
Guide to the Adopted Capital Investment Program

FY 2023 – FY 2027 Budget

Capital Investment Program

The City faces an ongoing challenge to meet its capital needs with limited resources. The preparation and adoption of the Capital Investment Program (CIP) is an important part of the City's planning process to identify and meet those needs. It is a multi-year schedule of projects with their associated costs and proposed funding sources. The CIP represents the best efforts to allocate available resources toward projects that provide the most benefit for the people of Santa Cruz. It also highlights areas where funding is deficient.

Generally, projects in the CIP are relatively large-dollar amount, nonrecurring outlays and are for the purpose of constructing, purchasing, improving, replacing or restoring assets with multi-year useful life. In addition, certain special projects and activities are included.

The CIP includes proposed projects for the next five fiscal years. It also describes projects that will be carried over from the current fiscal year. The first year of the CIP is, by and large, incorporated into and adopted with the annual budget.

Financing

The two basic methods to fund the CIP projects are (1) pay-as-you-go, which requires use of current revenues or cash on hand; and (2) pay-as-you-use, which uses debt financing to spread acquisition costs over the period of time the City plans to use a capital asset. Funds dedicated to pay-as-you-go include a share of transient occupancy taxes, grants, parks facilities taxes and fees, traffic impact and other development fees, and user fees in the enterprise funds. Both of these funding methods are useful, depending on the nature of the projects.

Using the CIP

The Capital Investment Program is divided into five sections:

- Climate Action Plan and Climate Action Plan Update
- General Fund CIP funding priority criteria
- Projects that are unfunded in fiscal years 2023-2027
- Maps of existing projects
- New and existing projects

Climate Action Plan and Climate Action Plan Update

The Climate Action Plan (CAP) adopted in 2012 specifies the greenhouse gas emissions targets and sectorally specific milestones as well as 254 measures to reach those targets and milestones by 2020. The CAP 2020 has now sunset and the Climate Action Plan 2030 development is underway. The Climate Adaptation Plan Update (CAPU) was adopted in 2018 and is an appendix to the Local Hazard Mitigation Plan (2018). It includes 44 prioritized measures to adapt the City to the impacts of climate change. Since 2015, the City's Sustainability Team has evaluated the adopted Capital Improvements Program (CIP) projects to identify those that implement the CAP and CAPU. The CAP and CAPU implementation CIP project lists are included in the front of the budget to give City leaders and decision-makers more information in considering the adopted budget. City staff may also reference these lists in preparing Health in All Policies agenda report language.

Projects

This section provides information on adopted capital investments over the next 5 years. It is organized by primary fund or funding source and function. Within each subsection, projects are arranged alphabetically.

Each project is identified by a project name and number (if previously assigned), and a project description/justification. It also includes a total project cost estimate. If applicable, the project cost estimate is reduced by additional outside funding sources, to arrive at a "net expenditure". This is the net amount that must be funded by the primary funding source of the fund. This information is provided for each of the periods displayed:

- **"Prior Years"** Shows the total amount that has been spent on the project in prior years up to the end of the last fiscal year.
- **"2022 Budget"** Shows the total amount appropriated for the current fiscal year.
- **"2022 Estimated"** Shows the total amount of the FY 2022 funding that will be spent on the project, including what has been spent or encumbered and what will be carried forward into FY 2023.
- **"2023 Adopted", "FY 2024 Estimated", "FY 2025 Estimated", "FY 2026 Estimated", and "FY 2027 Estimated"** Each individual column shows the adopted (year 2022 only) and the future estimated funding required for the project for each identified fiscal year.
- **"Total 2023 - 2027"** Shows the total adopted funding required for the projects in FY 2023, and the total estimated funding required for FY 2024, FY 2025, FY 2026, and FY 2027.

At the end of each section is a summary of total project costs, funding sources, and net project costs for capital projects, maintenance and other projects, and a combined total for the fund(s).

General Fund CIP funding priority criteria

Over the past several years, the General Fund budget has not had the resources required to fund a capital program. As a budget balancing strategy, General Funded projects have mostly been deferred or alternative funding sources pursued.

This year, new project requests were reviewed and prioritized based on several factors including consistency with the Council’s Re-Envision Santa Cruz recovery strategy. The various dimensions of evaluation included: fiscal sustainability and project funding availability; projects located in the Downtown and other business sectors; infrastructure: asset condition, maintenance and longevity; regulatory or mandatory requirements; and project readiness.

Projects ranking high in priority based on the above criteria are identified as Priority 1, and are identified in the project description as such. As funding becomes available, the City Manager will fund from the prioritized list as needed.

Unfunded Projects

The Unfunded Projects section includes those projects in Priority 1 as described above, and projects in Priority 2 that will be proposed once funding is identified, and staff resources are available.

Fund Balance Projections

This section includes a Five-year projection of sources, uses and fund balances for each fund included in the CIP. An overview of the impact of projected revenue and expenditures on fund balances over time can be seen in these tables. Fund balance projections for the following funds are included in the “Fund Balance Projection” section of the CIP. The following table identifies funding sources for each fund:

Fund	Primary Funding Source	Major Project Types
Governmental:		
Capital Improvement Fund-General	Grants, share of transient occupancy tax, General Fund subsidy	Storm drains, transportation, government, buildings, parks, playgrounds, wharf, sidewalks, utility undergrounding, and lighting
Capital Improvement Fund - Arterial Streets and Roads Fund	Grants, City Public Trust Fund, General Fund	Transportation
Information Technology Fund	General Fund, Enterprise Fund	Information Technology applications and infrastructure
Clean Rivers, Beaches, and Ocean Tax Fund	Tax assessments	Environmental, education
Community Development Block Grant (CDBG) Fund	Grants	Housing and Community Development
Gas Tax Fund	State gasoline tax	Transportation
2016 Transportation Measure D	Sales tax	Transportation

Fund	Primary Funding Source	Major Project Types
Parks and Recreation Fee Fund	Subdivision developer impact fees	Parks, playgrounds, community centers, and other Parks and Recreation facilities
Parks and Recreation Facility Tax Fund	Residential construction excise tax	Parks, playgrounds, community centers, and other Parks and Recreation facilities
RDA/SA-Redevelopment Obligation Retirement Fund	Property Tax	Successor Agency Funds
RDA/SA - Low/Mod Income Housing Funds	Property Tax	Affordable Housing Construction
RDA/SA-Capital Projects Fund	Property Tax	Street improvements, property rehabilitation, economic development, and other capital improvements
RDA/SA-Capital Projects-Admin	Property Tax	Administrative Costs of Successor Agency.
RDA/SA-Capital Projects-Del Mar Theater	Property Tax	Property management, maintenance and capital improvements to the Del Mar
SA City Low/Mod Income Housing Funds	Property Tax	Housing and Community Development
Federal American rescue plan funding	Grants	Homelessness Response
CA14 Homelessness Action Plan	Grants	Homelessness Response

Enterprise:

Water Fund	User Fees	Water system infrastructure
Water Fund - SDC	User Fees	Water system Development
Wastewater Fund	User Fees	Wastewater system infrastructure
Refuse Fund	User Fees	Sanitation, recycling and landfill infrastructure
Parking Fund	User Fees	Downtown parking district facilities, including parking lots and structures
Storm Water Fund	Storm water fees	Flood control facilities
Storm Water Overlay Fund	Storm water fees	Flood control facilities