



**City of Miami Beach**, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMITTEE MEMORANDUM

TO: Members of the Finance and Economic Resiliency Committee

FROM: Alina T. Hudak, City Manager

DATE: July 15, 2022

SUBJECT: Fiscal Year 2023 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) 2023-2027 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.

The Office of Management and Budget then hosts a series of capital prioritization meetings to review all project requests and to discuss recommended funding strategies and timelines. During these exhaustive reviews, the City's senior management team and representatives from departments provide valuable insight and feedback, as part of this prioritization process.

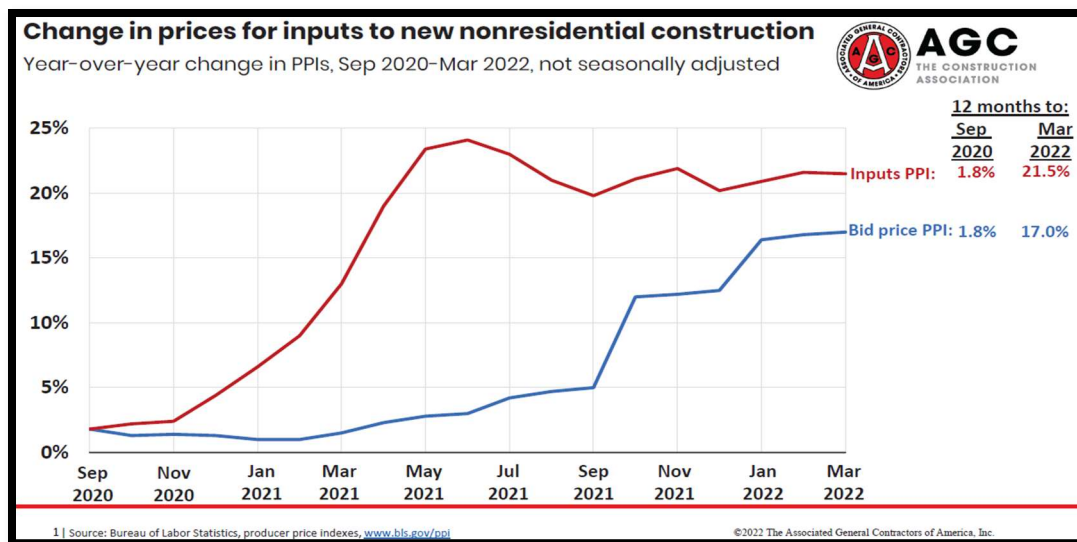
The chart below provides an overview of the process and timelines.



### **CAPITAL COST INCREASES & CAPITAL PROJECT GAPS**

As noted at the FY 2023 Commission Budget Retreat on May 20, 2022, COVID-19 has disrupted global supply chains, resulting in a spike in prices, which is dramatically impacting the City's capital project costs. As a result, contractors have been forced to build high contingencies into their costs estimates to compensate for the fluctuations in pricing of commodities, labor, transportation, fuel, etc. and have been unable to commit to project delivery schedules. Coupled with these realities, there is uncertainty regarding how long the impact of this disruption will last. The charts below outline a 12-month percent change in Producer Price Indexes and changes in prices for inputs to new nonresidential construction.





In addition, various cost impacts from project scope changes, normal cost inflation, permitting delays, and competition with private sector construction are also impacting the cost of the several of the City's capital projects. These conditions have resulted in potential funding gaps in many of the City's existing projects, as noted below.

#### G.O. Bond projects

- 72<sup>nd</sup> Street Complex - pending final contract negotiations
- Maurice Gibb Park - bids under review
- Fire Station #1 - pending updated cost estimate; \$1.8 million needed to relocate childcare facility
- North Beach Ocean Rescue Facility - pending negotiations with County regarding scope change
- Bayshore Park (Par 3) - estimated at \$7.0 million; bids due in August
- Marine Patrol - \$3.4 million; scope changed from renovation to new construction
- Police Headquarters: \$1.5 million (after transferring savings from other Public Safety GO Bond Projects)
- Skate Park - \$1.5 million: scope change for restrooms and lighting
- Chase Ave & 34<sup>th</sup> Street Shared Use Path – \$700,000; DRB ordered change of materials from asphalt to concrete

#### Other

- Pine Tree Traffic Circle – Pending negotiations with Miami Dade County regarding scope changes from resident input
- Collins Park Rotunda - \$1.2 million; scope change to include external panel rehabilitation
- Pride Park Screen Enclosures - \$1.2 million; larger than originally anticipated and required by DRB order
- Palm & Hibiscus Pump Station Driveways & Landscaping - \$600,000; added scope for maintenance driveways
- North Shore Park Youth Center Restrooms - \$312,000

In response, during this year's budget process, the Administration is recommending funding only critical renewal and replacement projects, as recommended by the Facilities and Fleet department, and delaying funding many new projects, in an attempt to set aside funding to close the gaps on key existing projects.

The primary strategy is to:

- Fund only high priority projects in Capital Renewal & Replacement (CRR) and Pay-As-You-Go (PAYGO)
- Avoid funding new projects in governmental funds
- Set aside most of the Quality of Life (QOL) funds to close project gaps
- Hold remaining Resiliency funding until funding for the West Avenue project is resolved
- Fund special revenue fund projects, based on need and funding availability (i.e., Parking, Transportation, Convention Center, Water & Sewer, and Storm Water)

## **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 2023 Capital Budget are primarily based on critical capital renewal and replacement needs.

It is important to note that the five-year capital improvement plan detailed in Attachment A includes the City's known capital needs for the next five years. The plan has been balanced based on projected available dollars and the annual funding priorities. Projects that are unable to be funded in the year requested are re-prioritized to future years, or to the future/unfunded column.

The table below summarizes the unfunded needs included in the City's total Capital Improvement Plan, for a total of \$1.6 billion:

Unfunded Needs – Total CIP	\$
Renewal & Replacement	12M
Pay-As-You-Go	143M
Transportation	86M
Parking	6M
Water & Sewer	605M
Stormwater	740M
Other	6M
<b>Total</b>	<b>\$1,598M</b>

## **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. A Facilities Conditions Assessment (FCA) of City buildings is conducted at least once every five years to determine the FCI, current renewal and replacement needs, as well as projected replacement dates for all of the major building components. A Facility Condition Index (FCI) rating is assigned to each facility based on the total value of existing deferred maintenance divided by the current replacement value of the building. The most recent FCA establishing the FCI rating was completed by the Facilities and Fleet 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 2022) is estimated to generate \$916,000 for the General Fund Capital Renewal and Replacement Fund based on a preliminary 11.2

percent increase in property values. This reflects a \$101,000 increase in CRR dollars available for capital projects from last year, based on the Certified property values which were received from the Property Appraiser on July 1<sup>st</sup>.

In FY 2023, \$993,352 is available for General Fund renewal and replacement projects, as compared to \$8,068,461 requested for new and existing projects. Eight (8) projects totaling \$913,000 are recommended.

The recommended General Fund Renewal and Replacement projects for FY 2023 are listed below.

- Scott Rakow Youth Center - Structural Repairs - \$312,000
- North Shore Community Center Window & Door Replacement - (25% Grant Match) - \$140,000
- Fire Station 3 - HVAC Renewal - \$92,000
- MBFD Stations Security Upgrades - \$126,000
- Boys & Girls Club Security Enclosure - \$27,000
- Fire Station 2 - Elevator Control Panel Replacement - \$57,000
- North End Sub Station (NESS) Fire Alarm Panel Renewal - \$61,000
- Fire Station 4 - Fire Alarm Renewal - \$98,000

### **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 2023 Resort Tax revenues, it is estimated that the dollars available to each of these funds will increase over last year as outlined below.

	FY 2022 Budget	FY 2023 Budget	Variance	% Variance
North Beach Quality of Life	1,218,500	1,737,000	518,500	43%
Mid Beach Quality of Life	1,218,500	1,737,000	518,500	43%
South Beach Quality of Life	1,218,500	1,737,000	518,500	43%

For FY 2023, the proposed capital projects recommended for funding are listed below.

Quality of Life – North Beach

- Normandy Shores Golf Club-Clubhouse Roof - \$184,000

Quality of Life – Mid Beach

- Indian Creek Landscape and Irrigation - \$1,084,000

Quality of Life – South Beach

- Bass Museum Fire Alarm Replacement - \$276,000
- Beach Showers at Lummus Park - \$171,000

By funding the projects above, the unallocated Quality of Life funds total \$6.3M. This amount is proposed to be set aside to help address capital funding gaps.

**PAY-AS-YOU-GO (PAYGO) FUNDS**

PAYGO funds help ensure adequate on-going reinvestment in the City's capital plant and equipment assets. This funding can be used for any general government purpose and is the most flexible funding source in the Capital Budget. Prior to FY 2019, the PAYGO fund had been historically been 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 \$2,616,000. Based on the July 1<sup>st</sup> Preliminary property values, the estimated FY 2023 revenue is \$2,941,000. This reflects a \$325,000 increase in PAYGO dollars available for capital from last year.

In FY 2023, \$6,068,726 is available for General Fund PAYGO projects, as compared to \$38,878,000 requested for new and existing projects. Seven (7) projects totaling \$5,704,000 are recommended.

For FY 2023, the proposed capital projects recommended for funding are listed below.

- MB Police Garage Concrete Spalling - \$1,063,000
- MBPD Main Roof Repairs - \$700,000
- Fire Station 3 - Roof Renewal - \$228,000
- Greenspace Facility Renovation - \$456,000
- Citywide Bridges - \$3,000,000

- ADA Pool Lifts Citywide - \$30,000
- Miami Beach Mooring Field - \$227,000

### **Historic City Hall (Unfunded Project)**

It is important to note that recent leaks at the Historic City Hall have revealed that the building is in need of urgent repairs. The scope of the project includes the repair of spalled and damaged concrete throughout the building; replacement of deteriorated sealants to protect structural systems; roof repairs; and the replacement of waterproofing membranes on all existing terraces. The estimated project cost is between \$2 million and \$4 million.

The total required FY 2023 debt service payment of approximately \$10.4 million, which is comprised of the remaining debt service required for the City's 2011 G.O. Bonds of \$2.3 million, plus \$8.1 million attributed to the new G.O. Bond Program that was approved by the voters on November 6, 2018, requires the levy of a Voted Debt Service millage rate of 0.2360 mills. The proposed Voted Debt Service millage rate for FY 2023 is 0.0529 mills less than the adopted FY 2022 Voted Debt Service millage rate of 0.2889 mills.

The FY 2022 dedicated PAYGO millage rate of 0.0755 would generate \$2.9 million. In previous years PAYGO was funded at higher levels, for example, in 2008, PAYGO was funded at \$7.5 million. In order to fund the Historic City Hall project, the Administration recommends realigning the required Voted Debt Service millage rate reduction in FY 2023 of 0.0529 mills to the PAYGO millage rate, resulting in an estimated increase in PAYGO revenue of approximately \$2 million in

FY 2023. Overall, the Total Combined millage rate for FY 2023 is proposed to remain the same at 6.0515 mills.

### **OTHER FUNDING SOURCES**

The proposed FY 2023 Capital Budget also recommends the following projects from various funding sources as shown below.

- **Transportation Fund**
  - Bicycle Lanes/Shared Use Path Improvements (Related to GO#43: Bike Lanes & Shared Use Path) (split-funded) - \$700,000
  - Indian Creek Dr Protected Bike Lane - \$737,000
- **Resiliency Fund**
  - West Avenue Phase II - \$(5,564,869) funding swap with no change to the total budget
- **7<sup>th</sup> Street Garage Fund**
  - 7th Street Garage-Stairwell Railing - \$25,000
  - 7th Street Garage-Traffic Coating - \$150,000
  - 7th Street Parking Garage Flood Panels Renewal - \$160,000
  - 7th Street Parking Garage Elevator Cabs & Controls - \$336,000
  - 7th Street Parking Garage Hose Bib Renewal - \$43,000
  - 7th Street Parking Garage Overhead Gate Renewal - \$69,000
  - 7th Street Parking Garage Joint Replacement Renewal - \$171,000
- **Transportation Concurrency Mitigation Fund**
  - Orchard Park Traffic Calming - \$1,474,000
  - 10th Street Neighborhood Greenway - \$233,000
  - West Avenue Bicycle Lanes Phase II - \$534,000



- South Pointe Drive Protected Bike Lanes - \$161,000
- **RDA South Pointe Operations Fund**
  - South of Fifth Neighborhood Traffic Calming (split-funded) - \$82,481
- **Local Option Gas Tax Fund**
  - Bicycle Lanes/Shared Use Path Improvements (Related to GO#43: Bike Lanes & Shared Use Path) (split-funded) - \$845,000
- **People's Transportation Plan (PTP)/Half-Cent Transportation Surtax Fund**
  - Bicycle Lanes/Shared Use Path Improvements (Related to GO#43: Bike Lanes & Shared Use Path) (split-funded) - \$90,000
  - 51<sup>st</sup> Street Neighborhood Greenway - \$160,000
  - Meridian Avenue and Lincoln Lane North Pedestrian Flashing Beacons - \$46,000
  - Hawthorne Avenue Neighborhood Greenway - \$157,000
- **Capital Projects not Financed by Bonds Fund**
  - 72<sup>nd</sup> Street Community Complex (Ocean Terrace funding) - \$1,000,000
  - Batting Cages at North Shore Park - \$(187,000) transferred from remaining funds, as project has been completed, to help fill funding gap for the Skate Park
  - CMB Skatepark (Related to GO #30 Skate Park) (split-funded) - \$187,000
- **2015A RDA Bond Fund**
  - Convention Center Park (Screen Enclosures) - \$1,197,000
  - MBCC Cooling Tower Overhaul - \$300,000
  - MBCC Renovation Punch List Items - \$501,000
- **1999 GO Bond Fund (Fire Safety)**
  - Fire Station 3 - Security System Card Access System Renewal- \$43,000
- **South Pointe RDA Fund**
  - South of Fifth Neighborhood Traffic Calming (split-funded) - \$979,112
- **2001 Gulf Breeze Loan (Normandy Golf Course)**
  - Normandy Shores Golf Club Kitchen Floor Replacement - \$27,000
- **2003 GO Bond Fund (Fire Safety)**
  - Fire Station 2 Admin - Exit Signs & Emergency Lights Replacement - \$34,033
- **2003 GO Bond Fund (Parks & Beaches)**
  - Beach Walk Ponding at Entrance of 53<sup>rd</sup> Street - \$54,039
- **South Pointe Capital Fund**
  - South of Fifth Neighborhood Traffic Calming (split-funded) - \$31,150
- **2019 GO Bond Fund (Public Safety)**

Per LTC 158-2022, the GO Bond Oversight Committee unanimously passed a motion to transfer savings totaling \$1,073,272 from various projects, listed below, to GO Bond project #48 Police Headquarters Facility

  - GO#47: License Plate Readers - \$(374,326)
  - GO#53: Security for Public Spaces - \$(84)
  - GO#52: LED Lighting in Parks - \$(692,081)

- GO#56: Cameras-Beachwalk - \$(6,781)
- **Water & Sewer Operating & Capital Fund**
  - Sewer Pump Station Odor Control - \$850,000
  - Water & Wastewater Mains and Rehab (split-funded) - \$6,382,000
  - DERM & EPA Consent Decree - \$2,800,000
  - Public Works Warehouse & Shops LED Lights Retrofit - \$74,000
  - Public Works Yard Warehouse LED Lights Retrofit - \$90,000
  - Public Works Yard Exterior Lights Renewal - \$112,000
  - Public Works Yard Restroom Exhaust System Renewal - \$26,000
- **Water & Sewer Bond, Impact Fees and 2006 Gulf Breeze Bond Funds**
  - Wastewater Manhole Rehabilitation (split-funded) - \$575,338
- **Stormwater Bond Funds**
  - West Avenue Phase II - \$5,564,869 funding swap with no change to total budget
- **Sanitation Operating & Capital Fund**
  - Electro Wave Roof Repairs (split-funded) - \$17,000
  - Fleet / Sanitation Roof Drain, Internal Gutters & Soffit Repairs (split-funded) - \$143,000
  - 17<sup>th</sup> Street Garage Expansion & Upgrade of the Sanitation Restrooms - \$536,000
- **Convention Center Renewal & Replacement Fund**
  - Convention Center 40 Year Recertification Repairs - \$1,586,000
  - Convention Center Exhibit Halls Fire Strobe - \$300,000
  - Additional Fire Pump Installation - \$250,000
  - Convention Center Additional Security Cameras - \$350,000
  - Convention Center Exhibit Hall Lights - \$60,000
  - Convention Center Electrical Switch Gear and Bus Duct Testing - \$300,000
  - Convention Center Cooling Tower Roof Replacement - \$250,000
  - Convention Center Vibration Isolators - \$100,000
- **Anchor Garage Fund**
  - 16<sup>th</sup> Street Parking Garage Ventilation Fan Replacements in Mechanical Rooms - \$52,000
  - 16<sup>th</sup> Street Parking Garage Elevator Lobby Refurbishment - \$37,000
  - 16<sup>th</sup> Street Parking Garage Custodial & Storage Area Across from Office - \$43,000
  - 16<sup>th</sup> Street Garage Building Joint Replacement - \$36,000
  - 16<sup>th</sup> Street Garage Plumbing System Update - \$75,000
- **Penn Garage Fund**
  - Penn Garage-Fire Alarm System - \$35,000
  - Penn Garage-Fire Pump Replacement - \$100,000
  - Penn Garage-Fire Sprinkler Renewal - \$300,000
- **Parking Bond Funds**
  - 5th & Alton CCTV Upgrades (split-funded) - \$54,405
  - Sunset Harbour Garage Sprinkler (split-funded) - \$172,234
- **Parking Operating & Capital Fund**
  - 1755 Garage Fire Pump Replacement - \$100,000
  - Sunset Harbour Garage Fire Pump - \$100,000
  - Sunset Harbour Garage Sprinkler (split-funded) - \$127,766
  - 1755 Meridian Garage Fire Sprinkler - \$300,000

- 12<sup>th</sup> Street Garage-Stairwell Door - \$32,000
- 12<sup>th</sup> Street Garage-Stairwell Railing - \$25,000
- 12<sup>th</sup> Street Overhead Gate Renewal - \$62,000
- 17<sup>th</sup> Street Garage-Plumbing System Update - \$75,000
- 42<sup>nd</sup> Street Garage-Plumbing System Update - \$75,000
- Citywide Parking Lots Improvements - \$150,000
- Sunset Harbour Garage-Traffic Coating - \$303,000
- 5<sup>th</sup> & Alton Roof Deck Waterproofing - \$920,000
- 5<sup>th</sup> & Alton CCTV Upgrades (split-funded) - \$15,000
- 5<sup>th</sup> & Alton Elevator/Escalator Replacements - \$207,000
- 12<sup>th</sup> Street Parking Garage Emergency Lighting Renewal - \$51,000
- 12<sup>th</sup> Street Parking Garage 1st Floor Drainage Replacement - \$55,000
- 12<sup>th</sup> Street Parking Garage Expansion Joint Replacement - \$56,000
- 13<sup>th</sup> Street Parking Garage Art Deco Element Renewal - \$43,000
- 13<sup>th</sup> Street Parking Garage Structural Review/Record Drawings - \$33,000
- 17<sup>th</sup> Street Parking Garage Led Lighting Renewal - \$342,000
- 42<sup>nd</sup> Street Parking Garage Remodel of Men's Bathroom - \$69,000
- Sunset Harbor Parking Garage Trench Drain Renewal - \$37,000
- Sunset Harbor Parking Garage Drainage Improvement - \$37,000
- Convention Center Garage Structural Assessment - \$30,000
- 17<sup>th</sup> Street Parking Garage Stairwell Coating & Tread Step Replacement - \$303,000
- 17<sup>th</sup> Street Parking Garage Decorative Railing on Top Deck - \$52,000
- 17<sup>th</sup> Street Parking Garage Entrance / Exit Gate Renewal - \$28,000
- 1755 Meridian Ave Garage Elevator Floors Replacement - \$47,000
- 42<sup>nd</sup> Street Parking Garage Renewal Parking Enforcement Storage Area - \$43,000
- 12<sup>th</sup> Street Parking Garage Office Renewal - \$51,000
- 42<sup>nd</sup> Street Parking Garage Gate Replacement - \$34,000
- **Fleet Management Fund**
  - FY 2023 Vehicle/Equipment Replacement - \$7,279,000
  - Fleet Mechanical Shops Air Flow Circulation System Renewal - \$153,000
  - Fleet / Sanitation Roof Drain, Internal Gutters & Soffit Repairs (split-funded) - \$143,000
  - Electro Wave Roof Repairs (split-funded) - \$17,000
  - Fleet Warehouse Space Management & Shelving - \$244,000
- **Facilities Management Fund**
  - Facility Management Chiller Renewal - \$147,000
  - Facility Management Exterior Waterproofing and Paint Renewal - \$140,000

### **APPROACH TO ADDRESS CAPITAL PROJECT GAPS**

The Administration's approach during this year's capital budget development is to fund only critical renewal and replacement projects, as recommended by the Facilities and Fleet department, and to delay funding many new projects, in an attempt to set aside funding to close the gaps on key existing projects. The following strategies outline further funding opportunities, which provide additional options to close these gaps.

### **FY 2022 Projected General Fund and Resort Tax Fund Excess Reserves - \$15.0 million**

In the second quarter projections for FY 2022, which were provided in a Letter to Commission (LTC# 210-2022) dated May 26, 2022, the Administration recommended that the projected General Fund year-end surplus of \$13.5 million be set aside and/or allocated for the following:

- 1) \$5.9 million to reach the General Fund Reserve policy target amount of 3 months, or 25%, adopted by Resolution No. 2019-30954

- 2) \$7.6 million to fund anticipated Capital Project gaps; \$3.0 million of which is recommended to be used to fund urgent capital needs in FY 2023.

General Fund	\$
Q2 Projected Reserve	\$96.1M
General Fund Reserve Policy (3 months)	\$88.5M
<b>Above/(Below) Policy Goal</b>	<b>\$7.6M</b>

Similarly, the Administration recommends that the projected Resort Tax year-end surplus of \$15.3 million be set aside and/or allocated for the following:

- 1) \$3.2 million for FY 2023 Spring Break Programming, which will be discussed more in detail during the development of the FY 2023 budget
- 2) \$5.5 million to reach the Resort Tax Reserve policy target amount of 6 months, or 50%, adopted by Resolution No. 2019-30664
- 3) \$6.6 million to fund anticipated Capital Project gaps

In addition, based on Resort Tax revenues collected subsequent to completion of the second quarter analysis, the projected Resort Tax year-end surplus has increased by \$3.8 million. The Administration recommends adding this amount to the set-aside for capital projects.

Resort Tax Fund	\$
Q2 Projected Reserve	\$38.4M
Additional Revenue Since Q2 (April & May)	\$3.8M
2% Resort Tax Reserve Policy (6 months)	\$28.6M
Spring Break Programming – Set Aside	(\$3.2M)
<b>Above/(Below) Policy Goal</b>	<b>\$10.4M</b>

The total recommended set aside from the General Fund and Resort Tax fund totals \$15.0 million

#### **Unallocated Quality of Life Funds (Tourism related) - \$6.3 million**

Based on the projects recommended to be funded using the Quality of Life funds, the remaining unallocated amounts total \$6.3 million.

- North Beach - \$2.5 million
- Mid Beach - \$1.4 million
- South Beach - \$2.4 million

#### **Other**

Other potential funding opportunities include:

- The sale of 2 vacant parcels identified by Facilities Management and CBRE's asset inventory study - **\$6.1 million**

- Seagull Hotel Street Vacation - **\$7.4 million** - these funds will become available, as contractually outlined, post litigation
- Lincoln Lane Class A Office Space - **\$4.5 million** (timing varies)
- Current NB Library Site: **TBD** pending RFP (subject to referendum)
- Transportation Capital Initiative Project - **\$36.1 million**; currently earmarked for transportation initiatives

## **CONCLUSION**

The funding recommendations in the preliminary FY 2023 Capital Budget are based primarily on critical capital renewal and replacement needs. The City administration recommends the proposed FY 2023 capital projects, and will continue to monitor the capital project bids, as they are received, with a goal toward proposing options to close funding gaps. The final FY 2023 Capital Budget and FY 2023-2027 Capital Improvement Plan will be adopted at the second public hearing on September 28, 2022.

ATH/JW/TOS

Attachment A – Preliminary FY 2023 Capital Budget and FY 2023-2027 Capital Improvement Plan  
Prioritization by Funding Source