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## COMMITTEE MEMORANDUM

TO: Members of the Finance and Economic Resiliency Committee

FROM: Alina T. Hudak, City Manager

DATE: April 21, 2023

SUBJECT: Review Capital Projects Requiring Additional Funds

### **BACKGROUND**

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.

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.

### **Capital Budget Prioritization**

The City's CIP and Capital Budget development process begins in the Fall 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.

Beginning in January, the Office of Management and Budget has been hosting bi-weekly 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.



It is important to note that the City's adopted FY 2023-FY 2027 CIP identified a total of approximately \$1.6 billion in unfunded capital project needs over the next five years. Further, based on the City's adopted financial policies regarding the Capital Reserve Fund and Capital Funding (below), we are recommending that new projects be evaluated through the FY 2024 budget process.

- Resolution 2002-24764 requires that at least 50% of annual General Fund revenues in excess of expenditures be transferred to the Capital Reserve Fund.
- Resolution 2006-26341 established a goal of funding at least 5% of the General Fund budget for capital needs. In recent years, this policy has not been met. In FY 2023, approximately 1.5% (\$6 million) of the budget was transferred to Capital Reserve and Pay-as-you-go to fund Capital needs. Had this been funded at the recommended 5%, the transfer should have totaled approximately \$19 million.
- Resolution 2006-26341 requires that one-time revenues shall be used for capital expenditures or one-time expenditures, rather than funding recurring programs.

In addition, there have been a number of priority initiatives identified by the Commission and staff that will have significant funding impacts.

### **ANALYSIS**

The Administration is currently in the process of refining all the capital funding requests from all City departments and plans to present an update on major projects requiring additional funding at the Commission Budget Retreat on May 11, 2023. Subsequently, the entire Capital Plan will be discussed in detail at the upcoming Finance and Economic Resiliency Committee Budget meetings, beginning June 23, 2023.

Concurrent with the review of available projects needing capital funding, the Administration reviews and refines estimates of available funding based on the City's financial statements as of September 30 of the prior year. At the close of the fiscal year ending September 30, 2022, prior to the development of financial statements, the City had an estimated \$16.7 million available in Pay-as-you-go capital funds, Capital Reserve and Resort tax quality of life capital funds.

From this amount, \$9.2 million was appropriated for the Bayshore Park project (in addition to \$4 million from Stormwater bonds), leaving \$7.5 million in available funding. Of this amount, \$2.5 million are Resort Tax Quality of Life capital funds restricted to North beach, leaving a balance of \$5 million generally available. This estimate will be refined once the audited financial statement for the fiscal year ending September 30, 2022 is available.

At this early stage of the budget development process, we have identified several existing projects in the CIP that require additional funding, primarily resulting from a combination of cost escalation and increased project scope. Some of these major projects include, but are not limited to:

G.O. Bond Projects

- Fire Station #1
- Police Headquarters
- Skate Park

Utility Fund Projects

- West Avenue Phase III
- First Street
- Convention Center Lincoln Road Connector
- North Shore Town Center

Other

- Citywide Bridges

It is important to note that this is not an exhaustive list of capital needs, both for FY 2024 and beyond. There are several other projects that are being evaluated for further discussion, beginning in May.

A comprehensive analysis of funding needs and available funds will be presented in May and again at the Finance and Economic Resiliency Committee Budget meetings, as this allows for prioritization of funding for capital projects from a holistic perspective.

**CONCLUSION**

While there may be funding needs for existing capital projects that need to be addressed in a timely manner to ensure these projects keep moving forward, I recommend that all other project needs be evaluated and prioritized from the holistic perspective that the planned retreat and capital budget briefings provide.

ATH/KGB/JG/TOS