



December 6, 2024

**TO:** CADA Board of Directors

**SUBJECT: December 13, 2024, Board Meeting  
AGENDA ITEM 7  
FISCAL YEAR 24-25 MID-YEAR REVISIONS TO THE GENERAL  
OPERATIONS BUDGET AND CAPITAL INVESTMENT PROGRAM  
BUDGETS, INCLUDING ASSESSMENT OF FUND BALANCES**

**CONTACT:** Noelle Mussen, Finance Director

**RECOMMENDED ACTION:**

Staff recommends that the Board adopt a resolution (Attachment 2) approving mid-year revisions to the FY 24-25 Annual General Operations Budget and the Capital Investment Program (CIP) Budgets as follows:

- Revise the FY 24-25 General Operations Budget to affect a net increase of \$2,191,945. This net increase is the result of tax increment received but not utilized in the prior year, adjustments to revenue, drawdown on reserves, release of funding from closed CIP budgets and additional interest income on bond proceeds. This revision is proposed to fund increases for CIP budgets and general expense accounts.
- Revise Development CIP Budgets to
  - Increase the FY 09-10 Budget by \$10,000
- Revise Major Construction CIP Budgets to
  - Close out the FY 21-22 budget with a remaining balance of \$64,889
  - Increase the FY 24-25 Budget by \$224,000
- Revise Reserves to
  - Increase the Development Reserve by \$608,930
  - Increase the Affordable Housing Reserve by \$69,015
  - Increase the Debt Retirement Reserve for Somerset Parkside and Biele Place Special Management properties by \$500,000
  - Increase the Acquisition Reserve by \$400,000

**BACKGROUND**

Each year, staff reviews the adopted annual budget at mid-year for necessary and appropriate revisions. These revisions can be a result of year-to-date trends, economic conditions, specific unanticipated transactions, and/or changes in the scheduling of property management and

development activities. Mid-year revisions are then presented to the Board for adoption and immediate implementation.

In accordance with budget policy, the General Operations Budget is an annual budget which reflects funding sources and expenditures for CADA's ongoing operational activities. The Capital Investment Program Budgets are multi-year budgets that classify major construction, development projects, and bond program projects by the fiscal year in which they were first budgeted. All budgets meet CADA's balanced budget directive. The activities of multiple funds are consolidated into the budget presented for adoption by the Board in an all-funds format. Attachment 1 provides a description of each fund.

Special Management Fund Budgets (Somerset Parkside, Biele Place, and 17<sup>th</sup> Street Commons) are incorporated into the budget in June, subject to receiving confirmation of approval by the state Department of Housing and Community Development (HCD) for Somerset Parkside and Biele Place, and the California Housing Finance Agency (CalHFA) for 17<sup>th</sup> Street Commons. CADA has received budget approval from CalHFA for 17<sup>th</sup> Street Commons and approval from HCD for Somerset Parkside and Biele Place.

## **POLICY ISSUES**

The General Operations Budget and the Capital Investment Program Budget reflect the revenues and expenses associated with implementing the priorities established by the Board. The proposed mid-year revisions continue to adhere to the CADA balanced budget directive such that total budgeted revenues equal total budgeted expenditures.

## **FINANCIAL IMPACT**

### **General Operations Budget**

The net increase in CADA's General Operations Budget resulting from the proposed mid-year revision is \$2,191,945.

The Funding Sources for the proposed midyear budget revisions include Tax Increment and Grant Revenue. The proposed increases to funding sources' amounts include:

- An increase of \$2,117,056 from tax increment revenue received but either not budgeted for or not utilized in the prior year, made available through the utilization of the available fund balance.
- An increase of \$10,000 for Grant Revenue through the City of Sacramento Mayor's office to help fund the "Come to Your Senses" art exhibit.

Proposed midyear budget revisions for the Use of Funds include the following:

- An increase of \$300,00 to the Vacancy Loss to adjust this account to be in line with actual activity.
- An increase of \$10,000 to the Emergency Relocation account for a budget adjustment to provide additional funding for temporary relocation of tenants due to unit repairs for the remainder of the fiscal year.
- An increase of \$10,000 to the Clothing and Uniforms account to replace clothing items for staff with CADA's new logo.

- An increase of \$20,000 to the Fire Marshall account to fund unanticipated inspection billings from the State Fire Marshall, along with providing funding for the remaining fiscal year for any additional inspections.
- An increase of \$10,000 to the Marketing account. Due to the new branding, staff would like additional funds to be available to update our marketing materials and for additional marketing activities.
- An increase of \$10,000 to the Asset Management Other Professional Service account to provide funding for the additional structural assessments and design work for the Dean apartment renovations project.
- An increase of \$20,000 to the Employment Recruitment account to fund the contract for the recruitment of a new Leasing Services Manager.

### **Capital Investment Program Budget**

The Capital Investment Program (CIP) Budget is composed of multiple budgets. Once a project is established, the sources of funds used to fund the project and the project costs that are incurred continue to be accounted for in the CIP budget established during the year in which the project was initiated. Major Construction CIP budgets are multi-year budgets for individual projects initially funded in a given fiscal year. These budgets remain active and open for a total of three years. Development CIP Budgets are multi-year budgets for individual projects initially funded in a given fiscal year. These budgets consist of Development projects and Bond projects (unexpended proceeds from the 2020 Bond Issue), which stay open for the life of the project.

Project costs are funded by Reserve Drawdowns, investment in the CIP out of the General Operations Budget, and Other Sources (such as Tax Increment, Interest Income, Debt Financing and Bond Proceeds). While Reserve Drawdowns and General Operations Rental Revenue can generally be used for any type of project, there are restrictions as to how CADA can use its tax increment and bond funds. Should there be changes to a project that make it ineligible for the funding stream initially used, CADA must reallocate the types of funds used to fund that project.

### **Major Construction CIP Budget**

No mid-year revisions are proposed for the FY 23-24 Major Construction Budgets.

For the FY 22-23 budget, staff has re-budgeted or re-scheduled projects to fund current toxic abatement work and to give CADA the ability to contract out services for more complicated unit turns. This will reduce the backlog of vacant units and address any units that need extensive work before they are available to be rented.

For the FY 24-25 budget, staff is proposing an increase of \$224,000, to be funded through \$159,111 from available tax increment and \$64,889 of remaining funding from the closure of the FY 21-22 budget, which includes the following:

- Increase of \$80,000 to fund unanticipated asbestos and mold remediation that needed to be completed and to allow for additional funding to be available for this type of work through the remainder of the fiscal year.

- Increase of \$44,000 to fund a new project for paint touch-ups in hallways and common areas in various buildings, improving the integrity and aesthetics of common areas within buildings.
- Increase of \$100,000 to the Kitchen and Bath remodel project at the Dean. This increase provides additional funding to complete the last two vacant units, for a total of six units to be renovated and allows for some contingency within the project budget.

**Development CIP Budgets:** There is one proposed mid-year revision to the FY 09-10 Development budgets consisting of a \$10,000 increase to the 16<sup>th</sup> Street Streetscape project for additional funding in Fremont Park for renovations of the stormwater planters that are currently deteriorated and not functioning as intended. This work is necessary as a condition of the original grant funding towards this project and upholds CADA's commitment to sustainability.

**Bond Issue CIP Budget:** There is no proposed mid-year adjustment to the 2020 Bond Proceeds. The table below shows how the 2020 proceeds are currently budgeted.

<b>TABLE 3 - 2020 Taxable Bond Proceeds</b>						
		Original	Previous	Current	Total	Remaining
		<u>Budget</u>	<u>Budgeted</u>	<u>Proposed</u>	<u>Budget</u>	<u>Proceeds</u>
<u>Funding Sources</u>						
	Available Proceeds	30,000,000	(17,400,100)	-	(17,400,100)	12,599,900
<u>Development Expenses</u>						
	2000 16th Street		4,000,000	-	4,000,000	-
	Courtyard Site 16A - Sonrisa		2,633,100	-	2,633,100	-
	O Street Streetscape		1,767,000	-	1,767,000	-
	805 R Street	-	9,000,000	-	9,000,000	-
		<u>\$ 30,000,000</u>	<u>\$ 17,400,100</u>	<u>\$ -</u>	<u>\$ 17,400,100</u>	<u>\$ -</u>

## General Operations Designated Reserves

For Designated Reserves, the proposed adjustments include the following:

- An increase of \$608,930 to the Development Reserves and \$69,015 to Affordable Housing Reserves to continue to set aside funds for future development project needs.
- An increase to the Debt Retirement Reserve of \$500,000 for the two deferred construction loans CADA has with HCD for the Somerset Parkside and Biele Place Special Management properties.
- An increase of \$400,000 to be placed into the Acquisition Reserve to continue CADA's effort to set aside funds for future property purchases.

**Table 1** below presents the proposed adjustments to the projected Designated Reserves and the projected reserve balances as of June, 30, 2025.

**TABLE 1 - Proposed Adjustments to Designated Reserves and Projected Reserve Balance**

	Actual 6/30/2024	Budget (Adopted)	Midyear Rev (Proposed)	Projected 6/30/25
<u>Designated Reserves (General Operation)</u>				
Operations Contingency	\$ 685,144	\$ -	\$ -	685,144
Development Reserve	1,655,485	-	608,930	2,264,415
Affordable Housing Reserve	928,947	-	69,015	997,962
Capital Improvement Reserve	400,000	-	-	400,000
Equipment Replacement Reserve	75,000	-	-	75,000
Debt Retirement Reserve	1,703,000	-	500,000	2,203,000
Acquisition Reserve	2,632,000	-	400,000	3,032,000
Self-Insured Risk Reserve	675,000	-	-	675,000
	<u>\$ 8,754,576</u>	<u>\$ -</u>	<u>\$ 1,577,945</u>	<u>\$ 10,332,521</u>
<u>Designated Reserves (Special Management)</u>				
Equipment Replacement Reserve	\$ 616,769	\$ 64,883	\$ -	\$ 681,652
Operation Reserve - Somerset & Biele	106,679	-	-	106,679
	<u>\$ 723,448</u>	<u>\$ 64,883</u>	<u>\$ -</u>	<u>\$ 788,331</u>
<u>Designated Reserves (R Street)</u>				
Development Reserve	\$ 2,015,692	\$ 578,428	\$ -	\$ 2,594,120
Affordable Housing Reserve	1,678,949	336,300	-	2,015,249
	<u>\$ 3,694,641</u>	<u>\$ 914,728</u>	<u>\$ -</u>	<u>\$ 4,609,369</u>
<u>Designated Reserve (Bond Interest)</u>				
Development Reserve	\$ 559,906	\$ -	-	\$ 559,906
	<u>\$ 559,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,906</u>

CADA's Unrestricted Fund Balance remains sufficient to provide approximately six months of General Operations expenses, fund currently-budgeted capital investments, and cover all outstanding encumbrances.

## **STRATEGIC PLAN**

The Strategic Plan value that is most directly pertinent to this action is Objective I: Ensure Fiscal Strength and Operational Excellence. Adoption of a well-conceived budget will assist in the fulfillment of CADA's Strategic Plan's goals and the Business Plan objectives while continuing to maintain a strong financial position.

## **ENVIRONMENTAL REVIEW**

Not applicable – the recommended action is not a project pursuant to the California Environmental Quality Act (CEQA) guidelines and does not require environmental review.

## **CONTRACT AWARD CONSIDERATIONS**

Not applicable – the recommended action will not involve the awarding of contracts.

Attachments:

1. FY 2024-25 CADA Fund Descriptions
2. Resolution 24-51

## Attachment 1 Fund Descriptions

General Fund (F10)	Includes the General Operations budget, the Major Construction Budget and the Development Projects Budgets.
CACDC (F20)	This is a fund to account for activities undertaken by the Capitol Area Community Development Corporation, a non-profit corporation that CADA created in FY 15-16
1322 O Street Partnership (F25)	This is a fund to account for activities undertaken by a partnership created by the CACDC for the purpose of securing tax credit funding for the Sonrisa project. This fund is accounted for and reported separately from CADA's financial Statements.
Special Management Funds <ul style="list-style-type: none"> <li>• Somerset Parkside (F36)</li> <li>• Biele Place (F37)</li> <li>• 17<sup>th</sup> Street Commons (F38)</li> <li>• Fremont/Wilshire (F41)</li> </ul>	Includes three (3) Special Management funds for which external governmental agencies have varying degrees of oversight (e.g. budget approval and debt restrictions). Agencies having oversight include the State Department of Housing & Community Development (HCD) for Funds 36 & 37 and the California Housing Finance Agency (CalHFA) for Fund 38. Also includes a special management fund for the Fremont Wilshire buildings, which is not subject to external government agency oversight.
Special Revenue Funds <ul style="list-style-type: none"> <li>• Trust Funds (76)</li> <li>• Dog Park Special Revenue (77)</li> </ul>	Trust funds (76) are used for funds CADA holds in trust for other entities for a specific purpose. Special Revenue funds are to be used to recognize and restrict CADA revenue for a specific purpose.
Tax Increment Funds <ul style="list-style-type: none"> <li>• CAP Tax Increment (F50)</li> <li>• CAP Housing Set-Aside (F51)</li> <li>• R St. Tax Increment (F60)</li> <li>• R St. Housing Set-Aside (F61)</li> <li>• R Street PBID (90)</li> </ul>	Includes four (4) funds that ensure accountability for the receipt and expenditure of Tax Increment Revenue. Revenue from the R St. expansion of CADA's boundaries must be accounted for separately from the Capitol Area Plan (CAP) area (F60 & F61). In addition, 20% of each area's revenue is further restricted for the creation and support of affordable housing (F51 & 61). The R Street PBID (90) is a fund to account for Tax assessments received and disbursed to the R Street PBID non-profit.
Bond Debt Service Funds <ul style="list-style-type: none"> <li>• Series A Tax Exempt 2004 Bond (F65)</li> <li>• Series B Taxable 2004 Bond (F66)</li> <li>• Taxable 2020 (F67)</li> </ul>	Funds established to reflect the remaining balance of bonds issued in July 2004 and December 2020, as well as investment income earned on the reserves and remaining unspent bond proceeds.
Tax Allocation Bond Proceeds Funds <ul style="list-style-type: none"> <li>• Tax Exempt CAP (F80)</li> <li>• Tax Exempt CAP Low/Mod (F81)</li> <li>• Tax Exempt R St (F82)</li> <li>• Tax Exempt R St Low/Mod (F83)</li> <li>• Taxable CAP (F84)</li> <li>• Taxable CAP Low/Mod (F85)</li> </ul>	The Authority issued Tax Allocation Bonds in July 2004. The six (6) different funds are required for the various components of this issuance as they relate to taxability, affordability requirements, and the areas (CAP versus R St) from which the tax increment pledged is generated.

Attachment 2  
**RESOLUTION NO. 24 - 51**

Adopted by the Capitol Area Development Authority

December 13, 2024

**RESOLUTION ADOPTING THE FISCAL YEAR 2024 -2025  
MID-YEAR REVISION TO THE GENERAL OPERATIONS BUDGET AND  
CAPITAL INVESTMENT PROGRAM (CIP) BUDGETS**

**WHEREAS**, the FY 2024-2025 General Operations Budget and Capital Investment Program Budgets are prepared in accordance with the business development goals set forth in the Authority's Strategic Plan and the Annual Business Plan for FY 2024-2025 and were adopted at the June 2024 Board Meeting; and

**WHEREAS**, the Mid-Year Revisions recommended for adoption have been presented and reviewed at this meeting of the Board of Directors.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the Capitol Area Development Authority that the Mid-Year Revisions that affect the following changes, as presented at this meeting, are hereby adopted:

- Revise the FY 24-25 General Operations Budget to affect a net increase of \$2,191,945. This net increase is the result of tax increment received but not utilized in the prior year, adjustments to revenue, drawdown on reserves, release of funding from closed CIP budgets and additional interest income on bond proceeds. This revision is proposed to fund increases for CIP budgets and general expense accounts.
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Ann Bailey, Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors