

March 24, 2025

To: Members of the Budget and Finance Committee
From: Sheryl M.M. Long, City Manager
Subject: Cincy On Track Initiative and Capital Improvement Program (CIP) Planning

202500559

REFERENCE DOCUMENT #202400593

On February 28, 2024, the City Council referred the following for a report:

MOTION, submitted by Councilmembers Cramerding and Owens, **WE MOVE** that the Administration draft a report addressing the potential advantages or disadvantages, feasibility, and benefits to transparency of the following guardrails for the CSR Trust and the implementation of the Cincy on Track Plan:

- 1) Identifying a targeted “hard floor” for the Capital Improvement Program with the goal of increasing annually with inflation to help ensure that increases from the railway trust will contribute to direct increases in the Capital Improvement Program.
- 2) An annual estimate of the city’s amount of deferred maintenance which could serve as a benchmark against which progress in addressing the backlog of maintenance requirements can be measured. Such an estimate should be updated during the fiscal year.
- 3) Create and update lists of the top ten deferred maintenance projects, one by neighborhood and one by department, that provide the status of each project including any changes in cost, schedule, and estimated projected project date (understanding that future councils would need to appropriate funds to specific projects to achieve their completion).
- 4) An official report that contains a majority of, if not all of the above data points that would be presented by the city manager to the mayor and the council with the annual budget process.

REFERENCE DOCUMENT #202500167

On February 5, 2025, the City Council referred the following for a report:

MOTION, submitted by Vice-Mayor Kearney and Councilmembers Johnson and Parks, **WE MOVE** that the City of Cincinnati take the following actions to ensure equity in the disbursement of the proceeds of

the sale of the Cincinnati Southern Railway so that our underserved neighborhoods benefit from the proceeds from the sale in terms of both existing infrastructure and new economic development opportunities.

Executive Summary

This report responds to the two Council motions listed above related to the City's Cincy On Track Initiative and the Capital Improvement Program (CIP). The following executive summary will highlight key responses for each motion for ease of reference.

Motion #202400593 asked the administration to evaluate the following guardrails for the Cincy On Track Plan.

1. Identifying a targeted "hard floor" for the Capital Improvement Program (CIP):

The Capital Improvement Program represents the capital investment plan for the City, primarily aimed at improving City streets, bridges, recreation facilities, parks, health facilities, and buildings. The CIP is designed to coordinate financing and timing of improvements to maximize the value to the public and to allow City staff to prepare for launching what can be very complex construction projects. The total for the proposed six-year CIP serves as an approach to identifying the "hard floor" for the Administration. When the CIP is developed by departments, factors such as inflation and other cost considerations are taken into account.

2. Benchmarking against progress with annual updates:

During the budget process, departments analyze the Capital Improvement Program and provide requests to the City Manager. As part of the budget process, the City Manager makes recommendations that are then presented to the City Council for annual approval. The Administration is open to adding any additional information to the CIP process that would help Council make informed decisions.

3. Creating and updating lists of the top ten deferred maintenance projects, one by neighborhood and one by department:

The City Administration can work with the City Council to determine additional content that should be added to the existing Capital Improvement Program document that would be helpful for City Council in decision-making.

Motion #202500167 asked the Administration to ensure equity in the disbursement of the proceeds of the sale of the Cincinnati Southern Railway (CSR).

As part of the FY 2025 Capital Budget Update development process, a methodology for prioritizing CSR resource allocations was introduced. Departments were instructed to

consider the following guidelines when developing their capital budget project requests:

- Infrastructure Condition
- Equity
- Operating Budget Impact
- Project Readiness
- Strategic Importance / Service Delivery Impacts

Additionally, to enhance the precision of capital planning, departments were required to provide more detailed project information for planned investments using CSR resources, including location of projects by neighborhood. Neighborhoods with a median household income of \$50,000 or less were designated as being “underserved” and departments were strongly encouraged to consider the infrastructure needs within these neighborhoods. The above methodology was utilized to develop the City Manager’s recommendations to the Council and departments presented highlights of capital projects and their beneficiaries to the City Council as part of the release of the Recommended FY 2025 City Manager’s Capital Budget Update. Finally, the Office of Performance and Data Analytics launched a dashboard for transparency on expenditures for projects funded with CSR resources by neighborhood (Cincy On Track Dashboard).

The Cincy On Track plan represents a strategic approach developed by the Administration to ensure transparency, uphold the guardrails of the CSR trust, make sure there is a system in place that is feasible, and identifies resource allocation in areas that may have previously been underfunded and overlooked. Its implementation is crucial for fostering equitable growth and ensuring that all aspects of City infrastructure development are properly supported.

Background

This report is being prepared to address City Council’s request for information related to updates to the Cincy On Track Initiative and development of the City’s Capital Improvement Program (CIP).

On November 7, 2023, at the General Election, the electors of Cincinnati approved the sale of the Cincinnati Southern Railway (CSR) to Norfolk Southern for approximately \$1.6 billion. The sale closed in March 2024 and proceeds were placed in a trust that is projected to at least double the annual amount of funding received by the City. For example, under the lease arrangement, the City anticipated \$26.1 million in CSR related revenue for the capital budget in Fiscal Year (FY) 2026. However, the trust disbursement will instead provide \$56.0 million in FY 2026. The trust structure is intended to generate investment returns and protect the trust fund balance in perpetuity, providing the City with desperately needed funding to address capital maintenance of core deteriorating infrastructure now and for generations to come. The City Manager launched the Cincy On Track Initiative in order to provide greater transparency into capital expenditures of CSR trust fund disbursements and to enhance the City’s capital planning and deployment processes.

Six-Year Capital Improvement Program

The CIP represents the capital investment plan for the City, primarily to improve City streets, bridges, recreation facilities, parks, health facilities, and buildings. The CIP is designed to coordinate financing and timing of improvements to maximize the value to the public and to allow City staff to prepare for launching what can be very complex construction projects.

For planning purposes, the City's CIP covers a six-year period. Available resources are projected for the six-year period and departments identify their planned priorities for that period. However, similar to the City's Biennial Operating Budget, as resources and priorities shift with time, the CIP is refreshed and revised every year with a new six-year CIP in each biennial year.

General Capital Resources

Annually, the City prepares a General Capital budget that is supported by a variety of resources, which primarily include the following sources:

- Property Tax Supported Debt
- Cincinnati Southern Railway (CSR) Trust Disbursement Revenue
- Income Tax Capital Revenue
- Miscellaneous Other Revenue

Each of these different sources comes with unique restrictions on what the resources can be used for. Resources received from the CSR are required by state law to be utilized for the rehabilitation, modernization, or replacement of existing infrastructure improvements.

Prior to FY 2025, General Capital revenue from the Cincinnati Southern Railway was based on the lease proceeds generated from the railway. Beginning with FY 2026, the City will receive trust disbursements generated by the investment of CSR sale proceeds.

The first year of the FY 2026-2031 CIP will include a total of \$56.0 million in CSR trust disbursement revenue, which is \$29.9 million more than the amount otherwise anticipated to be available for use in FY 2026 under the terms of the previous lease arrangement. For planning purposes, the CIP assumes that the \$56.0 million received in CSR trust disbursements will increase annually by 1% for FY 2027 to FY 2031 of the CIP. The actual Infrastructure Trust disbursements will be determined annually and the available resources from CSR revenue will be adjusted accordingly for each year of the CIP.

Existing Infrastructure Capital Budget Planning – Prior to FY 2025

Due to limited capital resources over time a significant deferred capital maintenance backlog developed among the City's five infrastructure departments -- Health, Parks, Public Services, Recreation, and Transportation and Engineering. Historic underfunding of capital programs forced the City to primarily fund projects that only addressed critical infrastructure that posed a significant risk to service delivery or potential failure.

The combination of infrastructure in poor condition and minimal resources for investment placed departments largely into a reactive mode when it came to capital planning—meaning practices were largely focused on being able to respond to and address critical emergent needs and usually these project scopes were limited to the bare minimum necessary to restore functionality and safety. Long-term and granular planning for projects was challenging due to unanticipated circumstances that required resources to be reallocated to address emergent needs.

Existing Infrastructure Capital Budget Planning – FY 2025 Process Improvements

FY 2025 was a transition year as the sale of the CSR was completed but, due to the timing of the sale and the City’s fiscal year, the City would not receive significantly more capital funding than in previous years. At this time, the City began to implement various process improvements for capital planning in advance of trust disbursements anticipated to begin in FY 2026. These process improvements incorporated feedback received from the public and elected officials throughout the period when the sale of the CSR was being contemplated.

As part of the FY 2025 Capital Budget Update development process, a methodology for prioritizing CSR resource allocation was introduced. Departments were instructed to consider the following guidelines when developing their capital budget project requests:

- Infrastructure Condition
- Equity
- Operating Budget Impact
- Project Readiness
- Strategic Importance / Service Delivery Impacts

Additionally, departments were required to begin more granular capital planning and provide more project details for planned investments of CSR resources, including location of projects by neighborhood. Neighborhoods with a median household income of \$50,000 or less were identified as being “underserved” and departments were encouraged to consider the infrastructure needs within these neighborhoods. The above methodology was utilized to develop the City Manager’s recommendations to Council and Departments presented highlights of capital projects and their beneficiaries to the City Council as part of the release of the Recommended FY 2025 City Manager’s Capital Budget Update. Finally, the Office of Performance and Data Analytics (OPDA) launched a dashboard for transparency on expenditures for projects funded with CSR resources by neighborhood ([Cincy On Track Dashboard](#)).

Existing Infrastructure Capital Budget Planning – FY 2026-2031 Six-Year Plan

The FY 2026-2031 Capital Improvement Program will represent the City’s first six-year capital improvement plan utilizing the full benefit of CSR Trust disbursements. Given the additional revenue, departments were asked to do more in-depth planning for various projects across all General Capital Budget sources. Departments were told to budget a separate set aside for emergent repairs as necessary, request funding for smaller projects that will address the backlog of deferred capital maintenance, and to request funding for larger scale projects to update and modernize existing infrastructure.

Departments were also asked to carefully consider the timing of projects to allow phasing to occur with allocations for pre-development activities (planning and design) separated from allocations for acquisition and construction. This allows for better resource deployment over the six-year plan and maximizes the utilization of capital resources in any given fiscal year.

Departments were required to continue to provide more granular project details and identify beneficiaries for CSR-funded projects. Departments also were required to continue to use the methodology to determine priority projects including weighing infrastructure condition, equity, operating budget impact, project readiness, and strategic importance / service delivery impacts. The results of this work will be presented in May with the release of the Recommended City Manager's Biennial Budget which will include the FY 2026-2031 Capital Improvement Program.

Existing Infrastructure Capital Budget Planning – Anticipated FY 2027 Update and Beyond

While the Administration has made great strides in the last two years to improve processes for capital planning and deployment, additional process improvements are planned for the FY 2027 Capital Budget Update and beyond.

Overall, the Administration has identified a need for enhanced standardized data capture practices across all infrastructure departments and projects—including capital planning and capital deployment. This will offer opportunities to better inform resource allocation decisions, increase public transparency when evaluating projects, and increase public transparency of project progress. As data capture practices improve, this will enable continued enhancements to the Cincy On Track dashboard.

Further, in order to ensure that all departments have the necessary tools for project management, the Administration will be looking to drive efficiencies through more centralized cost estimation, project planning, and resource deployment oversight. Finally, continued improvements to procurement practices will be emphasized to make deployment of resources more efficient.

Response to Motions

The Administration recommends that the total for the proposed six-year FY 2026-2031 CIP act as the “hard floor” referenced in Item #202400593. This six-year CIP and accompanying reports can also act as the annual report to Council on the requested information.

The motion also requests annual reporting on the amount of deferred capital maintenance. Every other year, the City's Biennial Budget documents include the “Transportation Infrastructure Assessment Report” and the “Facilities Assessment Report” to summarize infrastructure needs, planned capital resource allocations, and the funding gap between the two. Providing this information every other year within the Biennial Budget provides alignment with the six-year Capital Improvement Program, which is reviewed in detail and updated at that time. (Note: For the Capital Improvement Program, the “Update Year” only focuses on revising year two of the six-year plan.) The expectation is that additional

resources will help address the backlog of deferred capital maintenance at a faster pace. However, any expansion to the scope of the types of infrastructure funded by the General Capital Budget would limit the ability to address the current backlog. Creating updated estimates of project costs requires substantial resources, so the Administration recommends that the estimated total amount of deferred capital maintenance is handled bi-annually as part of the bi-annual budget development process. As described above, project cost estimation procedures will continue to be improved and enhanced.

The motion requests a prioritized list of deferred capital maintenance projects by neighborhood and department. With the above completed improvements to department capital planning that have been completed for FY 2026, the FY 2026-2031 CIP fulfills this request. As described above, each year this list will be refreshed and updated for each department and provided to City Council as part of the capital budget process. Constant reporting on changes to project cost, schedule, and estimated projected project date would require immense administrative resources. In light of the current dashboard, which provides transparency on active projects as well as funding and spending, the Administration does not recommend this granular reporting on an ongoing basis but as more standardized data collection becomes systematized, this can be revisited.

Item #202500167 requests that the Administration utilize demographic information of beneficiaries as part of identifying projects to fund with CSR resources and create a dashboard to increase transparency of spending of the CSR resources. As described above, the Administration has incorporated demographic information into the capital planning process and will have departments present to Council as much demographic information on beneficiaries as available during the budget process. Additionally, the Administration has created a dashboard to show CSR expenditures by neighborhood.

The motion also requests the establishment of a fund intended to direct 10% of CSR resources to infrastructure projects in 15 specific underserved neighborhoods, referred to as "Fund 1". As described above, to determine the recommended projects in the recommended budget, the City Administration utilizes a robust process of working with departments to systematically identify priorities for infrastructure projects, based on an established criteria. Much of this prioritization and overall spend is driven by the physical location and condition of existing infrastructure. Through that process there is an emphasis to address infrastructure needs in underserved neighborhoods, defined as neighborhoods with a median income of \$50,000 or less. This includes 30 neighborhoods, including all neighborhoods listed on the motion. In addition to the department process for identifying projects, the budget process also incorporates significant community engagement through the public hearings, the feedback from the community survey, as well as through the Community Budget Request (CBR) process, which allows neighborhoods to submit requests for individual projects. Ultimately, Council is the appropriating body that determines where and how to invest the CSR resources. Therefore, the Administration does not recommend establishing a new advisory committee but instead suggests that Council utilize the existing Community Budget Request process which goes through Community Councils and could appropriate additional funding to the Community Budget Request process, including a set aside for underserved communities.

The second fund identified in the motion is intended to create economic development opportunities in the 15 identified underserved neighborhoods described in the motion, specifically requesting an allocation of General Capital resources. For clarity, the intent in the motion is an ask for General Capital resources that are *not* CSR resources. Outside of CSR resources, the City's General Capital budget is also funded by property tax supported debt and income tax resources. As described in Item #202302088, the Administration intends to recommend additional general capital resources for community and economic development. Council will ultimately determine through the budget process the projects to allocate those resources to, and the Administration recommends that Council provide guidance through the budget process and in the Budget Policy Motion on prioritization and direction on use of those resources—both location priorities and use priorities.

Finally, the motion identifies inclusion goals for minority-owned businesses and women-owned businesses for infrastructure projects funded by CSR resources. All infrastructure projects funded by CSR resources will be subject to normal City procurement processes and the requirements of the City's Minority and Women Business Enterprise. This program sets inclusion goals on a per project basis, as well as requires annual cumulative goals for City procurement. The Administration recommends that any proposed changes to this program be coordinated tightly with the Law Department and the City's Department of Economic Inclusion.

Conclusion

The sale of the CSR and the resulting trust fund disbursements provide an incredible opportunity for the City to properly invest in its existing infrastructure assets. FY 2026 is the first year with significantly increased resources, and the Administration has been and continues to work hard to improve processes and transparency about the investment of those resources. The Administration looks forward to continuing to work with Council to allocate these resources in an impactful manner that serves our community.

cc: William "Billy" Weber, Assistant City Manager
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