



June 13, 2025

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| <b>TO:</b>      | Capitol Area Development Authority (CADA) Board of Directors  |
| <b>SUBJECT:</b> | <b>June 20, 2025 - Special Board Meeting<br/>AGENDA ITEM<br/>FY 2025 – 2026 GENERAL OPERATIONS BUDGET AND CAPITAL<br/>INVESTMENT PROGRAM BUDGET</b> |
| <b>CONTACT:</b> | Noelle Mussen, Finance Director   |

**RECOMMENDED ACTION:**

Staff recommends that the Board adopt resolutions:

- Approving the FY 25-26 General Operations Budget of \$20,738,279, and the FY 25-26 Capital Investment Program (CIP) Budget consisting of a Major Construction Projects Budget of \$3,140,830; and
- Approving the closure of the FY 22-23 CIP Major Construction Budget.

The resolution adopting the FY 25-26 General Operations Budget also establishes the transfer threshold for budget changes the Executive Director may make without prior approval by the Board for FY 25-26 at a cumulative seven percent (7%) of a major expense category's annual operating budget. The resolution also continues the policy of providing the Executive Director with the authority to submit applications for project funding, but requiring Board action prior to the acceptance of such funding.

**BACKGROUND**

Annually, in the spring of each year, management staff submits budget requests to the CADA Finance Director for the upcoming fiscal year. This information is compiled, further refined, and then presented to the Executive Director for review and approval prior to being presented to the Board for adoption.

In accordance with CADA budget policy, the **General Operations Budget** reflects funding sources and expenditures for the Authority's ongoing operational activities. The **Capital Investment Program Budgets (CIP)** are multi-year budgets that reflect specifically-identified major construction and development projects originally approved for expenditure in a given fiscal year. All budgets meet CADA's balanced-budget directive so that total budgeted revenues always equal total budgeted expenditures.

The activities of multiple funds are consolidated into the budget presented for adoption by the Board in an All Funds format, which means that all funds are presented within the budget. **Attachment 1** provides a description of each fund.

## **FISCAL IMPACT**

### **FY 25-26 GENERAL OPERATIONS BUDGET**

The proposed FY 25-26 General Operations Budget supports CADA's annual operations exclusive of specific major construction and development project activities, which are reflected in the CIP budgets. The General Operations budget is summarized in **Table 1** and discussed below:

**TABLE 1: SUMMARY BUDGET COMPARISON**

|  | <b>FY 2024-25</b>    | <b>FY 2025-26</b>      |                        |
|--|----------------------|------------------------|------------------------|
| <b>Sources of Funds:</b>               | <b>Final Budget</b>  | <b>Proposed Budget</b> | <b>Difference</b>      |
| Rental Income                          | \$ 9,800,245         | \$ 10,455,750          | \$ 655,505             |
| Tax increment                          | 8,036,000            | 8,254,000              | 218,000                |
| Investment Income                      | 872,000              | 594,650                | (277,350)              |
| Other                                  | 46,200               | 34,100                 | (12,100)               |
| Release of CIP Carry Over Funds        | 64,889               | 393,437                | 328,548                |
| Utilization of Bond Proceeds           | 12,000,000           | -                      | (12,000,000)           |
| Utilization of Reserves                | 155,360              | 575,430                | 420,070                |
| Utilization of Fund Balance            | 4,861,574            | 431,352                | (4,430,222)            |
| Contribution to Available Fund Balance | (514)                | (440)                  | 74                     |
| <b>Total Funding Sources</b>           | <b>\$ 35,835,754</b> | <b>\$ 20,738,279</b>   | <b>\$ (15,097,475)</b> |
| <b>Uses of Funds:</b>                  |                      |                        |                        |
| Salaries                               | \$ 3,393,500         | \$ 3,464,500           | \$ 71,000              |
| Benefits                               | 2,654,044            | 2,680,200              | 26,156                 |
| Post Employment Trust contribution     | 158,000              | 58,000                 | (100,000)              |
| Outside Services                       | 2,238,710            | 2,243,048              | 4,338                  |
| Maintenance & Repair                   | 2,294,608            | 2,189,150              | (105,458)              |
| Utilities                              | 1,400,300            | 1,419,500              | 19,200                 |
| Overhead                               | 771,135              | 757,197                | (13,938)               |
| Debt Service                           | 3,328,630            | 3,021,691              | (306,939)              |
| Contributions to Reserves              | 2,620,214            | 1,764,163              | (856,051)              |
| Investment in Major Construction       | 4,405,588            | 3,140,830              | (1,264,758)            |
| Investment in Development              | 12,571,025           | -                      | (12,571,025)           |
| <b>Total Uses of Funds</b>             | <b>\$ 35,835,754</b> | <b>\$ 20,738,279</b>   | <b>\$ (15,097,475)</b> |

### **General Operations – Sources of Funds**

CADA's primary funding sources consist of Rental Income, Tax Increment Revenue and Investment Income. In addition, if necessary to meet CADA's balanced-budget directive, the Available Fund Balance is utilized as a funding source. The tables below break out funding sources.

## **Rental Income**

|                           | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference        |
|---------------------------|----------------------------|-------------------------------|-------------------|
| Residential Rent          | \$ 10,154,000              | \$ 10,562,000                 | \$ 408,000        |
| Special Management Rent   | 2,061,718                  | 2,144,300                     | 82,582            |
| Commercial Rental Revenue | 515,000                    | 515,000                       | -                 |
| Parking                   | 340,700                    | 341,000                       | 300               |
| Special Management Fees   | 384,327                    | 389,950                       | 5,623             |
| Other Rental Revenue      | 34,500                     | 47,000                        | 12,500            |
| Rental Vacancy Loss       | (1,435,000)                | (1,403,000)                   | 32,000            |
| Loss to Lease*            | (1,501,500)                | (864,500)                     | 637,000           |
| Low Income Subsidy        | (753,500)                  | (1,276,000)                   | (522,500)         |
|                           | <u>\$ 9,800,245</u>        | <u>\$ 10,455,750</u>          | <u>\$ 655,505</u> |

\*"Loss to Lease" is defined as losses incurred due to receipt of lease revenue lower than market rate revenue.

Rental Income consists primarily of residential rental income net of the vacancy loss, loss to lease and the CADA low income subsidy. The proposed net increase is mainly due to the following:

- Residential Rental Revenue is proposed to increase by \$490,582, of which \$82,582 is for Special Management properties. This reflects an increase to the FY 24-25 estimated revenue level at year-end; the Terraces income being incorporated into the Residential Rent category for a full year; and an estimated 2% increase to rental income reflecting anticipated additional revenue due to current vacant units turning over and then achieving the current market rent.
- Rental Vacancy Loss is proposed to be increased slightly due to the Special Management properties' performance in the current fiscal year. There are some renovations to complete. Staff continues to utilize more contracted work to facilitate more timely turnover of vacant units and anticipates this vacancy loss will not increase, but will instead, over time, continue to decrease.
- Low Income Subsidy is proposed to be increased by \$522,500 to reflect an increase to the FY 24-25 estimated cost level at year-end and, with increases to the market rate, this will increase this account.
- Loss to Lease is proposed to decrease by \$637,000 to reflect estimated year-end FY 24-25 expense levels. This proposed decrease is to account for current tenants whose rents have been brought to the current market rent level over time or new tenants paying the current market rent. CADA does not automatically increase all resident lease rates to the full market rate. Rate increases are usually capped at between 2-5% regardless of the market rate.

## **Tax Increment Revenue**

|               | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference        |
|---------------|----------------------------|-------------------------------|-------------------|
| Capitol Area  | \$ 5,100,000               | \$ 5,100,000                  | \$ -              |
| R Street Area | 2,936,000                  | 3,154,000                     | 218,000           |
|               | <u>\$ 8,036,000</u>        | <u>\$ 8,254,000</u>           | <u>\$ 218,000</u> |

CADA's total Tax Increment is proposed to increase to \$8,254,000. This reflects no anticipated change for the Capitol Area, for a total of \$5,100,000, and an increase of \$218,000 in the R Street Area, for a total of \$3,154,000. The proposed increases are due to increases in property values over the last fiscal year, including sales of property, and a net 2% property tax increase imposed by the County Tax Assessor, net with decreases in the unsecured property tax roll. For the Capitol Area the additional Tax Increment in the current year was from supplemental payments and, after review of the Assessor's reports, it appears the net changes in Tax Increment will be similar to the prior year. These balances are based on prior year collections and the current Tax Assessor's reports.

Tax Increment revenues fund payment of the following: Bond Debt Service; the I-Bank Debt Service for the 16 Powerhouse alleyway infrastructure project; DGS loans; Development and Major Construction expenses; contributions to the R Street Reserves and R Street Affordable Housing Reserves; low income subsidies for residents on CADA rent-assistance programs; R Street staff salaries and benefits; and contributions, when necessary, to meet budgeted expenses that exceed rental revenue for CADA's General Fund and Special Management properties.

## **Interest and Other Investment Income**

|  | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference          |
|--|----------------------------|-------------------------------|---------------------|
| Interest Income on Investments with City | \$ 324,000                 | \$ 321,659                    | \$ (2,341)          |
| Bond-related Interest Income             | 550,000                    | 275,000                       | (275,000)           |
| Interest Income - reserve allocation     | (2,000)                    | (2,000)                       | -                   |
|  | <u>\$ 872,000</u>          | <u>\$ 594,659</u>             | <u>\$ (277,341)</u> |

Staff proposes a \$277,341 decrease to this category. The majority of the decrease is in the Bond-related income account as a large amount of bond proceeds will have been spent by the beginning of the next fiscal year. Staff is projecting the remaining proceeds will remain invested and earn interest throughout the majority of the next fiscal year, so staff is proposing that there will be interest earned in the next fiscal year.

## **Utilization of Financial Resources**

|  | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference            |
|--|----------------------------|-------------------------------|-----------------------|
| Utilization of Available Fund Balance                    |                            |                               |                       |
| - General Fund Balance Utilization - Originally Budgeted | \$ -                       | \$ -                          | -                     |
| - General Fund Balance Utilization - Prior Year TI       | 2,120,056                  | -                             | (2,120,056)           |
| - General Fund Balance Utilization - Pension             | 613,000                    | 431,352                       | (181,648)             |
| - General Fund Balance Utilization - Major Construction  | 2,131,518                  | -                             | (2,131,518)           |
|  | 4,864,574                  | 431,352                       | (4,433,222)           |
| Utilization of Reserves                                  |                            |                               |                       |
| - Development Interest Reserve Draw Down                 | 155,360                    | 559,900                       | 404,540               |
| - Equipment Replacement Reserve Draw Down                | 40,000                     | 15,530                        | (24,470)              |
| - Development Reserve Draw Down                          | -                          | -                             | -                     |
|  | 195,360                    | 575,430                       | 380,070               |
| Contribution to Available Fund Balance                   |                            |                               |                       |
| - Special Management Funds                               | 514                        | 440                           | (74)                  |
| - Bond Funds   | -                          | -                             | -                     |
|  | 514                        | 440                           | (74)                  |
|  | <u>\$ 5,060,448</u>        | <u>\$ 1,007,222</u>           | <u>\$ (4,053,226)</u> |

The Utilization of Available Fund Balance is used to budget available funds that have accumulated over prior years in the Fund Balance account that are either unreserved or unrestricted. This account is used in various ways and changes from year to year based on budget needs in a given fiscal year. These funds can be used to balance the budget and are only drawn down if there is a need by Year End. In addition, tax increment revenue received but not utilized or budgeted for in a prior year is made available through this account, usually at Mid-Year.

Staff is proposing a Utilization of Fund Balance for FY 25-26 to meet CADA's Balanced Budget Directive to meet specific needs in the next fiscal year. This will consist of a one-time payment for pensions, which is discussed later in this report.

In prior years, budgets for two Special Management Funds (17th Street Commons and Fremont/Wilshire) reflected positive cash flow. This excess revenue was budgeted to the Fund Balance in order to meet the balanced budget directive yet remains available for future years' needs. In FY 25-26, the estimated excess is \$440 for Fremont/Wilshire.

## **General Operations – Uses of Funds**

### **Employee Services and Benefits**

|                               | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference        |
|-------------------------------|----------------------------|-------------------------------|-------------------|
| Salaries                      | \$ 3,393,500               | \$ 3,464,500                  | \$ 71,000         |
| PERS Retirement               | 1,441,000                  | 1,425,000                     | (16,000)          |
| Post Employment Trust Contrib | 158,000                    | 58,000                        | (100,000)         |
| Other                         | 1,213,044                  | 1,255,200                     | 42,156            |
|                               | <u>\$ 6,205,544</u>        | <u>\$ 6,202,700</u>           | <u>\$ (2,844)</u> |

The Employee Services and Benefits category is proposed to decrease by a net \$2,844. The major items that are contributing to the change are the following:

- Salaries are proposed to increase the current budget by \$71,000. This includes net changes to this account for a general budget increase to staff salaries of 7%; reorganization of positions including the removal of a Director position salary and addition of a second Development Manager position; and budgeting the Executive Director salary to be in line with the market rate salary mid-point for this type of position. All adjustment to individuals' salaries are based on staff performance.
- CalPERS Retirement reflects a proposed net decrease of \$16,000. This is a result of current staffing levels with the removal of a Director position, CalPERS payroll rates, the flat fee CalPERS imposes to cover CADA's unfunded liabilities, an additional payment, and restructuring of the unfunded liability.

The new CalPERS Classic payroll rate increased from 13.31%, to 13.38%, and the new PEPPRA (Public Employee Pension Reform Act) rate increased from 8.18% to 8.27% for current vested benefits only. The flat fee increased for Classic members from \$499,075 to \$499,746 and from \$4,738 to \$5,993 for PEPPRA members. Classic members are employees hired before January 1, 2014. Of CADA's 46 full-time employees, 14 are Classic members and 32 are PEPPRA members.

Additionally, for the Unfunded Liability account, staff proposes to re-budget for the "Fresh Start" proposal as presented to the Board last year and discussed as part of the 10-Year Financial Forecast. The Fresh Start proposal was recommended to the Board to try to reduce CADA's unfunded liability balance and to reduce and take control of the annual required payments into the future to further the goal of bringing CADA's pension trust to a fully-funded status. This would be accomplished by paying into the trust a large one-time additional discretionary payment and working with CalPERS to restructure the unfunded liability payment schedule. The budget proposes to re-budget the one-time payment of \$500,000 and include an additional \$114,000 to add to the required annual fee to fund a total annual flat fee to \$613,075 each year.

- Post-Employment Trust Contribution for Other Post-Employment Benefits (OPEB) reflects a proposed decrease of \$100,000. This annual contribution is calculated through an actuarial report completed every two years. A new report was completed in the current year for the FY 25-26 and FY 26-27 contributions. The budget reflects the annual contribution less the current year's retiree medical expenses that are funded through this trust.

## **Outside Services**

|                                  | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference      |
|----------------------------------|----------------------------|-------------------------------|-----------------|
| Insurance                        | 760,000                    | 800,000                       | 40,000          |
| Legal                            | 181,000                    | 211,000                       | 30,000          |
| Temporary Outside Services       | 120,000                    | 80,000                        | (40,000)        |
| Property Mgt Other Prof Services | 131,000                    | 106,000                       | (25,000)        |
| Other                            | 1,046,710                  | 1,046,048                     | (662)           |
|                                  | <u>\$ 2,238,710</u>        | <u>\$ 2,243,048</u>           | <u>\$ 4,338</u> |

Outside Services is proposed to be increased by a net \$4,338. The major items that contributed to the net changes are as follows:

- The Insurance category is proposed to increase by \$40,000. In the current year the insurance budget was increased to \$760,000, but actual premiums paid were \$733,000. Based on the actual cost and new cost information received from our insurance carrier, staff is proposing a 30% increase over the actual cost CADA has experienced. Similar to the current year, this increase is not due to CADA's loss experience but is a result of cost increases occurring within the insurance industry, including increased replacement values for all properties due to the rising cost of materials and occurrence of fires. These increases are reflected in the increases to our premium rates which are, unfortunately, higher than in previous years.
- Legal is proposed to be increased by \$30,000. This account was not increased in the current year and staff anticipates increases in rates for next fiscal year. The proposed increase will enable CADA to be prepared for this.
- Temporary Outside Services is proposed to be decreased by \$40,000. This account was increased in prior years with the increased use of temporary workers to fill in and/or supplement Maintenance and Leasing staff. Maintenance has been using more contracted work as compared to temporary workers to facilitate the timely turnover of vacant apartments. Leasing has filled its open positions and eliminated the need for temporary staff.
- Property Management Other Professional Services is proposed to be decreased by \$25,000. This reflects the reduction of the Step Up tenant assistance service contract from \$120,000 to \$95,000 to more closely reflect actual costs.

### **Maintenance & Repair**

|                   | FY 2024-25          | FY 2025-26          |                    |
|-------------------|---------------------|---------------------|--------------------|
|                   | Final Budget        | Proposed Budget     | Difference         |
| Countertops       | 40,000              | 25,000              | (15,000)           |
| Flooring          | 140,000             | 70,000              | (70,000)           |
| Repair and Maint  | 200,000             | 220,000             | 20,000             |
| landscaping       | 140,000             | 220,000             | 80,000             |
| Appliances        | 115,000             | 130,000             | 15,000             |
| Building Supplies | 340,000             | 240,000             | (100,000)          |
| Other             | 1,263,108           | 1,284,150           | (63,958)           |
|                   | <u>\$ 2,238,108</u> | <u>\$ 2,189,150</u> | <u>\$ (48,958)</u> |

Maintenance & Repair is proposed to decrease by a net 2%. The major items that contribute to the net changes are as follows:

- For countertops, flooring and some cabinet installations, staff is continuing to rehabilitate units using more expensive but longer-lasting materials such as quartz countertops and Laminated Vinyl Plank (LVP) flooring instead of carpet. Because the Maintenance and Repair Accounts should be used for general turns and repairs, requiring no special materials, funds for the more major turns have instead been included in the proposed FY 25-26 CIP budget for rehabilitation expenditures. Accordingly, staff is proposing to decrease these accounts to reflect their current expenses.
- The Repair and Maintenance and the Appliance accounts are proposed to increase by \$20,000 and \$15,000, respectively, in anticipation of increased costs for materials and labor in the next fiscal year.

- Landscaping is proposed to increase by \$80,000. This contract went out to bid after FY 24-25 began, with a new, more detailed scope of work which also allowed for additional hours. The actual contract amount was higher than originally estimated and staff anticipates the vendor will increase the contract amount by the 5% the contract allows for.
- For Building Supplies, this account is proposed to be decreased by \$100,000. In the prior year this account was increased for the purchase of supplies for more in-house projects. Due to CADA's move toward greater outsourcing and the use of more contracts that include materials costs, this account is proposed to be reduced.

## **Utilities**

|                      | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference       |
|----------------------|----------------------------|-------------------------------|------------------|
| Garbage              | \$ 167,500                 | \$ 202,000                    | 34,500           |
| SMUD/Electricity     | 179,500                    | 187,300                       | 7,800            |
| PG&E/Gas             | 395,300                    | 366,700                       | (28,600)         |
| Water/Sewer          | 575,000                    | 580,000                       | 5,000            |
| Admin Utilities      | 28,000                     | 28,000                        | -                |
| Admin/Mait Utilities | 55,000                     | 55,000                        | -                |
|                      | <u>\$ 1,400,300</u>        | <u>\$ 1,419,000</u>           | <u>\$ 18,700</u> |

Utilities are proposed to be increased by a net \$18,700. The majority of this net change consists of increases to the Garbage and SMUD Electricity accounts, offset by decreases in the PG&E Gas account. For the PG&E account, the decrease reflects staff effort to move away from inefficient gas energy sources to more efficient electric energy sources with a resulting small increase to the SMUD account. For Water accounts staff is proposing a small increase to account for potential increases to rates.

## **Overhead**

|                   | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference         |
|-------------------|----------------------------|-------------------------------|--------------------|
| Internet Services | 60,000                     | 10,000                        | (50,000)           |
| Software          | 83,000                     | 123,100                       | 40,100             |
| Other             | 628,135                    | 624,097                       | (4,038)            |
|                   | <u>\$ 771,135</u>          | <u>\$ 757,197</u>             | <u>\$ (13,938)</u> |

Overhead is proposed to be decreased by 2%. The major items that contribute to the net changes are as follows:

- Internet Services is proposed to be decreased by \$50,000. This was increased in the prior year for a website remodel which is to be completed in the current fiscal year.
- Software is proposed to be increased by \$40,000, in part to budget for increases in support services for current software and in anticipation of costs to procure and install new leasing software. With this new software, new modules and services are available that we currently do not have but would like to utilize.



## **Debt Service**

|  | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference          |
|--|----------------------------|-------------------------------|---------------------|
| Debt Service General Fund - principal paid | \$ 285,574                 | \$ 303,904                    | 18,330              |
| Debt Service General Fund - Interest paid  | 168,601                    | 157,466                       | (11,135)            |
| Bond Debt Service - Principal Paid         | 1,360,019                  | 1,379,236                     | 19,217              |
| Bond Debt Service - Interest Paid          | 1,214,436                  | 1,181,085                     | (33,351)            |
| Tax Increment Pledge - Eviva Midtown       | 300,000                    | -                             | (300,000)           |
|  | <u>\$ 3,328,630</u>        | <u>\$ 3,021,691</u>           | <u>\$ (306,939)</u> |

The Debt Service line items proposed adjustment follows the current amortization schedules and the removal of the \$300,000 Tax Increment (TI) Pledge as this debt ended when the Eviva property was sold. The sale triggered a Disposition and Development Agreement (DDA) provision eliminating further TI pledges upon sale of the property.

## **Investment in the Capital Investment Program**

|   | FY 2024-25<br>Final Budget | FY 2025-26<br>Proposed Budget | Difference         |
|---|----------------------------|-------------------------------|--------------------|
| The Investment in Major Construction is proposed to be funded as follows: |                            |                               |                    |
| - Tax Increment Funded  | 2,169,181                  | 2,731,863                     | \$ 562,682         |
| - Tax Increment Funded Prior Year   | -                          | -                             | -                  |
| - Released CIP funding from Tax Increment                                 | 64,889                     | 393,437                       | 328,548            |
| - Affordable Housing Funded   | -                          | -                             | -                  |
| - Operations Funded (General Fund)  | 2,131,518                  | -                             | (2,131,518)        |
| - Operations Funded (Special Management)                                  | 40,000                     | 15,530                        | (24,470)           |
|   | <u>4,405,588</u>           | <u>3,140,830</u>              | <u>(1,264,758)</u> |

The Investment in Development is proposed to be funded as follows:

|                                   |                   |          |                     |
|-----------------------------------|-------------------|----------|---------------------|
| - Tax Increment Funded            | 735,000           | -        | \$ (735,000)        |
| - Tax Increment Funded Prior Year | -                 | -        | -                   |
| - Bond Investment Revenue Funded  | 12,000,000        | -        | (12,000,000)        |
| - Development Reserve Revenue     | -                 | -        | -                   |
| - Grant Funding                   | -                 | -        | -                   |
|                                   | <u>12,735,000</u> | <u>-</u> | <u>(12,735,000)</u> |

The New Investment in Major Construction category is proposed to be decreased compared to the prior year for CADA's general housing stock, commercial, and former ground lease properties. The funding amount is based on what is required to meet CADA's anticipated capital improvement needs in the year ahead including budgeting for improvements to individual commercial units for flooring and cabinet/countertop improvements, new Maintenance Warehouse setup, conversions of central heating and hot water systems to electric, roof replacements, and replacement of single-pane window units with dual pane, etc.

Staff are not proposing any changes to the Investment in Development category. The current projects have the needed funding for the next fiscal year.

## **Special Management Funds**

CADA maintains several Special Management properties, three of which require annual budget approval by the regulatory agencies that provided project construction funding. The Somerset Parkside and Biele Place budgets were submitted to the State of California's Department of Housing and Community Development (HCD) and have been approved by that agency. Staff expects the California Housing Finance Agency (CalHFA) will approve the submitted budget for 17<sup>th</sup> Street Commons. These funds are incorporated into the proposed CADA budget. Any changes made by CalHFA will be brought to the Board at Mid-Year.

With regard to the 17<sup>th</sup> Street Commons and Fremont/Wilshire Special Management properties, these continue to be self-supporting, with projected positive operations by the end of the coming fiscal year.

## **MAJOR CONSTRUCTION CAPITAL INVESTMENT PROGRAM (CIP)**

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.

### **Major Construction (CIP) Budget FY 22-23**

This budget is proposed to be closed at year-end FY 24-25. Usually, any remaining funding is carried forward to the new CIP budget. For this budget, some funding is still needed until June to complete a reroofing project. Staff is proposing to use \$393,437 out of the remaining \$613,437 in funds for the proposed FY 25-26 budget. If there are any remaining funds from the open project after June, those funds will be used in CADA's Mid-year budget revision.

### **Major Construction (CIP) Budget FY 23-24**

There is no proposed revision to this budget.

### **Major Construction (CIP) Budget FY 24-25**

For this budget staff is proposing an increase of \$600,000 to remodel the 525 S Street property. The work will consist of moving the existing office/warehouse's contents and rehabilitating the new Maintenance office and warehouse at that property. This work is proposed to be funded using current tax increment.

### **Major Construction (CIP) Budget FY 25-26 (Attachment 2)**

The FY 25-26 Major Construction Program budget is proposed to total \$3,140,830, of which \$15,500 is allocated for capital improvements at Special Management properties, with \$2,731,893 funded by current tax increment; \$393,437 funded from tax increment carryover from the prior year; and \$15,500 funded from equipment reserves to fund the Special Management properties.

Of the total \$3.1 million Major Construction budget, funds are proposed to be allocated for various projects in several CADA residential buildings, including for various window projects, waterproofing, and structural repairs.

As noted above, CIP budgets are three-year budgets, and as such, these expenditures are able to be implemented over a three-year period. Please see **Attachment 2** for detail on proposed projects and their funding sources.

## DEVELOPMENT CAPITAL INVESTMENT PROGRAM (CIP)

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 (using unexpended proceeds from the 2020 Bond Issue), which stay open for the life of the project. Below are the current budgeted project years with proposed changes. The remaining budgeted project years are not slated for any proposed changes. There are no proposed budget amendments for the development project budgets.

### Bond Projects Capital Investment Program Budget Revisions

Currently, there are \$12.5 million in Taxable Bond Proceeds from the 2020 bond issue that are available and undesignated. No bond proceeds adjustment is proposed. The proceeds have been budgeted for the following:

**TABLE 3 - 2020 Taxable Bond Proceeds**

|                              | <u>Original<br/>Budget</u> | <u>Previous<br/>Budgeted</u> | <u>Current<br/>Proposed</u> | <u>Total<br/>Budget</u> | <u>Remaining<br/>Proceeds</u> |
|------------------------------|----------------------------|------------------------------|-----------------------------|-------------------------|-------------------------------|
| <u>Funding Sources</u>       |                            |                              |                             |                         |                               |
| Available Proceeds           | 30,000,000                 | (5,400,100)                  | (12,000,000)                | (17,400,100)            | 12,599,900                    |
| <u>Development Expenses</u>  |                            |                              |                             |                         |                               |
| Courtyard Site 16A - Sonrsia | -                          | 2,633,100                    | -                           | 2,633,100               | -                             |
| 805 R street                 | -                          | 9,000,000                    | -                           | 9,000,000               | -                             |
| 16th and T Street            | -                          | 4,000,000                    | -                           | 4,000,000               | -                             |
| O Street Streetscape         | -                          | 1,767,000                    | -                           | 1,767,000               | -                             |
|                              | <u>\$ 30,000,000</u>       | <u>\$ 17,400,100</u>         | <u>\$ -</u>                 | <u>\$ 17,400,100</u>    | <u>\$ -</u>                   |

### DESIGNATED RESERVES

Designated Reserves reflects the balances anticipated to be held by CADA as of Year-End, net of budgeted contributions and withdrawals. Overall, Designated Reserves balances as of June 30, 2025, are anticipated to be in the range of \$14.9 million. **Table 4** below provides a summary of budgeted activity and projected reserve account balances by fund.

Proposed Reserve activities of note include:

- Projected withdrawals of \$15,500 from Special Management Fund Reserves and redirecting this amount to the 17<sup>th</sup> Street Commons Equipment Replacement Reserve to fund structural repairs.
- Required reserve contributions of \$104,883 to the Special Management Equipment Reserve.
- A proposed contribution to reserves of \$403,660 for the R Street Housing Set-Aside fund and \$1,255,620 for the R Street Development Reserve.

**TABLE 4 - Designated Reserves**

| <u>Designated Reserves (General Operation)</u>  | Projected<br>6/30/25 | (Draws)            | Contributions       | Projected<br>6/30/26 |
|---|----------------------|--------------------|---------------------|----------------------|
| Operations Contingency                          | \$ 685,144           | \$ -               | \$ -                | 685,144              |
| Development Reserve                             | 1,655,485            | -                  | -                   | 1,655,485            |
| Affordable Housing Reserve                      | 928,947              | -                  | -                   | 928,947              |
| Capital Improvement Reserve                     | 400,000              | -                  | -                   | 400,000              |
| Equipment Replacement Reserve                   | 75,000               | -                  | -                   | 75,000               |
| Debt Retirement Reserve                         | 1,703,000            | -                  | -                   | 1,703,000            |
| Acquisition Reserve                             | 2,632,000            | -                  | -                   | 2,632,000            |
| Self-Insured Risk Reserve                       | 675,000              | -                  | -                   | 675,000              |
|   | <u>\$ 8,754,576</u>  | <u>\$ -</u>        | <u>\$ -</u>         | <u>\$ 8,754,576</u>  |
| <u>Designated Reserves (Special Management)</u> |                      |                    |                     |                      |
| Equipment Replacement Reserve                   | \$ 610,309           | \$ (15,500)        | \$ 104,883          | \$ 699,692           |
| Operation Reserve - Somerset & Biele            | 106,679              | -                  | -                   | 106,679              |
|   | <u>\$ 716,988</u>    | <u>\$ (15,500)</u> | <u>\$ 104,883</u>   | <u>\$ 806,371</u>    |
| <u>Designated Reserves (R Street)</u>           |                      |                    |                     |                      |
| Development Reserve                             | \$ 2,015,691         | \$ -               | \$ 403,660          | \$ 2,419,351         |
| Affordable Housing Reserve                      | 1,699,949            | -                  | 1,255,620           | 2,955,569            |
|   | <u>\$ 3,715,640</u>  | <u>\$ -</u>        | <u>\$ 1,659,280</u> | <u>\$ 5,374,920</u>  |
| <u>Designated Reserve (Bond Interest)</u>       |                      |                    |                     |                      |
| Development Reserve                             | \$ 551,460           | \$ -               | (551,460)           | \$ -                 |
|   | <u>\$ 551,460</u>    | <u>\$ -</u>        | <u>\$ (551,460)</u> | <u>\$ -</u>          |

**POLICY ISSUES**

The budget presented to the Board for adoption reflects the priorities set forth in the CADA Strategic Plan and is prepared and managed in accordance with CADA Budget Policy. The Strategic Plan was transmitted to the Board in the May Board packet. The fiscal year General Operations Budget continues to support CADA's ongoing property management operations and Special Management Fund operations. In addition, CADA strives annually to designate adequate funds for allocation to its reserves, which are evaluated annually during the budget process. Staff examines appropriateness of the funding levels, and needed adjustments are recommended to the Board at Midyear or in the next budget cycle.

The General Operations Budget Policy states that a threshold for transfers that the Executive Director may make between major budget expense categories shall be established by the Board. Accordingly, the resolution adopting the FY 25-26 General Operations Budget establishes a transfer threshold below which the Executive Director can affect transfers without prior approval by the Board. Staff is proposing that the threshold be a cumulative seven percent (7%) of a major expense category's annual operating budget. This is consistent with CADA Board practice over the past ten years. If these transfers do occur, they are reported in CADA's monthly financial reports and transmitted to the Board.

Board policy established on May 18, 2001 sets forth CADA's policy with regard to applications for project funding. Staff recommends that this policy providing the Executive Director with authority to submit applications for project funding and requiring Board action for acceptance remain unchanged for FY 25-26.

**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**

While adoption of the budget does not directly involve the awarding of contracts, action on this item at the June Board Meeting is critical in order to enable the awarding of consultant and maintenance annual service contracts with July 1, 2025 commencement dates.

**Attachments:**

1. Fund Descriptions
2. FY 25-26 CIP Program Budget – Major Construction
3. Resolution 25-18 – FY 25-26 Budgets
4. Resolution 25-19 – FY 22-23 CIP Major Construction Budget Close Out

## 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 the 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 four (4) Special Management funds for which external governmental agencies have varying degrees of oversight (e.g. budget approval and debt restrictions). Agencies having oversight include Department of Housing & Community Development (HCD) for Funds 36 & 37 and 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, but does have debtholder reporting requirements. |
| Special Revenue Funds <ul style="list-style-type: none"> <li>• Trust Funds (76)</li> <li>• Middle-Income Housing Support (71)</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, like the Middle-Income Housing Program.   |
| 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 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.  |

**Capitol Area Development Authority (CADA)**  
**MAJOR CONSTRUCTION CAPITAL INVESTMENT PROGRAM**  
**PROPOSAL - FY 25-26 PROJECTS (NEW)**

Attachment 2

**MAJOR CONSTRUCTION**

C25 - CIP - FY 25-26

**FUNDING SOURCES**

Reserve Drawdowns  
Equipment Replace Reserve Drawdown  
1001-1035 Q, Somerset Parkside  
1421 15th St, Biele Place  
17th Street Commons  
Fremont Wilshire

General Operations Investment  
CIP Transfer from F10-General  
CIP Transfer from F50-Cap Tax Increment  
CIP Transfer from F41 - Fremont/Wilshire - Release of  
CIP  
Special Management Operation Investment

Other Sources

**Total FUNDING SOURCES**

**USES OF FUNDS**

1001-1035 Q, Somerset Parkside - Cabinet & Pipe  
replacement  
1421 15th St, Biele Place - Courtyard Landscaping  
17th Street Commons -  
Fremont Wilshire - paint; walkways & stairs  
**Total Special Management**

701 St - Maintenance - Remodel  
1317 15th Street - Lombard - Windows and  
waterproofing  
1317 O St - The Valencia - Exterior paint  
1325 15th St - Park Mansion - Exterior repair & paint  
1420 O St - Statesman - HVAC & waterproofing  
1501 15th St - Dager Maor - Windows  
1506 13th St - McCaferty Manor - Roof repair &  
waterproofing  
1506 13th St - McCaferty Manor - Security  
1506 O St - Johnston House - Deck repair  
1512 13th St - Structural repair & waterproofing  
1512 13th St - Window replacement  
1517 12th St - HVAC  
1522 N St - Judith Manor  
1036 P St - LeCroissant  
Unit Rehab Improvemens  
General Major Construction  
**Total USES OF FUNDS**

**Funding Sources, net of Uses**

|                                     | <b>Projects, by Funding Sources</b> |                                 |                                      |  |
|-------------------------------------|-------------------------------------|---------------------------------|--------------------------------------|--|
| <b><u>FY 25-26<br/>Proposed</u></b> | <b><u>Reserves</u></b>              | <b><u>Tax<br/>Increment</u></b> | <b><u>Carry over<br/>Sources</u></b> | <b><u>Available Funds<br/>Operations</u></b> |
| -                                   | -                                   |                                 |                                      |  |
| -                                   | -                                   |                                 |                                      |  |
| 15,530                              | 15,530                              |                                 |                                      | -  |
| -                                   |                                     |                                 | -                                    |  |
| <b>15,530</b>                       | <b>15,530</b>                       | -                               | -                                    | -  |
| -                                   |                                     |                                 | -                                    | -  |
| 3,125,300                           |                                     | 2,731,863                       | 393,437                              |  |
| -                                   |                                     | -                               |                                      | -  |
| <b>3,125,300</b>                    | <b>-</b>                            | <b>2,731,863</b>                | <b>393,437</b>                       | <b>-</b>                                     |
| -                                   |                                     |                                 |                                      |  |
| -                                   | -                                   | -                               | -                                    | -  |
| <b>3,140,830</b>                    | <b>15,530</b>                       | <b>2,731,863</b>                | <b>393,437</b>                       | <b>-</b>                                     |
|                                     |                                     |                                 |                                      |  |
| (15,530)                            | (15,530)                            |                                 |                                      |  |
| -                                   | -                                   | -                               | -                                    | -  |
| -                                   | -                                   | -                               | -                                    | -  |
| -                                   | -                                   | -                               | -                                    | -  |
| (15,530)                            | (15,530)                            | -                               | -                                    | -  |
| (600,000)                           |                                     | (600,000)                       |                                      |  |
| (509,762)                           |                                     | (509,762)                       |                                      |  |
| (37,091)                            |                                     |                                 | (37,091)                             |  |
| (510,125)                           |                                     | (510,125)                       | -                                    | -  |
| (299,620)                           |                                     | (299,620)                       | -                                    |  |
| (236,877)                           |                                     | (236,877)                       |                                      |  |
| (80,325)                            |                                     | (80,325)                        |                                      |  |
| (80,325)                            |                                     |                                 |                                      |  |
| (18,185)                            |                                     | (18,185)                        |                                      |  |
| (2,167)                             |                                     | (2,167)                         | -                                    |  |
| (10,115)                            |                                     |                                 | (10,115)                             |  |
| (94,775)                            |                                     | (94,775)                        |                                      |  |
| (80,083)                            |                                     | (80,083)                        |                                      |  |
| (298,175)                           |                                     | (298,175)                       | -                                    |  |
| (5,000)                             |                                     | (1,769)                         | (3,231)                              |  |
| (200,000)                           |                                     |                                 | (200,000)                            |  |
| (143,000)                           |                                     |                                 | (143,000)                            | -  |
| <b>(3,140,830)</b>                  | <b>(15,530)</b>                     | <b>(2,731,863)</b>              | <b>(393,437)</b>                     | <b>-</b>                                     |
| -                                   | -                                   | -                               | -                                    | -  |

**RESOLUTION NO. 25 – 18**

Adopted by the Capitol Area Development Authority  
June 20, 2025

**RESOLUTION ADOPTING THE  
FY 2025-2026 GENERAL OPERATIONS AND  
CAPITAL INVESTMENT PROGRAM BUDGETS**

**WHEREAS**, the Fiscal Year 2025-2026 General Operations and Capital Investment Program Budgets have been prepared in accordance with business development goals set forth in the Authority's annual update to the Strategic Plan for FY 2024-2029;

**WHEREAS**, staff is proposing Fiscal Year 2025-2026 General Operations Budget of \$20,738,279, including projected Designated Reserves of \$14,935,867, as well as a Capital Investment Program Major Construction Budget of \$3,140,830;

**WHEREAS**, the Authority has an established policy authorizing the Executive Director to submit applications for project funding without first receiving specific Board approval so long as costs incurred during the application process do not exceed budget, the Board has not precluded the submittal of an application for a particular project, and the award of such funding is not accepted without Board approval; and

**WHEREAS**, the Authority's General Operations Budget policy requires that the threshold for transfers between major expense categories shall be established no less than once a year as part of the annual operating budget preparation process.

**NOW, THEREFORE, BE IT RESOLVED**, by the Capitol Area Development Authority that the Fiscal Year 2025-2026 General Operations and Capital Investment Program Budgets, including Designated Reserves, presented at the June 30, 2025, meeting of the Board of Directors are hereby adopted by the Board of Directors; and

**THEREFORE, BE IT FURTHER RESOLVED**, by the Capitol Area Development Authority that the Executive Director is authorized to submit applications for project funding without first receiving specific Board approval so long as costs incurred during the application process do not exceed budget, the Board has not precluded the submittal of an application for a particular project, and the award of such funding is not accepted without Board approval; and

**THEREFORE, BE IT FURTHER RESOLVED**, by the Capitol Area Development Authority that the threshold for transfers between major expense categories which the Executive Director may make without prior approval by the Board shall be limited to a cumulative of seven percent (7%) of a major expense category's annual operating budget.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors



**RESOLUTION NO. 25 – 19**

Adopted by the Capitol Area Development Authority  
June 20, 2025

**RESOLUTION ADOPTING REVISIONS TO THE  
FISCAL YEAR (FY) 2022-2023 CAPITAL INVESTMENT  
PROGRAM MAJOR CONSTRUCTION BUDGET**

**WHEREAS,** the FY 2022-2023 Capital Investment Program Budget was prepared in accordance with the business development goals set forth in the Authority's Annual Business Plan;

**WHEREAS,** the FY 2022-2023 Capital Investment Program Budget was adopted and subsequently revised at certain Board Meetings; and

**WHEREAS,** the revisions presented for adoption at this meeting of the Board of Directors have been reviewed and are recommended for approval.

**THEREFORE, BE IT RESOLVED,** by the Board of Directors of the Capitol Area Development Authority that the revisions presented for adoption at this meeting of the Board of Directors to close the FY 2022-2023 Capital Investment Program Major Construction budget are hereby adopted.

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Ann Bailey, Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors