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## COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee

FROM: Jimmy L. Morales, City Manager

DATE: June 16, 2020

SUBJECT: FISCAL YEAR 2021 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) 2021-2025 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 (PAYGO) component of the capital budget funded from General Fund Revenues, as well as committing to using Resort Tax Quality of Life (QOL) 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.

In the Fall of 2019, the Capital Budget Process Committee was superseded by the Building Resiliency through the Budget (BRB) Team, which was formed in response to the Urban Land Institute's recommendation. The team is composed staff from the Office of the City Manager, Property Management, Capital Improvements Projects, Environment and Sustainability and the Office of Management and Budget. The purpose of this team is to leverage the budget process to maximize resilience in all capital projects and existing assets using a cross-departmental team

to plan for shocks, stresses, and sustainability during early budget development. The team's goal is to reduce risk, save money and to create new quality of life benefits for the community.

Based on the direction received from the Finance and Economic Resiliency Committee (formerly referred to as the Finance and Citywide Projects Committee) in February 2008, the process was modified to allow for early input to the prioritization process by the City Commission. Under the new process, a preliminary list of unfunded projects is presented to the Finance and Economic Resiliency Committee, providing the opportunity for input and prioritization. This is consistent with the process for City 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 City 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 some utility projects; Environment and Sustainability provides management for some environmental projects; and Parks and Recreation provides management of some park-related 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

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.

### **FINANCIAL IMPACT OF COVID-19**

On March 1, 2020 the Governor issued an Executive Order directing the Surgeon General of the State of Florida to issue a public health emergency and in response to the pandemic outbreak of COVID-19, the Governor declared a State of Emergency on March 9, 2020. In direct response to the first confirmed case of COVID-19 in Miami-Dade County on March 11, 2020 the Miami-Dade County Mayor declared a State of Emergency for Miami-Dade County. The City Manager declared a State of Emergency in the City of Miami Beach on March 12, 2020. Subsequently, both the County and the City issued various Emergency Orders temporarily closing public and private facilities, including the temporary closure of all non-essential retail and commercial establishments and identifying essential retail and commercial businesses which may remain open. These actions have greatly limited the amount of economic activity taking place in the City of Miami Beach and continue to result in significant impacts to the City's finances.

At the April 17, 2020 FERC meeting, in response to the projected revenue losses through the end of the fiscal year, the Administration presented the City's budget-balancing plan. These plans emphasized cost reductions as much as possible, including a reduction in capital expenditures, and judiciously using reserves to make up the difference.

The table below provides a summary of the deferrals of capital projects to FY 2021. Savings from these deferrals will be reflected in the FY 2021 budget.

<b>Fund</b>	<b>Number of Projects</b>	<b>\$</b>
CRR	4	797,730
PAYGO	13	2,677,572
QOL	18	2,720,462
<b>TOTAL</b>	<b>35</b>	<b>6,195,764</b>

### **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 2021 Capital Budget are based on the City Commission's priorities and needs identified by various City departments. [The projects which were deferred in FY 2021 are reflected on the attachment in blue font.](#)

### **CAPITAL RENEWAL AND REPLACEMENT (CRR) 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 online 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 projects. As a result, these projects often were deferred many years beyond the useful life of the capital component requiring replacement or renewal, and 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 2020) is estimated to generate \$793,000 for the General Fund Capital Renewal and Replacement Fund based on a preliminary 3.5 percent increase in property values. This reflects a \$24,000 increase in CRR dollars available for capital projects over last year. The final amount will be updated once the Certified property values are

received from the Property Appraiser on July 1<sup>st</sup>.

As noted above, in order to recognize the savings from the deferral of the capital projects in FY 2020, only the difference between the amount that was deferred and the amount was budgeted to be collected in FY 2020 (\$29,000) will be transferred to the CRR Fund in FY 2021. The remainder will be transferred to the General Fund's reserve, consistent with the City's budget balancing plan that was presented at the April 17, 2017 FERC meeting.

In FY 2021, \$77,731 is available for General Fund renewal and replacement projects, as compared to \$5,159,830 requested for new and existing projects. Seven projects totaling \$820,255 are recommended.

In order to fund these critical projects, four of the projects (totaling \$797,730), which were deferred in FY 2020 are proposed to be unfunded, three of which are for work to be done at the South Shore Community Center, which is the proposed site for the new Fire Station #1. The Property Management Department has confirmed that no critical work currently needs to be done at this facility.

The fourth project is a pavement and sidewalk program, which currently has funding. The request for additional funding has been programmed to be reviewed in the FY 2022 budget process.

The recommended General Fund Renewal and Replacement projects for FY 2021 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 or are beyond the funding capacity at this time.

- Bass Museum Window Replacement - \$67,355
- Fire Station #2 Training Tower Structural Repairs - \$160,800
- Fire Station #1 Roof Repairs - \$ 111,100
- Miami Beach Police Department 4th Floor HVAC Controls - \$312,000
- Fire Station # 2 A/C Replacement - \$52,500
- 1701 Meridian Ave 50-Year Recertification - \$50,500
- Historic City Hall 90-Year Recertification - \$66,000

Projects deferred due to COVID-19 which are proposed to be defunded:

- [Pavement & Sidewalk Program - \\$462,014 \(programmed in FY 2022\)](#)
- [South Shore Community Center Fire Alarm Renewal - \\$100,716](#)
- [South Shore Community Center Bathroom and Kitchen Upgrade - \\$150,000](#)
- [South Shore Community Center Playground Area Mitigation - \\$85,000](#)

## **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 Economic Resiliency 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 2021 Resort Tax revenues, it is estimated that the dollars available to each of these funds will decrease over last year as outlined below.

	FY 2020 Revenue	FY 2021 Revenue	Variance	% Variance
North Beach Quality of Life	1,473,000	1,077,000	-396,000	-27%
Mid Beach Quality of Life	1,473,000	1,077,000	-396,000	-27%
South Beach Quality of Life	1,473,000	1,077,000	-396,000	-27%

For FY 2021, the proposed capital projects recommended for funding are listed below.

Quality of Life – North Beach

- North Beach Oceanside Park (NBOSP) - \$1,475,000
- Park View Island Annex – Dog Park from PAYGO - \$59,575 – This project was previously funded with PAYGO Funds and was deferred in FY 2020

Projects deferred due to COVID-19 which are proposed to be re-activated:

- Alleyway Restoration Phase III - \$60,000
- North Shore Bandshell Plumbing Repairs - \$30,000
- North Beach Right-Of-Way Landscaping - \$157,000
- Beach Restrooms Exhaust Systems - \$7,000

Projects deferred due to COVID-19 which are proposed to be defunded:

- North Beach Yard - \$494,204 – Project terminated in FY 2019
- North Beach Oceanside Park Security - \$225,000 – Funding transferred to the NBOSP projects above

Quality of Life – Mid Beach

- Fire Station #3 40-Year Recertification - \$48,700

Projects deferred due to COVID-19 which are proposed to be re-activated:

- 41st Street Bridges Repair - \$480,000
- Indian Beach Park Playground Expansion - \$792,000 (COVID-19 deferral of \$168,090)
- MB Golf Course Irrigation Pump - \$100,000



- Alleyway Restoration Ph III - \$60,000
- Middle Beach ROW Landscape - \$82,000
- Beach Restrooms Exhaust Systems - \$9,000

#### Quality of Life – South Beach

- Bass Museum Window Replacement - \$67,355
- Bass Museum Condenser Water Pumps Renewal - \$45,450
- World War Memorial - \$62,000
- Fillmore - Site Lighting Phase II - \$50,000
- Botanical Gardens Restrooms - \$50,500
- MBPD Cuban Monument Restoration - \$35,350
- Fire Station # 2-A/C Replacement - \$52,500
- Fire Station # 2 Training Tower Structural Repairs - \$160,800
- 10th St Auditorium Coating of Roof - \$65,650
- 10th Street Auditorium Water Pump Renewal - \$191,900
- Citywide Park Landscaping Improvements (South Pointe & Lummus Park) - \$200,000

Projects deferred due to COVID-19 which are proposed to be re-activated:

- South Beach Pedestrian Zones - \$300,000
- Beach Restrooms Paint and Concrete - \$15,275
- Miami City Ballet Studio Flooring - \$140,000
- South Beach ROW Landscape - \$273,893
- Beach Restrooms Exhaust Systems - \$19,000

Projects deferred due to COVID-19 which are proposed to be defunded:

- Bass Museum Park Café Furniture and Equipment - \$100,000 (programmed in FY 2022)

#### **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 \$2,470,000. Based on the June 1<sup>st</sup> Preliminary property values, the estimated FY 2021 revenue is \$2,548,000. This reflects a \$78,000 increase in PAYGO dollars available for capital projects over last year.

As noted above, in order to recognize the savings from the deferral of the capital projects in FY 2020, only the difference between the amount that was deferred and the amount was budgeted to be collected in FY 2020 (\$208,000) will be transferred to the PAYGO Fund in FY 2021. The remainder will be transferred to the General Fund's reserve, consistent with the City's budget balancing plan that was presented at the April 17, 2017 FERC meeting.

In FY 2021, \$1,759,577 is available for General Fund PAYGO projects, as compared to \$16,030,242 requested for new and existing projects. Ten projects totaling \$2,805,709 are recommended.

In order to fund these critical projects, nine of the projects (totaling \$1,067,015) which were deferred in FY 2020 are proposed to be unfunded. The funding for each of these projects has been programmed to be reviewed in the FY 2022 budget process.

For FY 2021, the proposed capital projects recommended for funding are listed below.

- Security Enhancements Citywide - \$500,000
- Fleet Management Concrete Spalling - \$100,000
- Fleet Management-Generator Transfer Switch - \$100,000
- Ocean Rescue Fire Alarm Renewal - \$30,300
- Fleet Management Fire Sprinkler - \$250,000
- Brittany Bay Park - \$171,729
- Citywide Bridges - \$219,125 (transfer from Bridge Repairs FY 2019 project)
- Belle Isle Park Lighting Enhancement - \$110,000

Projects deferred due to COVID-19 which are proposed to be re-activated:

- [Polo Park Lighting & Soccer Field - \\$857,680](#)
- [City Hall-Generator Replacement - \\$600,000](#)
- [Beach Restrooms Paint and Concrete - \\$86,000](#)

Projects deferred due to COVID-19 which are proposed to be defunded and programmed in future years:

- [Citywide Parks Irrigation System – \\$155,725](#)
- [Collins Park Performing Arts Venue \(Rotunda\) – \\$175,000](#)
- [Alleyway Restoration Phase III - \\$100,000](#)
- [Middle Beach ROW Landscape - \\$135,715](#)
- [North Beach Parks Restroom Restoration - \\$91,000](#)
- [Outdoor Training Facility \(Fire\) - \\$100,000 \(programmed FY 2025\)](#)
- [Park View Island Annex - Dog Park - \\$59,575 \(programmed to be funded in FY 2021 with NB QOL Funds\)](#)
- [Buoy Park Reforestation Improvement - \\$150,000](#)
- [Smart Building Automation System - \\$100,000](#)

## **OTHER FUNDING SOURCES**

The proposed FY 2021 Capital Budget also recommends the following projects from various funding sources as shown below.

- Transportation Fund
  - Change of funding source for North Beach Neighborhood Greenways-Phase 1 to the Concurrency Mitigation Fund - \$448,625
- Community Development Block Grant
  - Neptune Apartments Repairs - \$623,493
  - Madeleine Village Repairs - \$332,719
  - Coral Apartments Repairs (f.k.a. Biscayne Beach House) - \$228,400
- 7<sup>th</sup> Street Garage
  - 7 Street Garage UPS Battery System Renewal- \$66,600



- Fees in Lieu of Parking – North Beach
  - Surface Lot at Biscayne Beach - \$307,029
- Concurrency Mitigation Fund
  - Change of funding source for a portion of the Intelligent Transport System project to the People’s Transportation Plan- PTP (Half Cent Transit Surtax- County) Fund - \$741,000
  - North Beach Greenways Phase I - \$448,625
  - North Beach Greenways- Phase II - \$604,230
  - Pine Tree Drive and 46th Street Roundabout (additional funding of \$500,000 is expected from Miami Dade County) - \$603,603
- HOME Investment Partnership Program
  - Coral Apartments (f.k.a. Biscayne Beach House) - \$89,763
- People’s Transportation Plan (PTP) Fund
  - Intelligent Transport System - \$741,000
  - Prairie Avenue and 44<sup>th</sup> Street/Chase Avenue Traffic Circle - \$84,420
- Water & Sewer Funds
  - FDOT Utilities Relocation - \$221,175
  - Wastewater Manhole Rehabilitation - \$1,545,000
  - Sewer Pump Station # 18 Improvements - \$700,000
  - Water & Wastewater Mains and Rehab - \$140,889
  - DERM & EPA Consent Decree - \$500,000
- Water & Sewer Bonds
  - Wastewater Stations Rehabilitation - \$6,603,400
  - Water Pump Stations Improvements - \$4,595,000
  - Water & Wastewater Mains and Rehab - \$9,276,820
  - Water Meter Replacement Program - \$5,000,000
  - Valve Replacement Program - \$931,635
  - FDOT Utilities Relocation - \$178,825
- Stormwater Bonds
  - West Avenue Phase II - \$9,195,255
  - Scada and PLC Systems - \$1,237,500
- Miami Dade County Interlocal – Stormwater Projects (below ground)
  - Citywide Seawall Rehab - \$5,000,000
- Sanitation Fund
  - Defunding Bayshore Green Waste Facility as the project is near completion and remaining funds are only needed for possible DERM requests or modification of the engineering controls for closure - \$576,761
- RDA Anchor Garage Fund
  - 16th Street Garage Fire Sprinkler - \$1,144,000
  - Anchor Garage-Fire Alarm Replacement - \$101,000
  - 16th Street Canvas Awning Renewal - \$56,560

- Parking Bonds
  - 6th Street & Collins Parking Lot P14 - \$303,000
  - Defunding Lot 9d P86-6976 Indian Creek Drive to reflect reduction in cost - \$191,000
  - 13th Street Garage-Window/Glass Block - \$35,350
  - Sunset Harbour Garage-Fire Alarm - \$35,000
  - 42nd Street Garage-50yr Certification - \$312,090
  - 12th Street Garage Roof and Deck - \$806
  - Defunding 1755 Meridian Garage Roof and Deck to reflect reduction in scope and cost - \$900,000
  - 13th Street Garage-40yr Certification - \$300,000
  - 42nd Street Garage Fall Protection Guards Renewal - \$151,500
  
- Parking Funds
  - Change of funding source of the 12th Street Garage-Roof and Deck project for portion which could be funded by Parking Bonds - \$299,806
  - Defunding 1755 Meridian Garage Roof and Deck to reflect reduction in scope and cost - \$500,000
  
- Fleet Management Fund
  - FY 2021 Vehicle/Equipment Replacement - \$10,617,000 (pending further refinement)
  
- Information Technology Fund
  - Fiber Communications Installation - \$131,000

## **CONCLUSION**

The City administration recommends the proposed FY 2021 capital projects. The funding recommendations in the preliminary FY 2021 Capital Budget are based on the City Commission's priorities and needs identified by various City departments. The final FY 2021 Capital Budget and FY 2021-2025 Capital Improvement Program will be adopted at the second public hearing on September 29, 2020.

JLM/JW/TOS

Attachment A – Preliminary FY 2021 Capital Budget and FY 2021-2025 Capital Improvement Program  
Prioritization by Funding Source