

Capital Budget Policies

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."

Savings Resulting from Use of General Debt Reserves

Various Public Works projects include special assessments as a funding source. City staff will be allowed to administratively increase the special assessment budget for projects where the final assessment exceeds the amount assumed in the budget, including movement across major projects, without seeking Common Council approval.

Budget Requests: Agency Request Guidance

Agencies were instructed to put forth capital budget requests that did not exceed the amount shown for the out years of the 2017 Adopted Capital Improvement Plan (CIP). Agencies were also instructed to review the current timing of projects to identify potential opportunities to postpone projects. Agencies were not given the opportunity to put forth supplemental budget requests.

Reauthorizations and Cancellations

The 2018 Capital Budget includes a report of project funding which is reauthorized, as well as a report of projects that are cancelled or postponed to a future year in the CIP.

Amounts appropriated to each project in the Capital Budget reflect both the anticipated cost and the source of funding to meet those costs (e.g., general obligation debt). In most instances, proceeds from issuance

of general obligation notes and bonds are deposited in the City’s Capital Projects Fund for expenditure on the related projects. The most notable exception is debt issued for developer assistance in tax increment districts (TIDs). Proceeds from the issuance of debt for these projects are deposited to an account established for each TID.

Reauthorizations are made to both reflect the actual timing of project expenditures as well as the actual cash needs in the Capital Projects Fund. As such, some projects that are reauthorized may be completed in the current year, with the costs carried in the balance of the Capital Projects Fund until replenished by proceeds from the issuance of debt in a subsequent year.

With this in mind, reauthorizations in the 2018 Capital Budget are included for the following reasons:

1. Projects anticipated to begin in the most recent adopted capital budget are not yet underway due to delays in the implementation timetables;
2. Multi-year projects are expending funds at a different pace than originally anticipated;
3. Projects are underway but did not reach completion in the current year and are expected to incur expenditures in the subsequent year;
4. Projects will be completed in a prior year or the current year with the costs carried in the cash balance of the Capital Projects Fund until the reauthorized debt is issued in a subsequent year;
5. Cancellations and postponements in the 2017 Capital Budget address the following conditions: the project cost less than budgeted, is not expected to occur, may be delayed more than one future year, may not occur until a future condition is met, or is funded from a different source.

Projects Funded by a Direct Appropriation from the General Fund

Consistent with the Guidelines for Projects above, the 2018 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 2018 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 2017 general obligation debt issuance.

Agency	Project Name	Amount
Economic Development Division	Public Market	3,250,000
Fleet	Police Vehicles	1,401,410
	TOTAL	4,651,410