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Date: March 22, 2022
To: Department and Division Heads
From: Mayor Satya Rhodes-Conway
Subject: 2023 Capital Budget & Capital Improvement Plan: Agency Guidance

It is hard to imagine a time in recent history that has witnessed as much change in the way we go about our daily lives as what we have experienced in the last two years. The COVID-19 pandemic has been enormously challenging for each of us personally, for our work, and for our city. City staff have risen to the challenge, continuing to provide basic services while adapting how we serve residents, and working to advance an equitable recovery in our community. Thanks to a strong public health response, including high vaccination rates in the city, we can begin to return to many of the in-person events and activities we missed.

Alongside this positive news, we still face challenges. Inflation has spiked in recent months, and we are experiencing supply chain issues and workforce shortages throughout our economy. The unprovoked military invasion of Ukraine by Russia and the economic sanctions leveled in response by much of the world have further impacted the near-term economic outlook. The interconnectedness of our global economy is more evident now than ever before, and will have ripple effects in the City. The challenges we recognized pre-pandemic in housing, transportation, and climate have not gone away.

As we plan for the 2023 capital budget, it is critical to take bold action to invest in our priorities of affordable housing, transit, climate resilience and sustainability, and equity. We have the opportunity to set the trajectory for Madison's growth and recovery, but we can only build back better if we address systemic inequities and improve the lives of all residents, especially those who have been historically marginalized.

The City is not tackling these issues alone. Over the past year, our nation has benefitted from the largest economic recovery legislation in its history – the American Rescue Plan Act (ARPA) of 2021. President Biden and Congress delivered \$1.9 trillion in a broad array of programs meant to help Americans recover and rebuild from the pandemic. The City of Madison received over \$47 million of direct aid from ARPA, which is supporting critical community investments – including the City's permanent men's shelter, basic services for our most vulnerable residents, small business support, employment opportunities for youth, and ongoing government services. The City also received millions for a rental assistance program geared toward keeping people in their homes, and critical funding for our transit system.

In addition, the Bipartisan Infrastructure Law (BIL) of 2021 invests in our future by providing over \$550 billion of new funding toward our road, bridge, transit, rail, water, and broadband infrastructure, all to be accomplished with a focus on racial equity, social justice, sustainability, and climate responsibility. I have directed city staff teams to seek every dollar possible from the BIL to achieve our priorities, including advancing projects in our current capital improvement plan.

While we take on ambitious projects, we cannot lose sight of the continuing need to focus our resources toward combating structural racism in our economy. Federal programs will be focused on delivering at least 40 percent of the overall benefits from Federal investments in climate and clean energy to disadvantaged communities. In a very similar way, the City's 2023 capital budget and capital improvement plan will continue to look at investments through the lenses of equity, sustainability, and climate resilience.

In this context, I am providing the following guidance for capital requests for the 2023 Capital Budget and Capital Improvement Plan (CIP):

Fiscal Responsibility & Planning

- Agencies should scrutinize projects and programs approved in the 2022 CIP to ensure the timeline and funding requests are realistic and reflect current plans.
- Program costs should be adjusted to account for inflation and reflect realistic cost estimates. Agencies may adjust for inflation as needed in any year of their request.
- Any changes in funding level or project schedule from the 2022 adopted CIP must be clearly explained and justified in the agency transmittal memo.

Prioritization and Strategic Alignment

- Agencies must prioritize their requests. The agency transmittal memo should clearly describe the criteria used to establish the prioritized list.
- Agencies will need to answer questions on racial equity and social justice, climate resilience and sustainability, alignment with strategic plans, and operating impacts. These questions have been added to create a holistic view of the request and explain how the request advances city priorities.

New Projects & Horizon List

- Agencies may submit requests for new projects. New projects must be conceptualized to the point that a complete budget proposal can be submitted.
- Agencies may submit requests for projects currently on the Horizon List so long as they can demonstrate the 'Issues to be Addressed' have been resolved and that a complete budget proposal can be submitted.
- Agencies may submit requests to add projects to the Horizon List if a project is forthcoming but is not fully scoped. Agencies should work directly with their assigned budget analyst to develop Horizon List requests.

Town of Madison Attachment

- Agencies may submit requests for new areas of the City that will be added through the Town of Madison attachment in October 2022. These requests may include expanding existing capital projects/ programs or creating new projects. Requests associated with the Town of Madison should be clearly explained in the agency transmittal memo.

As you prepare your proposals, keep in mind that each proposal will be carefully reviewed by myself and my capital budget team. 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. 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 a return to pre-pandemic conditions. Further, we will be mindful of the long-term financial sustainability of our operating budget as we set borrowing levels in each year of the CIP.

Building the city's 2023 capital budget offers opportunities to help Madison be a community where all residents can thrive. I appreciate your continued creativity and innovation, and your wise stewardship of our collective resources.