

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee

FROM: Alina T. Hudak, City Manager 

DATE: June 18, 2021

SUBJECT: FISCAL YEAR 2022 PRELIMINARY CAPITAL BUDGET

PURPOSE AND BENEFIT

The Capital Improvement Plan (CIP) is an official statement of public policy regarding the City's long-range physical development, which specifies and describes the capital project schedules and priorities for the five years immediately following the City Commission's adoption. The first year of the plan provides the funding to be appropriated in the annual Capital Budget.

The Fiscal Years (FY) 2022-2026 Proposed Capital Improvement Plan 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.

During the development of the CIP, the multi-year funding schedule is reviewed and updated to add new projects, re-evaluate program and project priorities and revise recommendations, while also considering new requirements and sources of funding. The annual capital programming process provides the following benefits:

- Serves as a source of information about the City's physical development and capital expenditures to the citizens, City Commission and administration, private investors, funding agencies, and financial institutions
- Provides a mechanism that applies uniformity and consistency in the evaluation of projects and assists in the establishment of priorities
- Provides for cross-departmental coordination among projects with respect to funding, location, and timing

CAPITAL BUDGET PRIORITIZATION

The City's CIP and Capital Budget development process begins in the Spring of each year, when all departments are asked to prepare their own CIP containing information on the department's ongoing and proposed capital projects. Individual departments submit requests to the Office of Management & Budget (OMB), identifying potential funding sources and requesting commitment of funds for their respective projects.

In the Fall of 2019, the Building Resiliency through the Budget (BRB) Team was formed in response to the Urban Land Institute's recommendation, and was integrated into the budget development process, as an added level of review and oversight. The team is composed of staff

from the Office of the City Manager, Property Management, Capital Improvements Projects, Environment and Sustainability, Parks and Recreation, and OMB. 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 create new quality of life benefits for the community.

The Office of Management and Budget then hosts a series of capital prioritization meetings to discuss recommended funding strategies and timelines. These meetings include the City's management team and representatives from all departments, who provide valuable insight and feedback, as part of the prioritization process.

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



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 greatly limited the amount of economic activity taking place in the City of Miami Beach and resulted 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.

As a result of the impact of COVID-19 on the City's finances, several capital projects were deferred in the FY 2021 Capital Budget. COVID-19 has also disrupted global supply chains, resulting in a spike in prices that are dramatically impacting the City's capital project costs. In addition, various cost impacts from scope changes, normal cost inflation, permitting delays, and competition with private sector construction are impacting the cost of the several of the City's capital projects. The resulting funding gaps related to these projects are detailed further.

The recommended funding below takes into consideration:

- The City's most critical funding needs
- Projects which were deferred in FY 2021
- Available dollars, which have been impacted by a decline in preliminary property values and projected Resort Tax revenues

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 2022 Capital Budget are based on the City Commission's priorities and needs identified by various City departments.

CAPITAL RENEWAL AND REPLACEMENT (CRR) PROJECTS

Prior to FY 2005, the City made significant investments in the routine maintenance of its assets, as well as in 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. The most recent FCI rating was completed by the Property Management Department in 2020.

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 2021) is estimated to generate \$805,000 for the General Fund Capital Renewal and Replacement Fund based on a preliminary 0.2 percent decrease in property values. This reflects a \$2,000 decrease in CRR dollars available for capital projects from last year. The final amount will be updated once the Certified property values are received from the Property Appraiser on July 1st.

In FY 2022, \$806,024 is available for General Fund renewal and replacement projects, as compared to \$5,422,000 requested for new and existing projects. Seven projects totaling \$780,000 are recommended.

The recommended General Fund Renewal and Replacement projects for FY 2022 are listed below.

- MBPD North Sub Station Parking Lot - \$233,000
- 1755 Meridian Fresh Air Intakes (HVAC) - \$63,000
- 1755 Meridian Roof Replacement (Elevator Room and Shaft) - \$82,000
- MBPD Garage Exit Signs and Safety Lights - \$31,000
- MBPD Main Roof Repairs - \$136,000
- North Shore Youth Center Rooftop A/C Renewal - \$120,000
- Scott Rakow Youth Center Lighting Renewal - \$115,000

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 2022 Resort Tax revenues, it is estimated that the dollars available to each of these funds will decrease as compared to a normal year as outlined below.

	FY 2019 Actual	FY 2022 Budget	Variance	% Variance
North Beach Quality of Life	1,427,974	1,218,500	(209,474)	(15%)
Mid Beach Quality of Life	1,427,974	1,218,500	(209,474)	(15%)

For FY 2022, the proposed capital projects recommended for funding are listed below.

Quality of Life – North Beach

- Shane Rowing Center HVAC Units Replacements - \$61,000
- North Shore Bandshell Rear Canopy - \$310,000
- Normandy Isle Park Pool Renovations - \$358,000
- Entrance Signs to North Beach (split-funded) - \$244,000
- North Beach Open Space Park Beachwalk CCTV Segment - \$156,000

Quality of Life – Mid Beach

- Bayshore Park (Par 3) - \$400,000
- MB Golf Club Driving Range Netting - \$114,000
- Non-Motorized Vessel Kayak Launch - \$70,000
- Middle Beach Row Landscape (split-funded) - \$100,000

- MB Golf Club Kitchen Floor Replacement - \$43,000
- MB Golf Club Reel Grinders Replacement - \$71,000
- Miami Beach Golf Club Lake Aeration - \$45,000
- Waterway Markers & Signs (split-funded) - \$132,000

Quality of Life – South Beach

- Colony Theater Elevator - \$87,000
- Bass Museum 40-Year Recertification - \$100,000
- 10th Street Auditorium-Louvers - \$52,000
- Miami City Ballet Studio Flooring - \$39,000
- Flamingo Park Tennis Center Courts (Split-funded) - \$130,000
- MXE Land Use/Mobility/Economic Development Study - \$ (190,000) – defunded as this will be funded within the existing GOB projects
- South Pointe Park-Fishing Pier Railing Repairs - \$198,000
- Waterway Markers & Signs (split-funded) - \$263,000
- Miami Design Preservation League (MDPL) Museum Master Plan - \$175,000

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 \$2,592,000. Based on the June 1st Preliminary property values, the estimated FY 2022 revenue is \$2,586,000. This reflects a \$6,000 decrease in PAYGO dollars available for capital from last year.

In FY 2022, \$2,764,128 is available for General Fund PAYGO projects, as compared to \$4,789,000 requested for new and existing projects. Fourteen projects totaling \$2,749,000 are recommended.

For FY 2022, the proposed capital projects recommended for funding are listed below.

- Collins Park Performing Arts Venue - \$400,000
- Citywide Bridges - \$750,000
- North Beach Oceanside Park (split-funded) - \$(283,000) – funding swap (no change to budget total)
- North Shore Park Youth Center Exterior Cafe and Restrooms - \$400,000
- Middle Beach Row Landscape (split-funded) - \$36,000
- 1755 Roof Replacement - \$223,000
- Smart Building Automation System - \$100,000
- Bollards Installation and Replacement - \$200,000
- Entrance Signs to North Beach (split-funded) - \$356,000
- Greenspace Facility Renovation - \$200,000
- Shane Rowing Center Roof Replacement - \$61,000

- Flamingo Park Baseball Stadium Stand - \$65,000
- Miami Beach Mooring Field - \$156,000
- Tobias Rehberger Obstinate Lighthouse Conservation - \$85,000

OTHER FUNDING SOURCES

The proposed FY 2022 Capital Budget also recommends the following projects from various funding sources as shown below.

- **Transportation Fund**
 - Indian Creek Drive Protected Bike Lanes - \$131,000
 - La Gorce / Pine Tree Dr Bike Lanes - \$230,000
 - 10th Street Neighborhood Greenway - \$190,000
 - 16th Street Protected Bike Lanes - \$90,000
 - Orchard Park Traffic Calming (split-funded) - \$138,000
 - West Avenue Bicycle Lanes Phase II (split-funded) - \$108,000
- **Resiliency Fund**
 - Convention Center Lincoln Road Connector - \$1,800,000
 - Citywide Seawall Rehab - \$5,000,000
 - 1st Street-Alton Rd to Washington (split-funded) - \$19,224,594
- **7th Street Garage Fund**
 - 7th Street Garage-Fire Sprinkler & Pump - \$300,000
 - 7th Street Garage-Entrance Flood Control - \$278,000
 - 7th Street Garage-Office/Restroom - \$36,000
- **Transportation Concurrency Mitigation Fund**
 - Meridian Ave (North) 28th St & Dade - \$756,000
 - Orchard Park Traffic Calming (split-funded) - \$76,000
 - West Avenue Bicycle Lanes Phase II (split-funded) - \$23,000
 - Prairie Avenue & 44th Street/Chase Avenue - \$520,000
 - North Beach Greenways- Phase II - \$110,000
 - 71st Street Bridge Bike Lanes (formerly known as Painting & Lighting of Bridge) - \$100,000
- **Parks Concurrency Mitigation Fund**
 - Flamingo Park Tennis Center Courts (split-funded) - \$30,000
 - Citywide Parks Irrigation System - \$156,000
 - Citywide Parks Court Repairs - \$105,000
 - Normandy Shores Golf Club Tee Renovation - \$125,000
 - Citywide Fitness Course Replacement - \$100,000
 - Normandy Shores Golf Carpet Replacement - \$40,000
 - North Beach Parks Restroom Restoration - \$91,000
 - Citywide Pk Landscaping Improvement - \$152,000
- **People's Transportation Plan Fund**
 - Orchard Park Traffic Calming (split-funded) - \$31,505
 - Royal Palm Ave & 46th Street Circle - \$(107,000) – defunded as project will be combined with the Orchard Park Traffic Calming project which has multiple funding sources

- **Capital Projects not Financed by Bonds Fund**
 - North Beach Oceanside Park - \$283,000 – funding swap (no change to budget total)
- **Gulf Breeze Bond Fund**
 - Shane Rowing Center Dock Ramp and Landing Platform - \$413,000
- **South Pointe Capital Fund**
 - 1st Street-Alton Rd to Washington (split-funded) - \$70,931
- **Miami-Dade County Interlocal – Convention Development Tax or Resort Tax Eligible Fund**
 - 1st Street-Alton Rd to Washington (split-funded) - \$704,475
- **Water & Sewer Operating & Capital Fund**
 - FDOT Utilities Relocation (split-funded) - \$285,000
 - Waste Water Stations Rehabilitation - \$2,870,733
 - Water Pump Stations Improvements - \$2,595,937
 - Waste Water Manhole Rehabilitation - \$1,592,000
 - Water & Waste Water Mains and Rehab - \$7,833,710
 - DERM & EPA Consent Decree - \$500,000
 - Valve Replacement Program (split-funded) - \$1,029,000
- **Water & Sewer Bond Funds**
 - Valve Replacement Program (split-funded) - \$830,853
- **Water & Sewer Impact Fees Fund**
 - FDOT Utilities Relocation (split-funded) - \$1,215,000
- **Convention Center Renewal & Replacement Fund**
 - Convention Center Rubber Walls and Parking Deck Repairs - \$184,000
 - Convention Center Additional Security Cameras - \$250,000
 - Parking Deck Cracks Repair - \$280,000
 - East Chilled Water Piping Insulation Repairs - \$35,000
 - Canal Park Landscaping Replacement - \$40,000
 - Terrazzo Floor Scrubbers - \$40,000
 - Energy Consumption Management Integration System - \$35,000
 - Chiller Lines Flushing (Fillmore, City Hall & 1755 Meridian) - \$25,000
- **Anchor Garage Fund**
 - 16th Street Garage-Roof Top Renewal - \$34,000
 - 16th Street Garage HVAC Renewal - \$34,000
 - 16th Street Garage-Office/Restroom - \$30,000
 - 16th Street Garage-Exterior Paint Renewal Paint and Waterproofing - \$550,000
 - 16th Street Garage-Joint Replacement - \$200,000
- **Penn Garage Fund**
 - Penn Garage-HVAC Renewal - \$85,000
 - Penn Garage-Traffic Coating-Retail - \$100,000
 - Penn Garage-Elevator Renewal - \$218,000
- **Parking Bond Fund**
 - 13th Street Garage Neon Renewal - \$67,000

- **Parking Operating & Capital Fund**

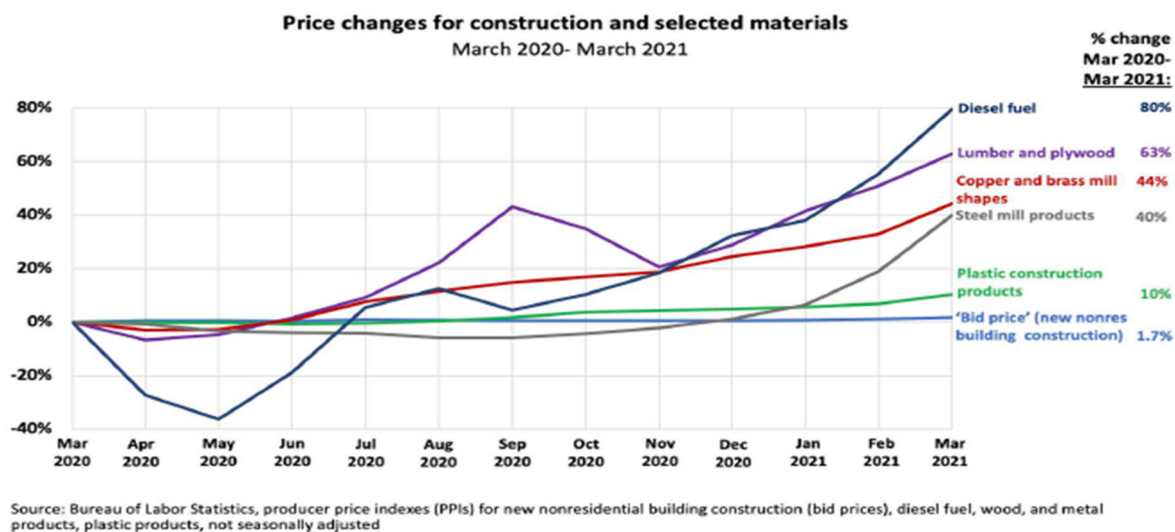
- 42nd Street Garage-Stairwell Waterproofing - \$50,000
- Sunset Harbour Garage Sealing - \$75,000
- 13th Street Garage-Stairwell Railing - \$50,000
- 42nd Street Garage-Stairwell Railing - \$25,000
- 13th Street Garage -Parking Sign Renewal - \$30,000
- Sunset Harbour Garage Screening - \$200,000
- 17th Street Garage-Storage Space Renovation - \$100,000
- 12th Street Garage-Plumbing System Update- \$79,000
- 12th Street Garage- Interior Floor Drainage - \$25,000
- 1755 Meridian Garage Floor Drainage - \$200,000
- 17th Street Garage Interior Floor Drainage - \$30,000
- 17th Street Garage-Electrical Feeder - \$225,000
- Citywide Parking Lots Improvements - \$150,000
- 1755 Meridian Garage LED Lighting - \$150,000
- Sunset Harbour Garage LED Lighting - \$300,000
- Skidata Garage Software Upgrade with Redundancy Server - \$475,000

- **Fleet Management Fund**

- FY 2022 Vehicle/Equipment Replacement - \$7,414,000
- Fleet Management Facility 40 Year Re-Certification - \$35,000
- Fleet Management Facility Enhancements Phase II Upgrade - \$150,000
- Fleet Management Facility Security Cameras - \$157,000
- Fleet Management Warehouse Waterproofing and Roof Repairs - \$145,000
- Fleet Management Facility Gate - \$51,000
- Fleet Management Facility Parking Lot Resurfacing - \$71,000

CAPITAL PROJECT GAPS

Several key capital projects with existing funding have gaps that need to be addressed. There are normal cost impacts to capital projects from scope changes, CPI cost increases, permitting delays, competition with private sector construction, etc. However, this year there is also a temporary but dramatic impact from COVID-19's disruption to global supply chains that is resulting in a spike in prices that is dramatically impacting the City's capital projects. For example, the chart below from the Bureau of Labor Statistics shows significant increases to diesel fuel, wood, metal products, and plastic products.



Due to the uncertainty in the market regarding the cost, availability, and delivery of construction products, contractors are forced to build high contingencies to compensate. This spike in costs is primarily affecting the projects below:

- G.O. Bond projects
 - 72nd Street Complex: >\$20 million
 - Bayshore Park (Par 3): \$6 to \$7 million
 - Fire Station #1: \$6 to \$10 million
 - Police Headquarters: \$4 to \$5 million
 - Maurice Gibb Park: \$1.2 million
- Other
 - North Beach Oceanside Park: \$1.9 million
 - First Street: \$20 million

72nd Street Complex

The contract award for the 72nd Street Complex project is anticipated in September 2021, if funding is available. The preliminary estimated funding shortfall range is \$24.6 to \$49.1 million. Funding for this project was discussed at the Finance & Economic Resiliency Committee on May 21st and June 11th. The Committee direction was to continue to negotiate with the selected bidder, explore value engineering options, obtain an appraisal for the entire North Shore Branch Library site property, including a separate appraisal for the two non-ocean front parcels on Collins Avenue, look at the value of potential FAR on the site, and research potentially bonding the parking portion of the project.

The final numbers from the negotiation with the selected bidder will be available by the end of June that will help clarify the funding gap. These numbers will provide the necessary detail regarding the parking portion of the project that will drive the parking bonding scenario.

The Administration's recommendation to close the anticipated funding gap is to: (1) determine the amount for the parking portion of the project and use parking bonds to close the gap between the total parking cost and the \$10.5 million of parking funds already budgeted in the project; and (2) fund the remaining portion of the project gap from the sale of 5 vacant parcels identified by Property Management and CBRE's asset inventory study and/or the sale of the current North Shore Library site.

North Beach Oceanside Park

The contract award for the North Beach Oceanside Park project is anticipated in September 2021. The estimated funding shortfall is \$1.9 million. The Administration's recommendation to close the project gap is to apply \$1.9 million of savings in the Middle Beach Recreational Corridor 2 project available due to awarded grant funds through a FY 2021 Capital Budget Amendment.

Maurice Gibb Park

The contract award for the Maurice Gibb Park project is anticipated in December 2021. The estimated funding shortfall is \$1.2 million. The Administration's recommendation to close the project gap is to apply \$1.2 million of \$1.5 million of savings available in the Parks & Recreation category of the G.O. Bond Program through a FY 2021 Capital Budget Amendment.

Bayshore Park (Par 3)

The contract award for the Bayshore Park project is anticipated in March 2022. The preliminary estimated funding shortfall was \$6 to \$7 million. Over the last several months, the CIP department has worked to value engineer the project to decrease the gap to \$1.9 million. The Administration's recommendation to close the project gap is: (1) to apply \$1.5 million of savings in the Middle Beach Recreational Corridor 2 project available due to awarded grant funds through a FY 2021 Capital Budget Amendment; and (2) add \$400,000 of appropriation through the FY 2022 Capital Budget process from Quality of Life – Mid Beach funds.

Fire Station #1

The contract award for the Fire Station #1 project is anticipated in October 2022. The preliminary estimated funding shortfall range is \$6 to \$10 million. By the Summer of 2022 when the project goes out to bid, the estimated shortfall may be less if COVID cost pressures unwind in the next 12 months. Once the true project cost is known, the Administration's recommendation to close the project gap is to apply funds from the sale of 5 vacant parcels identified by Property Management and CBRE's asset inventory study.

Police Headquarters Renovation

The contract award for the Police Headquarters Renovation project is anticipated in October 2021. However, the work will be phased over time as funding for the project is split between the existing \$5.5 million of funding provided in Tranche 1 and future funding of \$4.5 million in Tranche 2.

The preliminary estimated funding shortfall range is \$4 to \$5 million. The Administration's recommendation to close the project gap is to: (1) work with Police and Property Management Departments to review the project scope for potential changes; and (2) use Tranche 1 funding to complete short term elements and potentially supplement Tranche 2 funds in future years with additional funding.

Unfunded Projects

In addition to the projects above that have existing funding with significant funding gaps, there are several capital projects listed below that have been discussed, but currently remain unfunded.

- Collins Park Cultural Facility: \$4.75 million
- Byron Carlyle: \$13 million for renovation; \$22 million for replacement
- Barclay: \$15 million to \$20 million
- Old Fire Station #1: \$6 million to \$8 million
- Tight Urbanism: \$2.4 million

Capital Budget Funding Options

There are several funding options available to help close the gap in existing capital projects and/or fund unfunded projects.

The current North Shore Branch Library site made up of 5 parcels (3 ocean front and 2 on Collins Avenue) was evaluated and has been appraised to have a value of \$75 million less legal, brokerage, and subdivision fees. It is important to note that the City Attorney has opined that the sale of the 3 ocean front lots would be subject to voter referendum. The appraisal for the 2 parcels on Collins Avenue is \$10.5 million and their sale would not be subject to voter referendum. The Administration recommendation is to issue an RFP with different options, evaluate the submissions, and determine if voter referendum will be necessary.

The Property Management Department is exploring best practices and methods to maximize the value of City-owned assets across the City's real estate portfolio. To facilitate this efforts, CBRE was engaged to conduct an inventory review of real estate assets owned by the City. As part of the overall analysis, 5 vacant parcels were identified as strong candidates for potential sale. These parcels have been reviewed by the Finance & Economic Resiliency Committee at their March, April, and June meetings. Recent appraisals estimate that the 5 properties could be worth \$16.2 million in total. The Administration's recommendation is to issue RFP's for each parcel or approve bid waivers so that the properties can be listed with pre-approved vendors as soon as possible.

A settlement agreement between Ocean Terrace Holding and its related entities and the City was approved by the City Commission on April 21, 2021. As part of the settlement agreement, Ocean Terrace will make a \$3 million contribution to the City on the following terms:

- The first payment of \$1,000,000 shall occur within 10 days of the execution of the Settlement Agreement (this amount has been received);
- The second payment of \$1,000,000 shall occur on or before September 1, 2021; and
- The third payment of \$1,000,000 shall be contributed towards the construction of the 72nd Street Community Complex and paid on the earlier of the execution of the design-build agreement for the 72nd Street Community Complex, or April 1, 2022. In the event the City does not proceed with the 72nd Street Community Complex on or before January 1, 2024, the City will have the sole discretion to use the \$1,000,000 for another project in North Beach.

Of the total \$3 million contribution to the City, \$1 million is earmarked for the 72nd Street Community Complex and \$400,000 is needed to cover the legal fees for the settlement agreement, leaving a total of \$1.6 million that is uncommitted and available to fund a capital project. At their June 11th meeting, the Finance & Economic Resiliency Committee recommended allocating up to \$1.6 million as a 50% match to the Sabrina Cohen Foundation.

As the 2018 G.O. Bond program is implemented, savings have been identified from various projects that are available to supplement other G.O. Bond projects in the same category that have funding gaps. For example, if a G.O. Bond project in the Parks & Recreation category needs additional funds and there are savings from various projects in the Parks & Recreation category, then the savings can be applied to help close those gaps. Currently there is \$1.5 million of savings in the Parks category and \$1 million of savings in the Public Safety category that is available. The Administration recommends applying \$1.2 million of the \$1.5 million of Parks & Recreation category savings to the Maurice Gibb Park funding gap to fully fund the project.

If any other one-time sources of funding are identified, the Administration will evaluate opportunities to use them to close funding gaps for existing projects or help fund unfunded capital projects.

CONCLUSION

The City administration recommends the proposed FY 2022 capital projects. The funding recommendations in the preliminary FY 2022 Capital Budget are based on the City Commission's priorities and needs identified by various City departments. The final FY 2022 Capital Budget and FY 2022-2026 Capital Improvement Plan will be adopted at the second public hearing on September 30, 2021.

ATH/JW/TOS

Attachment A – Preliminary FY 2022 Capital Budget and FY 2022-2026 Capital Improvement Plan
Prioritization by Funding Source