

Capital Budget Policy

Guidelines for Projects to Include in the Capital Budget

The City of Madison has established a policy to remove from the Capital Budget those items with a useful life of less than the repayment term of General Obligation debt (usually ten years). Those items should be considered in the Operating Budget under MGO 4.02(6)(c)(3). The City of Madison will use the following minimum guidelines for projects included in the Capital Budget:

1. Land purchases and improvements in excess of three thousand dollars (\$3,000);
2. All projects requiring the borrowing of money including, but not limited to construction or reconstruction of public utilities, streets, sidewalks, storm and sanitary drainage facilities;
3. New construction and construction of buildings in excess of five thousand dollars (\$5,000);
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;
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.

Savings Resulting from Use of General Debt Reserves

In December 2012, the Common Council created MGO 4.17 to prohibit the use of unused balances in the debt service fund for operating expenses. 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

Consistent with the Guidelines for Projects above, the 2020 Capital Budget funds certain projects and studies through a direct appropriation to capital (see table below). The funding for these projects will be shown in the 2020 Operating Budget with the associated property tax levy offset by lower General Fund debt service. The reduced General Fund debt service is the result of applying estimated General Debt Reserves generated by the projected bond issuance premium associated with the 2019 general obligation debt issuance.

Agency	Project	Amount
Fleet Service	Fleet Equipment Replacement	1,212,063
Finance	Capital Budget Administration	400,000
Total		\$1,612,063

Budget Requests: Agency Request Guidance

Agencies were instructed to put forth capital budget requests guided by the Citywide Elements and strategies identified in Imagine Madison. Agencies were given the flexibility to request new projects, not included in the 2019 Capital Improvement Plan, so long as they did not move projects into 2020. Agencies were also given the flexibility to increase annual program spending by up to 4% to account for inflationary increases in the local construction market.

Reauthorizations /Carry Forward Balances

The 2020 Capital Budget does not list reauthorization amounts by project. Appropriations shown in the Capital Budget reflect new appropriations for the upcoming year. By appropriating the 2020 Capital Budget, remaining balances from projects spanning multiple years will automatically be carried forward. Balances remaining in projects once complete will be canceled through project closure process. In the case of capital programs, project balances may be transferred to other projects within the program. Any other transfer of project balances is subject to budget amendment requirements as outlined in the budget adoption resolution.

Carry forward balances will be presented as part of the resolution authorizing the GO Borrowing, which is adopted by the Common Council in September 2019. Based on projected borrowing levels, \$66 million in GO Borrowing project balances will carry forward from 2019 to 2020. The top 20 out of 225 projects account for two-thirds of the total carry forward. See the table below for a summary of carry forward appropriations.

Agency	Project	Amount
Economic Development Division	TAX INCR DIST 36 BORROWING	5,000,000
Economic Development Division	TAX INCR DIST 39 BORROWING	1,320,000
Engineering-Facilities	STREETS EAST OFFICE REMODEL	1,772,886
Engineering-Major Streets	JOHN NOLEN DRIVE	2,880,000
Engineering-Major Streets	PAVEMENT MANAGEMENT 2019	2,000,000
Engineering-Major Streets	CTH M (MID TOWN RD AREA)	1,318,000
Engineering-Major Streets	BUCKEYE RD IMPROVEMENTS	971,314
Engineering-Major Streets	PLEASANT VIEW ROAD	715,000
Fleet Services	FLEET SERVICE RELOCATION	14,833,188
Fleet Services	2019 FLEET EQUIPMENT REPLACEMENT	1,500,000
Information Technology	HARDWARE AND SOFTWARE UPGRADES 2019	1,180,000
Information Technology	ENTERPRISE FINANCIAL SYSTEM	896,606
Metro Transit	SUSTAINABLE MADISON-EBUS DEPLOYMEN	1,000,875
Parks Division	OLBRICH BOTANICAL COMPLEX	1,246,472
Parks Division	GARVER ENVIRONMENTAL	800,000
Stormwater	STORMWATER QUALITY SYSTEM IMPR 2019	2,690,850
Stormwater	STORMWATER QUALITY SYSTEM IMPR 2018	1,094,000
Stormwater	RECONSTRUCTION STREETS 2019	1,018,273
Stormwater	TREETOPS / FEATHER EDGE DR	1,000,000
Streets Division	STREETS 2019 EMERALD ASH BORER	801,036