



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: September 20, 2023

IBA Report Number: 23-26

FY 2024 Climate Action Plan Expenditures, Funding Gaps, and Other Policy Considerations

OVERVIEW

As part of the FY 2024 budget development process, Councilmembers submitted budget modification memoranda to our Office on May 26, 2023.¹ In the memorandum from District 1, Councilmember LaCava requested our Office prepare a comprehensive list of unfunded operational and capital costs associated with the City's Climate Action Plan (CAP) following the adoption of the FY 2024 budget prior to the submittal of the Council's initial FY 2025 budget priorities in September. This report responds to that request.

In this report, our Office will summarize budgetary changes, including additions and reductions, included in the FY 2024 Adopted Budget, for both the operating budget as well as the Capital Improvements Program (CIP), that addresses the City's CAP, as identified by the Sustainability and Mobility Department (SuMo) and the Department of Finance (DOF). We then compare this to the unfunded operating requests that our Office noted during our review of the Proposed Budget ([IBA Report 23-08](#)). For the CIP, as we do not have a comprehensive list of unfunded requests as we do for the operating budget, we compare those funded projects identified as addressing CAP actions to the [Fiscal Year 2024-2028 Five-year Capital Infrastructure Planning Outlook](#) (CIP Outlook). Finally, we also compare funding in the Adopted Budget to the [Climate Action Implementation Plan](#) (CAIP).

In summary, we find that the FY 2024 Adopted Budget does provide a significant amount of funding to the CAP, including in the operating budget and CIP. However, additional funding for CAP-related activities is hindered by the City's ongoing financial pressures, including the structural budget deficit within the General Fund and the infrastructure financing gap in the CIP.

BACKGROUND

¹ These memoranda may be found in [IBA Report 23-13](#).

The CAP is the City’s overall plan for reducing greenhouse gas (GHG) emissions within the City. The latest update of the CAP, adopted in August 2022, seeks to achieve net zero GHG emissions by 2035, and identifies six strategies, as well as numerous actions, in order to achieve that outcome. An overview of these strategies and changes in the CAP from the August 2022 update can be found in [IBA Report 22-19](#).

Fiscal planning for the CAP has been a longstanding issue, which includes an effort by our Office to develop a five-year financial outlook for the initial CAP.² Subsequently, the [City Auditor’s most recent audit of the CAP](#) found that “the City should improve its fiscal planning efforts for CAP implementation by developing a prioritization mechanism and estimating costs.” In response to this, the updated CAP contained numerous measures that could be used to prioritize items in order to guide the implementation of the CAP. This prioritization was formalized in [Council Policy 900-22](#), which was adopted by the City Council in April 2022.

Additionally, based on the City Auditor’s recommendations, SuMo staff, in coordination with other City departments, developed the CAIP. This plan provides additional information on each of the actions contained in the updated CAP, including responsible departments, current status, identified measures of success for each strategy and measure, and a five-year cost estimate for new or expanded programs. Additionally, the CAIP identifies actions that can be implemented in conjunction with others, as well as actions that either need or could benefit from partnerships with other entities. The CAIP continues to be a living document and has incorporated the outcomes from Council Policy 900-22.

Finally, the departments responsible for CAP implementation actions have developed Annual Workplans for their respective CAP actions for FY 2024. These workplans include a summary of what actions are being undertaken over the next year to further CAP implementation, and include details such as specific budget allocations for CAP actions, details on whether current budgets or staff are being redirected to CAP actions, and some details on funding gaps related to the CAP. This is the first year of these annual workplans, which were also recommended in the CAP audit.

FISCAL AND POLICY DISCUSSION

Our analysis of CAP-related expenditures and unfunded needs begins with an analysis of the operating budget, including the General Fund, as well as the CIP. For this report, we utilized the budget data provided by SuMo and DOF, who jointly determined what is and is not a CAP-related expense. An overview of this analysis is provided in Volume 1 of the Adopted Budget. These determinations of CAP-related expenses were only made on *new* budget requests, including both additions and reductions, for both the operating budget and the CIP. This analysis does not include any determination on if *currently* allocated expenses or base budgets are being repurposed for CAP purposes. However, as will be discussed, many departments have changed their operations to help achieve the aims of the CAP without necessarily requiring additional expenditure authority.

For the operating budget, our Office updated the analysis we provided in [IBA Report 23-08 Review of the Fiscal Year 2024 Proposed Budget](#) by incorporating changes made during the budget adoption process for funded expenditures, and also removing any unfunded requested expenditures

² [IBA Report 18-05 Climate Action Plan: Development of an Initial Five-Year Financial Outlook](#)

that were ultimately funded in adoption of the final FY 2024 Budget. For the CIP, new FY 2024 expenditures were compared to the most recent CIP Outlook to determine any additional funding needs by asset type. We then compare what is in the combined operating and CIP budget to the funding called for in the CAIP. The report concludes with other considerations for CAP-related spending.

Operating Budget

Total CAP-related budget adjustments across all funds in the FY 2024 Adopted Budget for operating expenses, including budget additions and reductions, totals \$2.4 million, as provided in *Table 1* below. This is a reduction of \$12.8 million from the Proposed Budget, almost entirely due to a reduction within the Utility Undergrounding Program³ included in the May Revision that was done to align budget authority with anticipated spending levels for FY 2024. Within the General Fund, spending changes related to the CAP total \$14.7 million, which is an increase of \$6.5 million from the Proposed Budget. The majority of CAP-related operating expenditures are within the General Fund.

Table 1: Climate Action Plan Operating Budget Adjustments By Fund (\$ in millions)			
Fund	Adopted	Proposed	Difference
General Fund	\$ 14.7	\$ 8.2	\$ 6.5
Refuse Disposal Fund	2.3	2.0	0.3
Metropolitan Sewer Utility Fund	1.7	1.6	0.1
Climate Equity Fund	1.6	-	1.6
Water Utility Operating Fund	1.5	0.7	0.8
Energy Independence Fund	1.0	1.0	-
Underground Surcharge Fund	(22.5)	-	(22.5)
Other Funds	2.1	1.6	0.6
Total	\$ 2.4	\$ 15.1	\$ (12.8)

Comparing adjusted spending within each department, *Table 2* shows that Environmental Services has the largest amount of operating expenditures, at \$6.0 million. The largest increase from the Proposed Budget to the Adopted Budget was for Citywide Program Expenditures, which is mostly related to additional CIP appropriations from the General Fund adopted by Council, including funding for dangerous intersections, the Barrio Logan traffic calming route, and Saturn Boulevard sidewalk installation. Additionally, this table more readily displays the large impact that changes to the Underground Surcharge fund are having on the overall budget picture. Without this decrease, CAP-related spending across all funds increased by \$9.8 million.

³ Expenditures for the Utility Undergrounding Program are considered to be Indirect expenditures related to CAP Measure 5.3 – Local Water Supply. Action 5.3 SA-1 specifically calls for “Advance undergrounding of utilities to provide a means to reduce energy use, increase green space preservation, sustainably process and store water and wastes, securely and efficiently site critical infrastructure, prevent and reverse degradation of the urban environment, and enhance quality of life.”

Table 2: Climate Action Plan Operating Budget Adjustments by Department (\$ in millions)			
Department	Adopted	Proposed	Difference
Environmental Services	\$ 6.0	\$ 5.5	\$ 0.5
Citywide Program Expenditures	4.1	(0.5)	4.6
Sustainability and Mobility	4.1	1.9	2.1
Public Utilities	3.2	2.4	0.9
Parks and Recreation	2.5	2.2	0.3
Information Technology	1.3	1.3	0.0
Transportation	(20.3)	1.1	(21.5)
Other Departments	1.5	1.3	0.3
Total	\$ 2.4	\$ 15.1	\$ (12.8)

Table 3 is a comparison of funding included in the Adopted Budget and the Proposed Budget by CAP Strategy, including a breakdown on whether the funding directly or indirectly impacts a CAP Strategy. As shown in the table, direct spending increased by over \$8.0 million from the Proposed Budget, while indirect spending decreased by \$20.8 million, again due to the decreases in the Utility Undergrounding Program budget made during the May Revision.

Table 3: Climate Action Plan Operating Budget Adjustments by CAP Strategy (\$ in millions)									
CAP Strategy	Adopted			Proposed			Difference		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Overarching Implementation	\$ -	\$ (0.2)	\$ (0.2)	\$ -	\$ (0.5)	\$ (0.5)	\$ -	\$ 0.3	\$ 0.3
Strategy 1 - Decarbonization of the Built Environment	1.3	0.8	2.1	0.8	0.5	1.3	0.5	0.3	0.8
Strategy 2 - Access to Clean & Renewable Energy	1.0	0.3	1.2	1.0	0.3	1.2	-	-	-
Strategy 3 - Mobility & Land Use	10.8	1.7	12.5	3.7	1.7	5.3	7.1	0.0	7.2
Strategy 4 - Circular Economy & Clean Communities	3.6	0.6	4.1	3.2	0.5	3.8	0.3	0.0	0.4
Strategy 5 - Resilient Infrastructure and Healthy Ecosystems	3.7	(21.3)	(17.5)	3.6	0.3	3.9	0.1	(21.6)	(21.5)
Strategy 6 - Emerging Climate Actions	-	0.1	0.1	-	-	-	-	0.1	0.1
Totals	\$20.4	\$ (18.0)	\$ 2.4	\$12.3	\$ 2.8	\$15.1	\$ 8.1	\$ (20.8)	\$ (12.8)

Finally, our Office evaluated the additions made during the May Revision and Council Adoption to determine if any previously unfunded CAP-related requests were included in the Adopted

Budget. As part of our review of the Proposed Budget, we included an analysis of \$94.1 million in unfunded requests related to CAP actions. In *Table 4* below, we removed those requests that were unfunded in the Proposed Budget but were funded as part of the final budget actions. This includes:

- Additional funding for sidewalk ramping and repair (\$898,000 in CAP-related expenditures)
- Addition of a Program Manager within SuMo to oversee Building Decarbonization activities (\$98,000)
- Addition of an Associate Management Analyst for the Utilities Undergrounding Program (\$78,000)
- Addition of a Program Manager to oversee the newly created Environmental and Permitting Support Section within the Engineering and Capital Projects Department (\$68,000)

Table 4: FY 2024 Adopted Operating Budget Adjustments And Unfunded Requests (\$ in millions)						
CAP Strategy	Adopted Budget			Unfunded Requests		
	Direct	Indirect	Total	Direct	Indirect	Total
Overarching Implementation	\$ -	\$ (0.2)	\$ (0.2)	\$ -	\$ 0.2	\$ 0.2
Strategy 1 - Decarbonization of the Built Environment	1.3	0.8	2.1	7.5	-	7.5
Strategy 2 - Access to Clean & Renewable Energy	1.0	0.3	1.2	25.1	-	25.1
Strategy 3 - Mobility & Land Use	10.8	1.7	12.5	22.5	2.4	24.8
Strategy 4 - Circular Economy & Clean Communities	3.6	0.6	4.1	0.5	0.4	0.9
Strategy 5 - Resilient Infrastructure and Healthy Ecosystems	3.7	(21.3)	(17.5)	21.4	12.9	34.3
Strategy 6 - Emerging Climate Actions	-	0.1	0.1	-	-	-
Totals	\$ 20.4	\$ (18.0)	\$ 2.4	\$ 77.1	\$ 15.8	\$ 92.9

There are still more than \$92.9 million in unfunded requests related to the CAP across all City departments and funds. These unfunded requests were mainly within only a couple of strategies and departments. For Strategy 5 (Resilient Infrastructure and Healthy Ecosystems), the requests were for various Stormwater activities, such as green infrastructure maintenance (\$10.1 million), structure repair and maintenance teams (\$8.2 million), channel cleaning and maintenance (\$4.9 million), street sweeping efficiency (\$4.8 million), as well as some smaller requests within the Parks & Recreation Department such as additional positions for the Natural Resource Management

and Grants Program (\$1.7 million). For Strategy 3 (Mobility & Land Use), requests are mainly from Transportation, including sidewalk repair teams (\$4.0 million) and electrical engineering support (\$3.3 million). Additional Strategy 3 unfunded requests are from Parks & Recreation, including park ranger requests (\$4.5 million), and new citywide maintenance support (\$2.4 million). Finally, the unfunded Strategy 2 amount is due to an unfunded request to begin a CIP project to begin the development and expansion of electric vehicle infrastructure at the Fleet Operations Yard (\$25.0 million). More information on these requests can be found in the appropriate departmental write-ups within the [IBA Review of the Proposed Budget](#).

While these unfunded requests are related to achieving CAP goals, it is important to note that, with the exception of the request for the Fleet Operations Yard, the majority of these requests were made for departments to fulfill core service levels that overlap with CAP goals, many of which have been under-funded for some time. Stormwater needs have been significantly underfunded for a number of years,⁴ and Transportation needs have been growing as the backlog of maintenance required on assets within the City's right-of-way has continued to grow, in part due to high levels of vacant positions, increased costs, and competing priorities for limited resources. Solving the issues around adequate operational funding, hiring, and lowering deferred maintenance backlogs will be imperative to achieving the goals of the CAP.

Capital Budget

Our Office's analysis of CAP-related spending within the Proposed Budget did not include an analysis of the CIP, as that information was not available for our review. However, SuMo and DOF have reviewed the Adopted CIP Budget and made a determination of what CIP expenses are related to the CAP in FY 2024. In total, \$540.7 million of the total \$704.1 million FY 2024 CIP budget is related to the CAP.

Our Office does not have a comprehensive list of CIP requests to form a gap analysis. However, each year the City does complete a comprehensive analysis of all infrastructure needs for the City within the CIP Outlook. For this analysis, we compared funded CAP-related projects by asset type to the noted funding need by asset type in the FY 2024-2028 CIP Outlook, with adjustments made when not all funding in an asset type is CAP related.⁵ We prepared this analysis for only for General Fund assets, as Enterprise Fund assets are generally assumed to be fully funded within the CIP Outlook. Adopted Budget information for Enterprise Fund assets is included in *Table 5* below in order to show the differences in funding levels between Enterprise Fund and General Fund assets in the Adopted Budget.

Based on the analysis presented in *Table 5*, there is a \$1.5 billion gap between the amount of funding provided within the Adopted Budget and the relevant needs identified in FY 2024 of the CIP Outlook. The largest asset gap for CAP funding is stormwater infrastructure at \$1.2 billion, or 80% of the total CAP funding gap. Stormwater represents one of the largest overall infrastructure funding gaps within the entire City, totaling \$1.6 billion over the five-year CIP

⁴ See IBA Report 21-04 [Analysis of the Stormwater Department Funding Strategy Report](#)

⁵ For example, spending on New Libraries is counted at 10% CAP related in the Adopted Budget. So, for this analysis, the asset funding need noted in the CIP Outlook is only counted at 10%. Other discounted assets include Streets and Roads (Modifications – 69%, Pavement 10%), Parks (79%), Fleet (98%), New Fire Stations (10%), Existing Facilities (10%), and Bridges (3%).

Outlook period. Other significant gaps include streetlights (\$95.8 million), parks (\$72.5 million), traffic signals and ITS (\$40.9 million), sidewalks (\$33.7 million) and fleet (\$25.0 million).

It should be noted that these are not needs driven solely by the CAP but have been identified by asset managing departments as priority programmatic needs or projects, both for new infrastructure as well as repair and replacement of existing assets. The City’s total infrastructure funding gap, which has grown to \$5.2 billion in the most recent CIP Outlook, has been a major issue for the City for many years. Ultimately, the City will need a large-scale and holistic financing strategy with new revenue sources to address the growing backlog of unfunded needs, and to ensure the City’s strategic goals, initiatives, and policies - including the CAP - are fully implemented. For more information on this funding gap and its components, read [IBA Report 23-03 IBA Review of the FY 2024-2028 Five-Year Capital Infrastructure Planning Outlook](#).

Table 5: CAP Adopted Budget CIP - Comparison to FY 2024 Needs in CIP Outlook			
(\$ in millions)			
Asset Type - General Fund	Adopted CIP	CAP-related FY 2024 Outlook Need	Difference
Bike Facilities	\$ 12.4	\$ 22.5	\$ (10.1)
Bridges	1.5	2.8	(1.3)
Existing Facilities	0.9	1.9	(1.0)
New Fire Stations	0.0	0.6	(0.6)
Fleet	0.1	25.0	(25.0)
New Libraries	0.6	1.4	(0.8)
Parks	43.1	115.6	(72.6)
Sidewalks	7.6	41.3	(33.7)
Stormwater	41.1	1,206.6	(1,165.5)
Streetlights	0.6	96.4	(95.8)
Streets and Roads - Modifications	10.4	19.2	(8.8)
Streets and Roads - Pavement	10.5	18.6	(8.1)
Traffic Signals and ITS	5.5	46.4	(40.9)
General Fund Total	\$ 134.1	\$ 1,598.2	\$ (1,464.1)
Asset Type - Enterprise			
Landfills	5.2	N/A	N/A
Wastewater	101.2	N/A	N/A
Water	188.7	N/A	N/A
Pure Water - Potable Reuse	111.5	N/A	N/A
Enterprise Total	\$ 406.6	N/A	N/A
Total Adopted CIP	\$ 540.7	N/A	N/A

Comparison to the Climate Action Implementation Plan

Over the past year SuMo developed the CAIP to further guide the implementation of the CAP. The CAIP also contained a five-year funding guide for expanded or new activities that various

implementing departments identified for each of the CAP actions. While this report has shown significant unfunded CAP needs, it is also important to compare the spending included in the Adopted Budget to that called for in the CAIP to provide a better understanding of where funding gaps exist. *Table 6* provides funding amounts contained in the Adopted Budget (both the operating and CIP budgets) and the CAIP by CAP Measure.

Table 6: Funding by CAP Measure - Adopted Budget & Climate Action Implementation Plan (\$ in millions)			
CAP Measure	Adopted Budget	CAIP	Difference
1.1 - Decarbonize Existing Buildings	\$ 0.4	\$ 0.3	\$ 0.1
1.2 - Decarbonize New Building Development	-	0.1	(0.1)
1.3 - Decarbonize City Facilities	4.4	1.6	2.8
2.1 - Citywide Renewable Energy Generation	1.0	-	1.0
2.2 - Increase Municipal Zero Emission Vehicles	0.1	-	0.1
2.3 - Increase Electric Vehicle Adoption	0.3	0.2	0.0
3.1 - Safe and Enjoyable Routes for Pedestrians and Cyclists	49.2	0.8	48.4
3.2 - Increase Safe, Convenient, and Enjoyable Transit Use	-	-	-
3.3 - Work From Anywhere	1.3	2.4	(1.1)
3.4 - Reduce Traffic Congestion to Improve Air Quality	8.4	0.1	8.4
3.5 - Climate-Focused Land Use	52.2	-	52.2
3.6 - Vehicle Management	-	-	-
4.2 - Municipal Waste Reduction	-	-	-
4.3 - Local Food Systems and Food Recovery	1.8	0.7	1.1
4.4 - Zero Waste to Landfill	7.5	0.1	7.4
4.5 - Capture Methane from Wastewater Treatment Facilities	9.3	-	9.3
5.1 - Sequestration	0.5	5.5	(5.0)
5.2 - Tree Canopy	1.5	9.4	(7.9)
5.3 - Local Water Supply	404.0	2.0	402.0
Overarching Implementation	1.1	1.3	(0.2)
Total	\$ 543.0	\$ 24.4	\$ 518.6

As shown in Table 6, the Adopted Budget contains a significant amount of funding above what was included in the CAIP. However, by far the largest contributor on an expenditure basis to overall CAP-related spending is the Public Utilities Department, and most of this spending is related to CIP projects such as water and sewer main replacements and dam improvements, that, while they are enhancing the local water supply, are not considered to be expanded or new programs and therefore are not included in the CAIP. Of the \$401.3 million in Public Utilities CIP expenditures in the Adopted Budget (all of which is included under Measure 5.3 – Local Water Supply), only \$111.5 million is for the Pure Water project, which is the only direct funding related to increasing the local water supply in a more sustainable manner. However, since this project is considered by the Public Utilities Department to be ongoing, it was not included as a funding need within the CAIP. While this one example accounts for the majority of the overspending shown in

Table 6, it is indicative of other areas where significantly more funding is provided for the CAP, particularly within the CIP, than what is called for in the CAIP.

To provide a more meaningful comparison of the funding contained in the Adopted Budget and the funding requested in the CAIP, we provide in *Table 7* a comparison of funding that only includes direct expenditures, including General Fund operating expenditures as well as CIP allocations for General Fund assets, as classified in the Adopted Budget analysis and in the CAIP.

As shown in Table 7, the Adopted Budget includes \$69.1 million more than was called for in the CAIP. This is mostly due to increased funding for CAP measures 3.1 and 3.5, which is comprised of CIP funding for bicycle infrastructure, sidewalks, parks, and other mobility and land use assets. However, when comparing spending in the Adopted Budget to the CAIP, it is important to note that there are still significant CAP funding gaps, even if funding over what the CAIP called for was allocated to a specific measure. The two most notable gaps are for Measure 5.2 – Tree Canopy of \$8.2 million, and Measure 5.1 – Sequestration of \$5.5 million.

Table 7: Funding by CAP Measure - Direct General Fund Expenditures in Adopted Budget & CAIP (\$ in millions)			
CAP Measure	Adopted Budget	CAIP	Difference
1.1 - Decarbonize Existing Buildings	\$ 0.1	\$ 0.3	\$ (0)
1.2 - Decarbonize New Building Development	-	0.1	(0)
1.3 - Decarbonize City Facilities	2.1	0.2	2
2.1 - Citywide Renewable Energy Generation	-	-	-
2.2 - Increase Municipal Zero Emission Vehicles	-	-	-
2.3 - Increase Electric Vehicle Adoption	0.3	-	0
3.1 - Safe and Enjoyable Routes for Pedestrians and Cyclists	35.2	0.5	35
3.2 - Increase Safe, Convenient, and Enjoyable Transit Use	-	-	-
3.3 - Work From Anywhere	1.2	2.1	(1)
3.4 - Reduce Traffic Congestion to Improve Air Quality	8.4	-	8
3.5 - Climate-Focused Land Use	37.7	-	38
3.6 - Vehicle Management	-	-	-
4.2 - Municipal Waste Reduction	-	-	-
4.3 - Local Food Systems and Food Recovery	0.3	0.7	(0)
4.4 - Zero Waste to Landfill	0.7	0.1	1
4.5 - Capture Methane from Wastewater Treatment Facilities	-	-	-
5.1 - Sequestration	-	5.5	(5)
5.2 - Tree Canopy	1.1	9.4	(8)
5.3 - Local Water Supply	2.0	0.0	2
Overarching Implementation	0.9	0.8	0
Total	\$ 90.1	\$ 19.7	\$ 70.4

For the Tree Canopy measure, the CAIP called for almost \$9.4 million in new expenditures, the vast majority of which was for planting 100,000 new trees citywide, including 40,000 trees within

Communities of Concern. The estimated budget for planting trees was \$5.1 million per year. While the Adopted Budget did include \$1.1 million for new tree planting, there was no additional request submitted by the Transportation Department for the remaining tree planting budget, mostly due to the fact that other budget priorities were requested instead. Since no budget request was submitted, the \$4.0 million of need beyond what is included in the Adopted Budget is in addition to the other unfunded CAP-related requests previously discussed. Furthermore, the CAIP called for the \$5.1 million to be allocated every year.

For Sequestration, the funding called for in the CAIP is for the protection, restoration, and enhancement of urban canyons and other open space areas, all of which would be within the Parks and Recreation Department. Parks and Recreation did request a significant amount of these resources for the FY 2024 budget, but none was funded due to other priorities and limited resources.

Other Policy Considerations

This report is focused on budgetary changes, including both CAP-related additions and reductions, that were included in the FY 2024 Adopted Budget, as well as the current best understanding of City infrastructure improvements and operational needs. However, the entire picture of the City's current efforts to implement the full CAP, as well as the true cost, have not been fully captured. This section of the analysis will cover other policy considerations related to implementation of the CAP, including departmental Annual Workplans, grant funding opportunities, and additional costs for implementation that are not currently quantifiable.

Annual Departmental CAP Workplans

Implementation of the CAP has been a major focus of the City over the past year, which includes actions beyond the development of the CAIP. Since the adoption of the new CAP, SuMo has been working with all of the departments responsible for CAP actions to change how the City thinks about the CAP. This includes the involvement of SuMo leadership in the Executive Budget Review process, as well as the development of Annual Workplans for each department in the City. The annual workplans themselves take into account the resources provided by the Adopted Budget, including existing department budgetary authority, and outline the goals and actions that each department seeks to achieve.

How this impacts an analysis of CAP funding is important, because in some instances departments are planning on utilizing current resources by reprioritizing these funds for new CAP initiatives. As an example, SuMo is deploying its existing consulting budget to cover new initiatives in support of CAP Strategy 3 – Mobility and Land Use, such as further development of the Complete Streets policy and street design manual update. The Annual Workplans also demonstrate where departments will be seeking outside funding in the form of grants.

Grant Funding Opportunities

Another key aspect of funding the CAP, which is not picked up in a snapshot analysis such as this report, is grant funding. Some departments noted in their Annual Workplans that they will be seeking grants for various activities, including SuMo for enhancement of the Bicycle Master Plan and General Services for additional EV charging infrastructure. Additional grant opportunities for

many other activities important to the CAP exist, including tree planting, building electrification and efficiency, and green energy projects.

It is important to note that grants are and will continue to be a crucial tool for funding and implementing the CAP, even though that funding often comes outside the City's budget process. As the City is facing significant deficits for both operating and capital priorities, outside funding is going to be imperative to achieving all CAP goals. This will be particularly true for building decarbonization and EV conversion of the City fleet, for which full price tags have yet to be developed.

Unquantifiable Implementation Costs

As was noted in our Office's analysis of the new CAP, most of the current actions contained in the new CAP continue to be the development of additional detailed plans for changing both City operations as well as public choices. As these plans continue development, however, there are significant related additional costs that will require further City funding beyond what has been identified in the CAIP.

One significant expenditure that is not fully included in the CAIP is the electrification of the City's fleet. This information has not been fully provided, as the General Services Department is currently unable to fully cost out electrification of all of the City's vehicles due to a lack of an adequate fully electric version of many of the vehicles in the City fleet, particularly for the more heavy-duty vehicles. However, as the City has moved forward with electric vehicle (EV) purchases, the increased costs of this conversion are becoming more apparent, particularly for the City's heavy-duty fleet. For example, the City's purchase of an electric fire engine cost twice the amount of a regular diesel-powered engine (\$2 million versus \$1 million), not including the additional charging infrastructure that was also required. Additionally, a recent proposal to increase contract authority to purchase new street sweepers showed the cost per EV sweeper (\$950,000) is more than twice as expensive as a regular diesel sweeper (\$450,000). Even with the potential for savings on EV maintenance (EVs to date have required less maintenance than their combustion engine counterparts), a doubling of the vehicle replacement budget for heavy-duty vehicles would have significant impacts on the City's finances.

Another area of yet-to-be quantified costs is for building decarbonization, both for municipal facilities as well as existing private buildings. The City is currently working through an assessment of its facilities to determine the condition of those facilities, and what work will need to be done to remove carbon-based energy sources from these buildings. While there may be some methods for financing these improvements, such as Energy Savings Contracts or additional grant opportunities, it is already known that many City facilities are in poor condition and that additional funding will be required to bring certain facilities up to a standard where electrification could feasibly take place. These costs for building electrification will be in addition to other facility costs, increasing the overall City infrastructure deficit.

The City's significant infrastructure deficit will be further impacted by other yet-to-be-estimated CAP-related expenses, including any additional mobility infrastructure included in updates to the Mobility Master Plan, Bicycle Master Plan, and other transportation plans. Hence, developing a strategy for solving the City's current financial difficulties, both for existing deficits as well as for


the eventual cost for the items noted in this section, is crucial for the overall implementation of the CAP. Not having a strategy to address these funding gaps will remain a major source of uncertainty for CAP implementation.

CONCLUSION

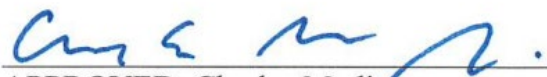
Funding contained in the FY 2024 Adopted Budget related to the CAP is more than \$543 million, which is significantly above the amount called for in the CAIP. That noted, many CAP activities are not fully funded. The majority of the CAP funding gap, in both the operating budget and the CIP, directly overlaps with funding gaps for overall operational and infrastructure needs to support core services across the City, as well as consensus budget priority items for the City Council. These unfunded activities will be in addition to other yet-to-be estimated activities, including fleet electrification, building electrification, and additional mobility projects. Thus, if Councilmembers desire to see the CAP fully implemented and funded, the most crucial action is to solve the City's structural budget deficit and infrastructure funding gap. In the short term, Councilmembers wishing to prioritize CAP actions could also include in their memoranda those items which were requested but unfunded in FY 2024, particularly the unfunded requests highlighted for the Transportation, Stormwater, Parks and Recreation, and General Services departments.

Additionally, if Councilmembers are looking for ways to prioritize CAP-related expenditures within their budget priority memoranda, our Office also notes [Council Policy 900-22](#) and the [CAIP](#) can be used to identify the highest priority actions within the CAP. The CAP priority scores are also included in the various departmental Annual Workplans.

Our office remains available to assist Councilmembers with this or other related issues as needed.



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Principal Fiscal and Policy Analyst



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