

Guide to the Capital Investment Program (CIP)- FY 2027-2031

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 during which 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 funding methods are useful, depending on the nature of the projects.

Using the CIP

The Capital Investment Program is divided into the following sections:

- Projects that support the Climate Action Plan and the Climate Adaptation Plan
- Criteria used to prioritize CIP projects
- Listing of unfunded and underfunded projects
- Reprogrammed CIP Project Budgets
- Maps of projects
- Summaries by department and fund, with Fact Sheets for current CIP projects

Climate Action Plan and Local Hazardous Mitigation Plan-Climate Adaptation Plan

The Climate Action Plan (CAP), originally adopted in 2012, specifies the greenhouse gas emissions targets and specific milestones as well as the measures to reach those targets and milestones. The Climate Adaptation Plan has been integrated into the Local Hazard Mitigation Plan. It includes prioritized measures for the City to adapt 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 Climate Action Plan and the Local Hazard Mitigation-Climate Adaptation Plan. The result is a list of CIP projects that is included in this document to give City leaders and decision-makers more information in considering the budget.

Criteria to Prioritize CIP Projects

In recognition of the reality that the City of Santa Cruz has more capital needs than funds available, the strategic approach being taken to decide which projects to fund is explained. Projects are most likely to receive General Fund funding if they are connected to the Citywide Strategic Plan, support the Climate Action and Local Hazard Mitigation Plan-Climate Adaptation Plan, and make a substantial impact on furthering the Health in All Policies goals of the City. Projects that are funded using resources outside the General Fund utilize similar assessment methods to determine which projects will move forward within the five-year CIP plan.

Maps

Eight maps are provided to aid in understanding where the funding and efforts towards capital investments are going in FY 2027 and how these align with the City's priorities. The first map is a map of the entire City of Santa Cruz and the locations of projects. The next map is of the Opportunity Zone in Santa Cruz, which is the portion of the City that has the largest equity needs. This zone is pink colored and shows the locations of CIP projects occurring within its area. This helps inform decision-makers and the public of the investments the City is making in the areas of most need, since our goal is to ensure equity in budgeting and Health in All Policies. The following six maps are of each of the six districts of Santa Cruz with numbered markers of the CIP projects located within them. The maps have an accompanying list that provide the name and department working on the projects for each of the numbered markers. Projects that are not mapped, but are a part of the CIP are projects that are either Citywide or in another way do not have a distinct geographical location where they occur.

Project Summary and Fact Sheets

Project provide information on the expenditure budgets for CIP projects for the next five years. It is organized by department, primary City fund, and then projects are arranged alphabetically. The budgets allocated to these projects and the expenditures as of the adopted FY 2026 budget are provided for added history on the project.

Fact Sheets are provided for projects that are starting or underway in FY 2027. On Fact Sheets, each project is identified by a project name, number, and contains a description of the schedule, location, purpose, and operating budget impact.

After this information, each project has a chart that provides the approved expenditure budget adopted in FY 2026, the proposed FY 2024 budget, and then an estimate for the following four fiscal years. It also includes a total project cost estimate each year and for the range of years, FY 2027-2031. If applicable, the project cost estimate is reduced by additional outside funding sources, to arrive at a "net project cost." This is the net amount that must be funded by the primary funding source of the fund. Here is more detail about the columns on this funding chart:

- "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.
- "Amended 2026 Budget" shows the total amount appropriated in the adopted budget for the current fiscal year and/or in previous years that has been carried forward and/or that had budget amendments through December 31, 2025.
- "2026 Estimated Actuals" shows the total estimated amount of the project's funding that will be received and spent on the project in the current fiscal year
- The "2027 Proposed," "FY 2028 Estimated," "FY 2029 Estimated," "FY 2030 Estimated," and "FY 2031 Estimated" columns show the proposed (FY 2027 only) and the future estimated budget required for the project for each identified fiscal year
- "Total 2027 - 2031" sums up each row for the proposed FY 2027 budget, and the total estimated for FY 2028, FY 2029, FY 2030, and FY 2031

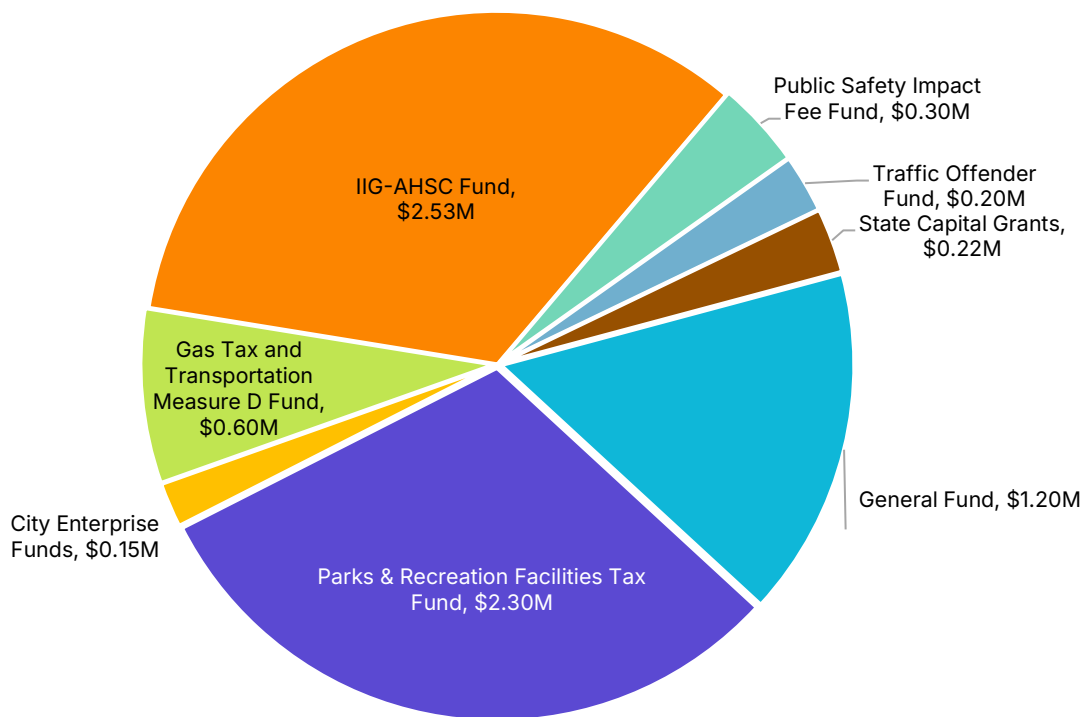
Funding Sources: Governmental Funds

The following table provides the typical funding sources received by the governmental fund types of the City, and the types of projects that those funding sources support.

Fund	Primary Funding Source	Major Project Types
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
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.

Fund	Primary Funding Source	Major Project Types
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

The General CIP Fund's \$7.2M revenue budget has funding distributed from the following sources in FY 2027:



Funding Sources: Enterprise Funds

The enterprise funds of the City have the following typical funding sources and project types. At times, capital projects are funded through bonds or loans: please see the Debt Service schedule in the Appendix for the specific debt instruments used by the various City enterprises and the purposes for each.

In FY 2027, the Wastewater enterprise is budgeting \$3.4M in local capital grants and contributions to support its CIP projects, in addition to user fees.

Fund	Primary Funding Source	Major Project Types
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

Fund Balance Source of Funding

As illustrated in the table above, enterprise funded-CIP projects often do not have a listed funding source or may not have funding sources that are equal to the total cost of a project. Where this occurs, the net cost of the project is paid for from the fund balance related to the project.

For example, for the project below, \$132,353 of the net project cost for FY 2027 would come from the fund balance for Fund 721.

Public Works		721- Wastewater Enterprise Fund							
Interstage Pump 1 Improvements Project									
Project Description: Replace interstage pump 1 and its motor, adding a VFD, replacing check valves for all three interstage pumps and various piping, pad and electrical improvements to improve pumping conditions and increase efficiency. County pays 8/17 of cost based on wastewater treatment facility capacity dedicated to County.						Project # c402611			
Project Benefit: Repair interstage pump number 1, which is currently out of service and allow for efficient pumping of a greater range of flows by installing a VFD motor.						Project Location: Wastewater Treatment Facility			
Operating Budget Impact: Maintenance will be absorbed in the Wastewater or Stormwater operating budget.									
Project Schedule: This project is expected to start in 2026 and conclude in 2028.						Project Contact Email: kstewart@santacruzca.gov			
	Prior Year Totals	Fiscal Year 2026		FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total 2027-2031
	Amended Budget	Estimated Actuals	Proposed	Estimate	Estimate	Estimate	Estimate	Estimate	
Account # 721-40-62-7252-57301									
Project Cost Estimates:	-	-	500,000	250,000	5,000,000	-	-	-	5,250,000
Funding Estimates:									
Local capital grants	-	-	235,294	117,647	2,352,94	-	-	-	2,470,588
Net Project Cost:	-	-	264,706	132,353	2,647,059	-	-	-	2,779,412
Lifetime project cost:	6,000,000								

Project Tracking Throughout the Year

Interested individuals can keep track of ongoing CIP projects throughout the year by accessing the helpful websites that the Public Works and Water Departments regularly update.

The [Major Projects Map: Current and Upcoming Construction](#) website contains information about the major Public Works and Water projects in design and currently under construction throughout the City of Santa Cruz. This tool allows people to review projects in the construction or design phase, project descriptions, point of contact, and estimated project schedules and costs. Project names can also be directly entered into the search bar on the map.

Major CIP projects also receive updated information on the [Public Works Projects](#) website. This site provides details on projects, including the point of contact, scope of work, estimated cost, construction schedule, and related project documents.

