of new Surveillance Technology

TRANSMITTAL MEMO

1. Capital Goals
2. Changes from 2021 CIP
3. Prioritized List of Capital Requests
4. Potential for Scaling Capital Requests
5. Impacts of COVID-19 on Capital Program

PROJECT & PROGRAM PROPOSALS – RACIAL EQUITY AND SOCIAL JUSTICE

New to 2022, this section continues efforts to include racial equity in budget decision-making processes.

These questions encourage agencies to consider budget requests in regard to their effect on marginalized communities.

Assistance to Agencies

1. Department equity team
2. DCR Equity Division

Kristy Kumar
Tariq Saqqaf

Racial Equity and Social Justice

We are continuing our efforts to articulate and prioritize racial equity and social justice in the City's budget and operations. Please respond to the following questions and incorporate these responses into your budget narrative to ensure racial equity is included in decision-making.

Describe how Black, Indigenous, and People of Color, people living with lower incomes, and people who are otherwise marginalized (because of gender, age, home language, etc.) would be affected by the proposed budget or budget change(s)?

What City agencies or community partners are affected by, care about, or already working on issues related to this project/program?

Have we asked for their perspectives directly and, if so, how have we incorporated their feedback?

How will we continue to communicate with them in this process?

Have we used any data related to the project/program that details race, non-binary and transgender people, people with disabilities, those experiencing homelessness, or undocumented status?

- ☐ Yes
☐ No
☐ Some, not all

Is the proposed budget or budget change related to a recommendation from any of the City's teams or initiatives that connect community need with opportunities to advance racial equity, inclusion, and social justice (e.g., NRTs, RESJ, LCET, MAC, WIC, Equitable Workforce Plans)?

- ☐ Yes ☐ No

PROJECT & PROGRAM PROPOSALS – SURVEILLANCE TECHNOLOGY FORM

Completion of a Surveillance Technology form if any part of the request meets the definitional requirement of “Surveillance Technology”, as defined in MGO Sec. 23.63(4)(a)

Under Madison General Ordinance Sec. 23.63(4) all Department requests to purchase, acquire or contract for the use of new Surveillance Technology or substantially change the use of existing Surveillance Technology that will connect to the City-wide Network will be referred to the Common Council via the budget process or through a resolution.

■ Definitions related to MGO Sec. 23.63 and APM 3-17:

- **“Surveillance Technology”** means any hardware, software, electronic device, or system utilizing an electronic device, owned by the City or under contract with the City, designed, or primarily intended, to collect, retain, process, or share audio, electronic, visual, location, thermal, biometric, olfactory or other personally identifiable information of members of the public for the purpose of surveillance.
- **Examples include, but not limited to:** cell site simulators; automatic license plate readers, gunshot detection systems, facial recognition software, gait analysis software, video cameras that record audio or video and can transmit or be remotely accessed; and unmanned aircraft systems equipped with remote video capabilities.
- The ordinance also includes a list of devices that are NOT considered “Surveillance Technology.”
- **“Surveillance Data”** means any electronic data collected, captured, recorded, retained, processed, intercepted, analyzed, or shared by Surveillance Technology.
- **“Sensitive Surveillance Technology Information”** means any information about Surveillance Technology of which public disclosure would unreasonably expose or endanger City infrastructure; would adversely impact operations of City agencies; or may not be legally disclosed. ¹⁶