



December 5, 2025

**TO:** Capitol Area Development Authority (CADA) Board of Directors

**SUBJECT: December 15, 2025, Board Meeting  
AGENDA ITEM 7  
FISCAL YEAR 25-26 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 25-26 Annual General Operations Budget and the Capital Investment Program (CIP) Budgets as follows:

- Revise the FY 25-24 General Operations Budget to affect a net increase of \$1,920,833. This net increase is the result of tax increment received but not utilized in the prior year, adjustments to revenue, and release of funding from closed CIP budgets. This revision is proposed to fund increases for CIP budgets and general expense accounts.
- Revise Development CIP Budgets to
  - Close out the FY 20-21 Cypress Budget by \$453,758
- Revise Major Construction CIP Budgets to
  - Finish closing out the FY 22-23 budget's remaining balance of \$357,433
  - Increase the FY 23-24 Budget by \$50,000
  - Increase the FY 25-26 budget by \$307,433
- Revise Reserves to
  - Increase the Development Reserve by \$548,033
  - Increase the Affordable Housing Reserve by \$11,300
  - Increase the Debt Retirement Reserve for Somerset Parkside and Biele Place Special Management properties by \$500,000
  - Increase the Acquisition Reserve by \$500,000
  - Increase the Capital Improvement Reserve by \$306,500

**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 \$1,920,833.

The Funding Sources for the proposed midyear budget revisions include Tax Increment and remaining funds from a proposed closed project. The proposed increases to funding sources' amounts include:

- An increase of \$1,467,0075 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 \$453,758 from the close out of the remaining funds in the Cypress development project budget. It was determined these funds will no longer be needed for this project.

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

- An increase of \$7,000 to the Cafeteria budget to provide funding for the approved increase to the cafeteria allowance.
- An increase of \$13,000 to the Audit account, this additional funding is needed to complete a required single audit that was not anticipated in the original budget proposal. This audit is required as CADA received \$3 million in Federal funding through the City of Sacramento for the Monarch project. When an entity receives funding from Federal sources certain types of reporting is required along with a special audit if expenses are over a certain amount within a fiscal year.

- An increase of \$5,000 to the Building and Land Acquisition account to fund the purchase of an alleyway parcel adjacent to the 525 S Street warehouse from the City of Sacramento.
- An increase of \$10,000 to the Community Activities account for additional funding to provide food support to low-income CADA tenants during the government shutdown and through the current high inflationary period. These resources have already started and this helps backfill this account.
- An increase of \$20,000 to the Education and Training account to fund a contract for executive coaching.

### **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 a project.

### **Major Construction CIP Budget**

For FY 22-23 budget, this CIP budget was closed out at the end of last year. Usually, any remaining funding is carried forward to the new CIP budget. For this budget, a portion of the funding was assumed to be needed until June, so only a portion of the remaining funds were carried forward to the FY 25-26 budget, with the plan that any remaining funds would be incorporated into the Mid-year budget proposal. There are remaining funds of \$357,433 in this budget and staff is proposing to carry forward these funds as a funding source for CIP projects in the FY 23-24 and FY 25-26 Major Construction Budgets. No mid-year revisions are proposed for the FY 24-25 Major Construction Budget.

For the FY 23-24 budget, staff is proposing an increase of \$50,000, to be funded from part of the remaining funds carried forward from the closure of the FY 22-23 budget, which includes the following:

- Increase of \$20,000 to fund possible tenant improvements to the vacant space at 1504 14<sup>th</sup> Street, previously TableVine. This provides funds for any potential improvements for the new tenant in that space.
- Increase of \$30,000 to the 1521 12<sup>th</sup> Street HVAC project. This project is to replace HVAC units in the building, but it was determined recently that a new electrical panel was required to run the new units, so additional funding is needed to support this part of the project.

For the FY 25-26 budget, staff is proposing an increase of \$307,433, to be funded from part of the remaining funds carried forward from the closure of the FY 22-23 budget, which includes the following:

- Increase of \$27,000 to fund possible tenant improvements to the vacant second floor office space 1520D-16<sup>th</sup> Street, previously the University of Beer office space. This funding will allow for possible improvements to the space when a new tenant is identified.
- Increase of \$30,000 to the space leased to the Lights, Camera, Capital film cooperative on N Street for the possible repair of the lift and tenant improvements. No prior assistance was provided at this space.
- Increase of \$50,000 for a project at 1520 12<sup>th</sup> Street to complete the HVAC project to replace the boiler mini splits along with upgrades to the electrical panel. With the boiler replacement, this project qualifies for a SMUD rebate and staff would like to take advantage of this program, while advancing CADA's sustainability objectives.
- Increase of \$100,433 to the annual toxic abatement account for lead, asbestos, and mold remediation to allow for additional funding to be available for this type of work, as needed, through the remainder of the fiscal year.
- Increase of \$100,000 to the unit rehabilitation account to ensure the necessary funding is available through the fiscal year to complete apartment finish updates at unit turnover, based on remaining life of unit finishes.

**Development CIP Budgets:** There is one proposed mid-year revision to the FY 20-21 Development Budget, closing out the Cypress project budget. This consists of \$453,758 in remaining funds. This funding will be used as a funding source for Mid-year adjustments to reserves. There are no proposed mid-year revisions for the other Development budgets.

**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.

TABLE 3 - 2020 Taxable Bond Proceeds						
		Original	Previous	Current	Total	Remaining
		Budget	Budgeted	Proposed	Budget	Proceeds
<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	-
		\$ 30,000,000	\$ 17,400,100	\$ -	\$ 17,400,100	\$ -

## General Operations Designated Reserves

For Designated Reserves, the proposed adjustments include the following:

- An increase of \$548,033 to the Development Reserves and \$11,300 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 \$500,000 to be placed into the Acquisition Reserve to continue CADA's effort to set aside funds for future property purchases.
- An increase of \$306,500 to replace funds drawdown from the Capital Improvement Reserve for the additional funding on the 525 S Street project.

**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 6/30/2025	Budget (Adopted)	Midyear Rev (Proposed)	Projected 6/30/26
<u>Designated Reserves (General Operation)</u>				
Operations Contingency	\$ 685,144	\$ -	\$ -	685,144
Development Reserve	2,264,415	-	548,033	2,812,448
Affordable Housing Reserve	997,962	-	11,300	1,009,262
Capital Improvement Reserve	400,000	(306,500)	306,500	400,000
Equipment Replacement Reserve	75,000	-	-	75,000
Debt Retirement Reserve	2,203,000	-	500,000	2,703,000
Acquisition Reserve	2,906,352	-	500,000	3,406,352
Self-Insured Risk Reserve	675,000	-	-	675,000
	<u>\$ 10,206,873</u>	<u>\$ (306,500)</u>	<u>\$ 1,865,833</u>	<u>\$ 11,766,206</u>
<u>Designated Reserves (Special Management)</u>				
Equipment Replacement Reserve	\$ 667,525	\$ 89,383	\$ -	\$ 756,908
Operation Reserve - Somerset & Biele	106,748	-	-	106,748
	<u>\$ 774,273</u>	<u>\$ 89,383</u>	<u>\$ -</u>	<u>\$ 863,656</u>
<u>Designated Reserves (R Street)</u>				
Development Reserve	\$ 2,723,984	\$ 403,660	\$ -	\$ 3,127,644
Affordable Housing Reserve	2,092,874	1,255,620	-	3,348,494
	<u>\$ 4,816,858</u>	<u>\$ 1,659,280</u>	<u>\$ -</u>	<u>\$ 6,476,138</u>
<u>Designated Reserve (Bond Interest)</u>				
Development Reserve	\$ 646,278	\$ (551,460)	-	\$ 94,818
	<u>\$ 646,278</u>	<u>\$ (551,460)</u>	<u>\$ -</u>	<u>\$ 94,818</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. Projects funded by this action would follow the required individual contracting process.

Attachments:

1. FY 2025-26 CADA Fund Descriptions
2. Resolution 25-44

## 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 Street Area 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.

**RESOLUTION NO. 25 – 44**

Adopted by the Capitol Area Development Authority December 15, 2025

**RESOLUTION ADOPTING THE FISCAL YEAR 2025 -2026  
MID-YEAR REVISION TO THE GENERAL OPERATIONS BUDGET AND  
CAPITAL INVESTMENT PROGRAM (CIP) BUDGETS**

**WHEREAS**, the FY 2025-2026 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 2025-2026 and were adopted at the June 2025 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, are hereby adopted:

- Revise the FY 25-26 General Operations Budget to add a net increase of \$1,920,833. This net increase is the result of tax increment received but not utilized in the prior year, adjustments to revenue, and release of funding from closed CIP budgets. This revision is proposed to fund increases for CIP budgets and general expense accounts.
- Revise Development CIP Budgets to:
  - Close out the FY 20-21 Cypress Budget by \$453,758
- Revise Major Construction CIP Budgets to:
  - Finish closing out the FY 22-23 Budget's remaining balance of \$357,433
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Ann Bailey, Chair

ATTEST:

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Tara Gandara  
Secretary to the Board of Directors