



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee

FROM: Jimmy L. Morales, City Manager

DATE: June 14, 2019

SUBJECT: FISCAL YEAR 2020 PRELIMINARY CAPITAL BUDGET

The Capital Improvement Plan (CIP) is a financing and construction/acquisition plan for projects that require significant capital investment. The CIP, which is updated annually and submitted to the City Commission for adoption, specifies and describes the City's capital project schedules and priorities for the five years immediately following the Commission's adoption. In addition, the first year of the plan provides the funding to be appropriated in the annual Capital Budget.

This document is an official statement of public policy regarding long-range physical development in the City of Miami Beach. The Fiscal Years (FY) 2020-2024 Proposed Capital Improvement Program of the City of Miami Beach will be the five-year plan for public improvements and capital expenditures by the City. A capital improvement is defined as capital or "in-kind" expenditure of \$25,000 or more, resulting in the acquisition, improvement, or addition to fixed assets in the form of land, buildings, or improvements more or less permanent in character, and durable equipment with a life expectancy of at least five years.

CAPITAL BUDGET PRIORITIZATION

On July 21, 1999, the Commission approved the Capital Improvement Plan for the City and the Redevelopment Agency. Since that time, the City has issued additional General Obligation Bonds pursuant to referendum; Water and Sewer Revenue Bonds; Stormwater Revenue Bonds; Gulf Breeze Loans; Equipment Loans; Resort Tax Revenue, Parking Revenue, RDA Tax increment Revenue and Revenue Refunding Bonds. In addition, beginning in FY 2006 the City committed to funding a Pay-As-You-Go component of the capital budget funded from General Fund Revenues, as well as committing to using Resort Tax Quality of Life funds in north, middle, and south beach for capital projects.

In the spring of 2006, the City created a Capital Budget Process Committee with the responsibility of reviewing and prioritizing new capital projects that will be funded in a given Fiscal Year, and for recommendation of funding allocations from authorized sources for the prioritized projects. The Committee developed and implemented a structured committee-based process for the development of the Capital Plan and Budget, including review criteria projects must meet in order to be considered for funding. This process is reviewed and refined annually by the Committee.

Based on the direction received from the Finance and Citywide Projects Committee in February 2008, the process was modified to allow for early input to the prioritization process by the Commission. Under the new process, a preliminary list of unfunded projects is presented to the Finance and Citywide Projects Committee, providing the opportunity for input and prioritization. This is consistent with the process for Commission input regarding operating budget priorities and the format used would be similar to that used to seek guidance on operating budget priorities in

prior years. This revised process allows early input by the Commission regarding priorities for funding, subject to availability.

The attached chart provides an overview of the process and timelines.



Construction management for the CIP is provided by the CIP Office. This office is designed to consolidate the City's capital construction effort into a single entity and is tasked with constructing the City's funded Capital Improvements in a timely manner. Projects within neighborhood areas are combined to create a single project that addresses the neighborhood needs for infrastructure upgrades, traffic flow, enhancements, etc. This comprehensive approach minimizes disruptions and generates costs savings. To forward this on-going implementation effort, the City has entered into agreements with various firms for program management, architectural, engineering and other relevant professional services, as well as awarding contracts for construction.

In addition, several other departments provide management of some specialized projects. For example, Public Works provides construction management for environmental projects and some utility projects; and Parks and Recreation provides management of some landscaping projects.

On November 6, 2018, the City of Miami Beach voters approved the issuance of a \$439 million G.O. Bond to fund a total of 57 capital projects citywide, ranging from vertical construction, roadwork, park constructions and renovations, technology implementation, renewals and repairs, and underground infrastructure work. In order to ensure that these projects are completed within a reasonable timeframe, within budget, on a coordinated basis (including coordination with non-G.O. Bond projects and projects by other jurisdictions), through the incorporation of resiliency and best practices, and with effective communication to all impacted stakeholders, the G.O. Bond Program Management division of the City Manager's Office is spearheading the implementation of these projects.

BUILDING RESILIENCY INTO CAPITAL PROJECTS

How important is resilience in capital planning?

Quite important, according to the ratings agencies. This year, the city was asked:

- "How...[is] the City incorporating significant adaption-related projects into its financial and capital planning?" S&P Rating Agency 2019, and

- “Please discuss capital planning and how sea level rise and other climate risks are incorporated into capital planning,” Moody’s Rating Agency 2019.

The city needs to design with resilience in mind now with the same urgency of Hurricane Irma recovery—the urgency of bouncing back as quickly as possible, allowing residents to return and recover, opening the beaches, reaching normal. A resilient investment reduces damage and speeds recovery. Today we don’t have the luxury of designing for one purpose, such as a park, as we did thirty years ago. Our investments need to serve many purposes whenever possible. A park is not just for recreation, it needs to help with sea level rise adaptation, stormwater retention, water quality, shade, increase biodiversity, and carbon sequestration.

Infrastructure investment through the capital budget helps build resilience in the most cost effective and efficient way possible.

The purpose of designing with resilience in mind is to make sure we can bounce back as quickly as possible after a shock, like a storm, and to improve a community stress, like pedestrian safety. Designing in this way, at the very beginning when the project is being scoped, means we can get the best results for the lowest cost. Studies show that for every \$1 invested in risk reduction, cities can see \$6 in benefits. We can also create additional cost-free benefits, referred to as “co-benefits”. If we miss these opportunities at the very beginning of scope development, the opportunities are lost. Trying to add resilience later means more time in terms of change orders, and more cost in terms of redesign.

Often what the community wants most out of capital projects—that some may consider as design aesthetics—are high priorities for residents. For example, designing the space for tree canopy from the beginning means the tree has a chance for proper placement to maximize shade and to live longer. Trees also help with carbon sequestration and reduce the heat island effect. Including bike lanes and improving sidewalks, along with other underground infrastructure improvements, makes our city easier to move around and reduces car dependence that causes traffic and greenhouse gas emissions. Reducing car dependence is also a City Commission approved goal—and congestion is a stress that affects all residents. Other enhancements—like unique signage, art, and solar lighting—supports Miami’s Beach’s iconic image for residents and visitors and was recommended by Urban Land Institute to as part of our stormwater program review.

To achieve resilience and its co-benefits, cities need leadership and training.

The capital budget is created through an existing citywide process and a prime opportunity increase resilience through infrastructure investment. Over the last few years, the city has made great strides increasing resilience through infrastructure improvements and land use amendments. The Urban Land Institute Advisory Services Panel recommended that the city design projects in a way that increases quality of life benefits and incorporates more blue and green infrastructure. The capital budget is the best place to achieve this. The capital budget has three distinct phases:

- Projects that have been approved in prior years and programmed for funding in future years
- Projects that have been approved in prior years and will receive funding in the coming year
- Applications for new projects that are not yet funded

This budget development year, the process was enhanced through the following:

- Resilience training workshops were held for project managers

- Capital application forms for new projects were adjusted for departments to specifically identify resilience improvements and their multiple benefits

Staff has been trained and encouraged to be innovative and to maximize resilience improvements and efficiencies. This is an important first step and we will expand and improve this effort in future budget cycles. This is the tie to economic resilience and addressing our climate change and sea level rise risks.

FUNDING RECOMMENDATIONS

Attachment A provided for your review includes an overview of available funding by source as well as funding requests for new and existing projects. The funding recommendations in the proposed FY 2020 Capital Budget are based on the City Commission's priorities and needs identified by various City departments.

CAPITAL RENEWAL AND REPLACEMENT PROJECTS

Prior to FY 2005, the City made significant investment in the routine maintenance of its assets as well as funding major capital projects, bringing on line miles of sidewalks and curbing; additional streetlights; new parks and park facilities, new Fire station facilities, etc. However, maintenance of the capital investments competed with general fund services and routine maintenance, with the result that funding levels did not provide for major Capital Renewal and Replacement (CRR) projects. As a result, these projects often were deferred many years beyond the useful life of the capital component requiring replacement or renewal, in some cases until the point where an entire capital project was required for major improvements.

To ensure that renewal and replacement of General Fund assets are funded and addressed when needed, in FY 2005, the City of Miami Beach established a dedicated millage for renewal and replacement funding to be used for capital projects that extend the useful life of the City's General Fund assets to be used exclusively to provide for renewal and replacement of capital items related to our facilities and infrastructure over and above routine maintenance. The following restrictions regarding the fund were established at the time that the dedicated funding was created:

- Projects must meet the following criteria for funding:
 - Projects that extend the useful life of a City of Miami Beach general fund asset by at least 5 years with a threshold value of at least \$25,000; for example, the replacement of a major component of the asset such as roofs, HVAC systems, electrical systems, fire alarm systems, sprinkler systems that due to significant deterioration would constrain the remaining useful life of the asset, OR
 - Projects that significantly reduce future maintenance cost over the remaining life of the asset providing for a reduction in future maintenance costs that are greater than the cost of the project.
- The Mayor and Commission may authorize additional uses of the funds for unforeseen or unanticipated events affecting life, health, property or public safety subject to a five-sevenths (5/7) vote.
- Appropriation of project specific expenditures from the General Fund Capital Renewal and Replacement Fund shall be included in the City Manager's annual proposed budget, to be approved by the Mayor and City Commission annually during the City's second public hearing on the budget.
- Interest earnings that accrue in the General Fund Capital Renewal and Replacement Fund shall be included in the appropriation for the Fund in the following fiscal year.
- Changes among project specific appropriations may be authorized by the City Manager

to the extent that no new projects be added, and the total annual allocation is not exceeded.

- During a fiscal year, changes to the total allocation and changes to the list of projects to be funded from the General Fund Capital Renewal and Replacement Fund shall require prior approval and authorization by a majority of the City Commission. Excess project specific appropriations not required will be available for re-appropriation the following year.
- Project specific appropriations that are not expended in a given fiscal year shall remain in the General Fund Capital Renewal and Replacement Fund for the life of the project

At the same time, the City established a systematic approach to identify renewal and replacement needs. City facilities are inspected at least once every five years to determine current renewal and replacement needs as well as projected replacement dates for all of the major Building components. A Facility Condition Index Rating (FCI) is assigned to each facility based on the total value of existing requirements divided by the current replacement value of the building.

Based on industry standards ratings are assigned as follows:

- 0.00 to 0.10 Excellent
- 0.11 to 0.20 Good
- 0.21 to 0.30 Fair
- Greater than 0.31 Poor

The current dedicated millage of 0.0235 mills (as of FY 2019) is estimated to generate \$767,000 for the General Fund Capital Renewal and Replacement Fund based on a preliminary 3.0 percent increase in property values. This reflects a \$19,000 increase in CRR dollars available for capital projects over last year. The final amount will be updated once final property values are received from the Property Appraiser on July 1st.

In FY 2020, \$939,098 is available for General Fund renewal and replacement projects, as compared to \$5,445,000 requested for new and existing projects. At this time, six projects totaling \$902,000 are recommended. If unforeseen needs arise during the fiscal year, the Property Management Department will re-prioritize CRR projects as needed.

General Fund Renewal and Replacement	
Available Funding	939,098
Project Requests	5,445,000
Recommended Projects	902,000
Remaining Available Balance	37,098

The General Fund Renewal and Replacement recommended projects for FY 2020 are listed below in priority order and are recommended by Staff for funding due to their Priority 1 (Critical to Continued Operations) needs. The remaining project requests are lower priority at this time.

- Historic City Hall Elevator Modernization - \$350,000
- Unidad Building-Roof Replacement - \$80,000
- PAL Building-Roof Repairs - \$90,000
- City Hall-Cooling Tower Condenser Line Replacement - \$90,000
- City Hall-Cooling Tower Base Replacement - \$100,000
- Fire Station #2 (Admin)-Waterproofing & Wind Retrofit - \$192,000

The funds listed in the following table also have recommended renewal and replacement projects and are anticipated to have sufficient available non-General Fund funding for the projects. These projects are:

Funds	# of Projects	\$
7 th Street Garage	3	209,000
RDA Fund	portion of 1	214,619
Non-TIF (Tax Increment Financing) RDA Fund	portion of 1	153,381
Pay-As-You-Go Fund	2	800,000
South Beach Quality of Life (1% Resort Tax) Fund	portion of 1	19,000
Mid Beach Quality of Life (1% Resort Tax) Fund	4	554,000
North Beach Quality of Life (1% Resort Tax) Fund	portion of 1	7,000
Miami-Dade County Interlocal – Convention Development Tax or Resort Tax Eligible Fund	1	170,000
South Pointe Capital Fund	1	35,000
Water & Sewer Capitals Funded by Operating Funds	1	30,000
Sanitation Enterprise Fund	1	200,000
Anchor Garage Fund	3	177,000
Penn Garage Fund	2	120,000
Parking Fund	11	954,000

QUALITY OF LIFE FUNDS

Quality of Life funding is provided by the 1 percent Resort Tax on room rents, which was approved by referendum on November 3, 1992. This additional tax became effective on October 1, 1996. As part of the FY 2014 budget adoption, a fifth category for Transportation was created from the Quality of Life resort tax funds in addition to the existing allocations for arts and tourism-related capital projects in North, Mid, and South Beach.

Prior to FY 2015, 50% of the third penny of Resort Tax funded the five categories above and 50% funded debt service on RDA bonds as a supplemental pledge until RDA funds became available as taxable values increased over time. During FY 2015, the resort tax pledge from the RDA bonds was released resulting in an additional \$6.1 million becoming available for funding the five Quality of Life categories.

During FY 2015 the allocations were revised to provide additional funding for Transportation (45%) to increase the capacity of the trolley system and provide additional funding for capital in North (15%), Mid (15%), and South Beach (15%). The allocation for Arts remained at 10%.

During the FY 2019 budget process, the Finance and Citywide Projects Committee approved the revision of the allocations with an increase in the distribution to Transportation to help support the cost of the City’s trolley program. The Transportation Fund now receives 60% of Quality of Life funds with the remaining 40% being distributed evenly among North Beach, Mid Beach, South Beach, and the Arts.

Based on the projected FY 2020 Resort Tax revenues, it is estimated that the dollars available to each of these funds will increase over last year as outlined below.

	FY 2019 Revenue	FY 2020 Revenue	Variance	% Variance
Transportation	\$8,653,000	\$8,833,000	\$180,000	2.1%
North Beach Quality of Life	1,442,000	1,473,000	31,000	2.1%
Mid Beach Quality of Life	1,442,000	1,473,000	31,000	2.1%
South Beach Quality of Life	1,442,000	1,473,000	31,000	2.1%
Arts	1,442,000	1,473,000	31,000	2.1%

For FY 2020, the proposed capital projects recommended for funding are listed below.

Quality of Life – North Beach

- Alleyway Restoration Ph III - \$60,000
- North Beach Row Landscaping - \$100,000
- Painting & Lighting of Bridges (North Beach Bridges) - \$425,000
- Entrance Signs to North Beach - \$449,000
- Smart Lighting Master Plan - \$200,000
- Beach Restrooms-Replace Restroom Exhaust Systems (CRR Project) - \$7,000

Quality of Life – Mid Beach

- Alleyway Restoration Ph III - \$60,000
- Middle Beach Row Landscape - \$50,000
- Indian Creek Landscape & Irrigation - \$363,500
- Smart Lighting Master Plan - \$200,000
- Miami Beach Golf Course-Roof Replacement (CRR Project) - \$245,000
- Beach Restrooms-Replace Restroom Exhaust Systems (CRR Project) - \$9,000
- MB Golf Course Storage Tank Replacement (CRR Project) - \$200,000
- MB Golf Course Irrigation Pump House Renovation (CRR Project) - \$100,000
- Security Cameras on Beachwalk (23rd To 46th Street) - \$903,000

Quality of Life – South Beach

- Smart Lighting Master Plan - \$200,000
- Dade Boulevard Pedestrian Pathway - \$225,000
- South Beach Row Landscape - \$280,000
- Beach Restrooms-Replace Restroom Exhaust Systems (CRR Project) - \$19,000
- Super Bowl Signage/Painting/Decorative Lighting – South Beach - \$150,000
- Super Bowl Landscape & Park Improvements - Lummus Park - \$250,000
- Beachwalk Tree Wells (14th to 22nd Street) - \$150,000

PAY-AS-YOU-GO (PAYGO) FUNDS

PAYGO funds help ensure adequate on-going reinvestment in the City's capital plant and equipment. This funding can be used for any general government purpose and is the most flexible funding source in the Capital Budget. The PAYGO fund has been historically funded by the General Fund at \$2.4 million annually. Funding levels have been as high as \$7.5 million in the past.

During the development of the FY 2019 budget, the Commission approved a dedicated millage rate for PAYGO funding. This dedicated millage will allow for the growth of this fund over time, as property values increase. Last year, the millage rate of 0.0755 was estimated to generate \$2,400,000. Based on the June 1st Preliminary property values, the estimated FY 2020 revenue is \$2,463,000. This reflects a \$63,000 increase in PAYGO dollars available for capital projects over last year.

For FY 2020, the proposed capital projects recommended for funding are listed below.

- Alleyway Restoration Ph III - \$100,000
- Middle Beach Row Landscape - \$50,000
- Indian Creek Landscape & Irrigation - \$363,500
- Smart Building Automation System - \$100,000
- Waterway Restoration (GOB project) - \$250,000
- City Hall-Generator Replacement (CRR Project) - \$600,000
- Historic City Hall- Variable Frequency Drives Replacement (CRR Project) - \$200,000
- Polo Park Sports Lighting & Multi-Use Soccer Field - \$857,680

OTHER FUNDING SOURCES

The proposed FY 2020 Capital Budget also recommends the following projects from various funding sources as shown below.

- Transportation Fund
 - North Beach Neighborhood Greenways-Phase 1 - \$448,625
- 7th Street Garage
 - 7th Street Garage-Roofing Repairs & Renewal (CRR Project) - \$84,000
 - 7th Street Garage-New Interior Drainage Pipes (CRR Project) - \$30,000
 - 7th Street Garage-Interior Surface Restoration (CRR Project) - \$95,000
- RDA City Center Renewal and Replacement Fund
 - Lincoln Road Stone Restoration (CRR project) - \$214,619
- Non-TIF (Tax Increment Financing) RDA Fund
 - Lincoln Road Stone Restoration (CRR project) - \$153,381
- Local Option Gas Tax (LOGT) Fund
 - Alton Road and 16th Street Intersection Improvements - \$540,000
- People's Transportation Plan (PTP) Fund
 - Protected Bicycle Lanes (GOB project) - \$130,000
 - Jefferson Avenue and 15th Street Pedestrian Flashing Beacons - \$74,200
- Capital Projects Financed by Other Funds – 8701 Collins Avenue Development Agreement
 - North Beach Oceanside Park (formerly known as North Shore Open Space Park) Redevelopment - \$ 1,250,000
- South Pointe RDA Fund
 - 1st Street-Alton Road to Washington - \$2,469,616
 - Defunding Flamingo 10G-6 Street ROW Improvements, which is now a part of the Flamingo Park Neighborhood project - \$2,469,616
 - South Beach Pedestrian Zones - \$650,000
- Miami-Dade County Interlocal – Convention Development Tax or Resort Tax Eligible Fund
 - Beach Storage Area Enclosure (CRR project) - \$170,000
- South Pointe Capital Fund
 - 1st Street-Alton Road to Washington - \$4,500,000
 - Defunding Flamingo 10G-6 Street ROW Improvements, which is now a part of the Flamingo Park Neighborhood project - \$4,500,000
 - South Pointe Park-Fire Alarm Renewal (CRR project) - \$35,000
- Water & Sewer Funds
 - DERM & EPA Consent Decree (sanitary sewer evaluation survey) - \$500,000
 - Water Pump Stations Improvements - \$1,000,000
 - Wastewater Manhole Rehabilitation - \$1,500,000
 - Sewer Pump Station Odor Control Systems - \$850,600
 - Sewer Pump Station #18 Improvements - \$700,000

- Public Works Facility-Water Station Roof Replacement (CRR Project) - \$30,000
- Waste Water Stations Rehabilitation - \$4,500,000
- Scada and PLC Systems - \$1,625,250
- Defunding Sunset Harbour Pump Station Upgrades project, as no additional funding is needed - \$1,190,983
- Water & Wastewater Mains and Rehab - \$17,000,000

- Stormwater Funds
 - 1st Street-Alton Road to Washington - \$17,101,125
 - Scada and PLC Systems - \$1,625,250
 - Flamingo Neighborhood - \$300,000
 - Indian Creek Street Drainage Improvements - \$7,000,000
 - Citywide Seawall Rehab - \$5,000,000
 - Stormwater Outfalls - \$2,000,000
 - Drainage System Water Quality Pilot - \$500,000

- Sanitation Fund
 - 17th Street Garage-Reconfiguration of Sanitation Area (CRR Project) - \$200,000

- RDA Garage Fund
 - Anchor Garage-Fire Alarm Replacement (CRR Project) - \$120,000
 - Anchor Garage-Replacement of Stairwell Doors (CRR Project) - \$27,000
 - Anchor Garage-Renewal of Interior Floor Drainage Piping (CRR Project) - \$30,000

- Penn Garage Fund
 - Penn Garage-Sealing of Superstructure (CRR Project) - \$25,000
 - Penn Garage-Interior Surface Restoration (CRR Project) - \$95,000

- Parking Funds
 - Garage-License Plate Recognition Cameras - \$855,000
 - 42nd Street Garage-Dispatch Area Expansion (CRR Project) - \$100,000
 - 12th Street Garage-Elevator Replacement (CRR Project) - \$250,000
 - 12th Street Garage-Roof Renewal (CRR Project) - \$64,000
 - 1755 Meridian Avenue-2nd Floor Parking Office Security Enclosure (CRR Project) - \$35,000
 - 17th Street Garage-Roofing Repairs (CRR Project) - \$30,000
 - 17th Street Garage-Generator Replacement (CRR Project) - \$71,000
 - 42nd Street Garage-Roofing Repairs (CRR Project) - \$49,000
 - 42nd Street Garage-Generator Replacement (CRR Project) - \$71,000
 - 42nd Street Garage-Replacement of Interior Drainage Pipes (CRR Project) - \$34,000
 - Citywide Parking Lots-Seal Coating (CRR Project) - \$100,000
 - Citywide Parking Lot Improvements (CRR Project) - \$150,000

- Fleet Management Fund
 - FY 2020 Vehicle/Equipment Replacement - \$7,468,000

- Communications Fund
 - Defunding Public Safety Radio and Viper System project, as this project was approved to be funded using G.O. Bond dollars - \$1,433,728

GENERAL OBLIGATION BOND PROJECTS

On November 6, 2018, the citizens of the City of Miami Beach voted in favor of issuing \$439 million in general obligation bonds (“G.O. Bonds”) to:

- Improve the City’s police, fire, and public safety facilities, in addition to equipment, technology, and lighting to improve security throughout the City
- Improve the City’s parks, recreational and cultural facilities, inclusive of playgrounds, baywalks, beachwalks, waterways, landscaping, equipment, lighting, security, and parking related to such facilities
- Improve the City’s neighborhoods and infrastructure, including stormwater and flooding mitigation projects, sidewalk and street renovation and repairs, protected bicycle lanes, pedestrian paths, landscaping, and lighting

At the March 4, 2019 G.O. Bond workshop, the City Commission reviewed the proposed G.O. Bond Implementation Plan, which outlines the sequencing of the 57 approved projects. At the March 13, 2019 Commission Meeting, the City Commission approved the G.O. Bond execution plan for the first tranche and authorized the issuance of General Obligation Bonds, Series 2019, for the funding of these projects. The fourth amendment to the FY 2018/19 Capital Budget, which was approved at this meeting, allowed for the expedited funding of seven of these approved first tranche projects in the amount of \$19,760,000.

At the April 10, 2019 Commission Meeting, the City Commission approved the funding of the remaining \$131,379,000 of tranche 1 projects, for a total of \$151,139,000, as summarized below and detailed in attachment A.

- 19 Parks projects totaling \$86,733,000
- 11 Public Safety projects totaling \$36,406,000
- 8 Neighborhood/Infrastructure projects totaling \$28,000,000

CONCLUSION

The City administration recommends the proposed FY 2020 capital projects and the funding recommendations in the preliminary FY 2020 Capital Budget are based on the City Commission’s priorities and needs identified by various City departments. The final FY 2020 Capital Budget and FY 2020-2024 Capital Improvement Program will be adopted at the second public hearing in September.

JLM/JW/TOS