

COMMITTEE MEMORANDUM

TO: Members of the Finance and Economic Resiliency Committee

FROM: Alina T. Hudak, City Manager

DATE: June 29, 2023

SUBJECT: Fiscal Year 2024 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) 2024-2028 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:

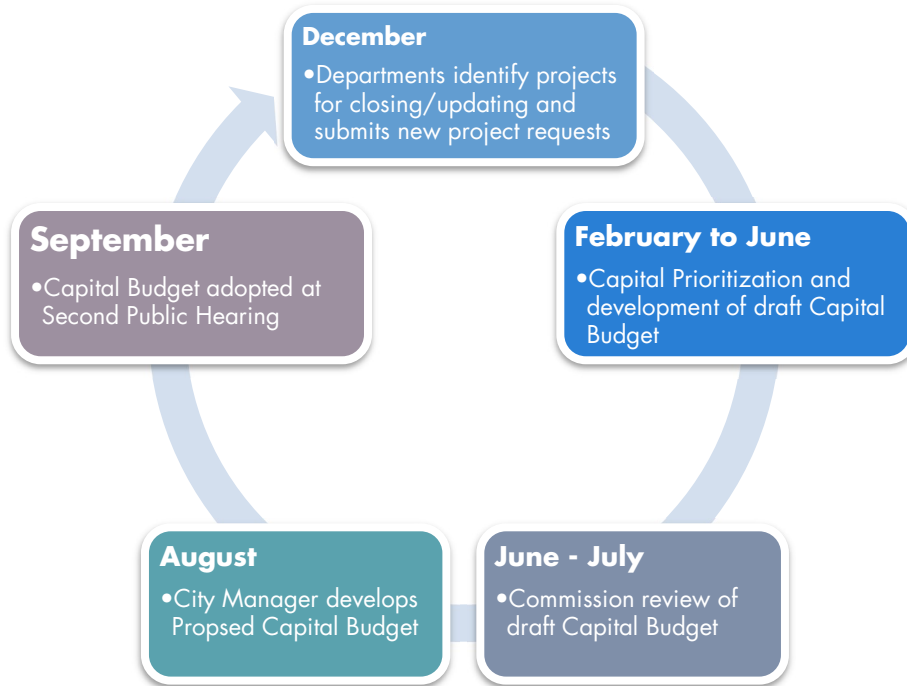
- Serves as a source of information about the City's physical development and capital expenditures to the citizens, City Commission and administration, private investors, funding agencies, and financial institutions
- Provides a mechanism that applies uniformity and consistency in the evaluation of projects 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 Winter 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 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.



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 preliminary FY 2024 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 table below summarizes the requests not recommended for funding in the FY 2024 Capital Budget, for a total of approximately \$49.6 million:

Fund	Requested \$	Recommended \$	Unfunded \$
Renewal & Replacement	4,868,312	2,025,000	2,843,312
Quality of Life	10,929,906	5,902,380	5,027,526
Pay As You Go (PAYGO)	39,568,702	20,092,423	19,476,279
Water & Sewer	49,604,396	28,686,996	20,917,400*
Other	55,258,991	53,925,991	1,333,000
Total	\$160,230,307	\$110,632,790	\$49,597,517

* As discussed at the May 11, 2023 Commission Budget Workshop, the Water & Sewer funding gap will need to be addressed through a bond issuance in late FY 2024.

APPROACH TO ADDRESS CAPITAL PROJECT GAPS

The Administration’s approach during this year’s capital budget development process is to fund all critical renewal and replacement projects, as recommended by the Facilities and Fleet Management department, to fund as many key existing projects with budget gaps, and to allocate matching funds for projects that are eligible for potential grants.

FY 2023 Projected General Fund and Resort Tax Fund Surplus

In the second quarter projections for FY 2023, which were provided in a Letter to Commission (LTC# 243-2023) dated May 23, 2023, the Administration recommended that the projected available General Fund and Resort Tax year-end surplus be set aside for evaluation through the FY 2024 budget process.

It is recommended that the following projected FY 2023 year-end surplus amounts totaling \$12,950,819 be transferred to the Pay-As-You-Go (PAYGO) Fund, in order to allow for the funding of as many critical capital projects in FY 2024:

1. Resort Tax FY 2023 Q2 projected surplus (through a transfer to the General Fund) - \$6,668,000
2. General Fund available FY 2023 Q2 projected surplus - \$4,980,000

In addition, it is recommended that the \$1,255,819 Resort Tax FY 2022 year-end surplus in excess of the 6-month reserve also be transferred to the PAYGO fund.

Finally, it is recommended that \$47,000, which was previously set aside in the General Fund for improvements to the Palm View Historic District, as approved in Resolution 99-23396, also be transferred to the PAYGO fund, to be allocated to a traffic calming project within the Palm View Neighborhood.

Recommended Transfer to PAYGO	\$
Resort Tax Fund FY 2023 Projected Surplus (through the General Fund)	6,668,000
General Fund FY 2023 Projected Surplus	4,980,000
Resort Tax FY 2022 Year-End Surplus (in excess of 6-month Reserve)	1,255,819
Funding Set Aside for Palm View Historic District (in the General Fund Balance - Resolution 99-23396)	47,000
Total	\$12,950,819

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.

The current dedicated millage of 0.0499 mills (as of FY 2023) is estimated to generate \$2,141,000 for the General Fund Capital Renewal and Replacement Fund based on a preliminary 10.4 percent increase in property values. This reflects a \$197,000 increase in CRR dollars available for capital projects from last year, based on the preliminary property values which were received from the Property Appraiser on June 1st. This estimated revenue will be updated following the distribution of the Certified Taxable Values that will be provided by the Miami-Dade County Property Appraiser on July 1, 2023.

In FY 2024, \$2,255,419 is available for General Fund renewal and replacement projects, as compared to \$4,868,312 requested for new and existing projects. Nine (9) projects totaling \$2,025,000 are recommended.

The recommended General Fund Renewal and Replacement projects for FY 2024 are listed below.

- Historic City Hall 90-Yr Recertification - \$1,000,000
- City Hall 40-Yr Structural Recertification - \$100,000

- Classroom Building Kitty Campus 40-Yr Recertification - \$150,000
- 344 Alton Road 30-Yr Recertification (Miami Beach Marina) - \$150,000
- Citywide Building Recertification Effort - \$200,000
- Normandy Isle Park and Pool Hurricane Impact Door and Windows - \$150,000
- Rebuild Historic Jetty Lifeguard Tower - \$150,000
- Historic City Hall Roof Access Ladder - \$100,000
- Historic City Hall Elevator - \$25,000

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 Redevelopment Agency (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 recommended, and the City Commission 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. These allocations have remained the same since FY 2019.

Based on the projected FY 2024 Resort Tax revenues, it is estimated that the dollars available to each of these funds will increase over last year as outlined below.

	FY 2023 Budget	FY 2024 Budget	Variance	% Variance
North Beach Quality of Life	1,737,000	1,917,000	180,000	10.4%
Mid Beach Quality of Life	1,737,000	1,917,000	180,000	10.4%
South Beach Quality of Life	1,737,000	1,917,000	180,000	10.4%

For FY 2024, the preliminary capital projects recommended for funding are listed below.

Quality of Life – North Beach

- Shane Rowing Center 40-Year Certification – \$200,000

- Entrance Signs to North Beach - \$1,359,050
- North Beach Row Landscaping - \$312,613
- Smart Lighting Master Plan (split-funded) - \$400,000
- Painting & Lighting of Bridges – (\$1,546,210) – project defunded and merged with 71st Street Bridge Bike Lanes & Enhancements project
- Security Camera Beachwalk (63rd – 79th Street) - \$1,295,500

Quality of Life – Mid Beach

- MB Golf Club Painting (all facilities) (fka MB Golf Clubhouse Painting) - \$90,000
- Security Camera Beachwalk (46th – 63rd Street) - \$1,816,000

Quality of Life – South Beach

- Botanical Gardens 60-Year Certification - \$100,000
- Bass Museum 40-Year Recertification - \$150,000
- 10th Street Auditorium Entrance Drainage - \$250,000
- South Pointe Park Lighting - \$244,889
- Police Headquarters Facility (additional funding for GOB project #48) (split-funded) - \$1,230,538

By funding the projects above, the total unallocated Quality of Life Funds total \$3.3 million, which is recommended to be set aside to fund unfunded project needs in future years.

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. For FY 2023, the millage rate of 0.1020 was estimated to generate \$3,974,000. Based on the June 1st Preliminary property values, the estimated FY 2024 revenue is \$4,377,000. This reflects a \$403,000 increase in PAYGO dollars available for capital from the previous year. This estimated revenue will be updated following the distribution of the Certified Taxable Values that will be provided by the Miami-Dade County Property Appraiser on July 1, 2023.

As recommended above, the PAYGO available dollars for FY 2024 include the following:

1. General Fund available FY 2023 Q2 projected surplus - \$4,980,000
2. Resort Tax FY 2023 Q2 projected surplus - \$6,668,000
3. Resort Tax FY 2022 year-end surplus in excess of the 6-month reserve - \$1,255,819
4. Funding set-aside in the General Fund for improvements to the Palm View Historic District as approved in Resolution 99-23396 - \$47,000

After incorporating these funds above totaling \$17,327,819, as well as the \$2,764,604 in available PAYGO funds from prior years, the total available for General Fund PAYGO projects is \$20,092,423, as compared to \$39,568,702 requested for new and existing projects. Twenty projects totaling \$20,092,423 are recommended.

For FY 2024, the preliminary capital projects recommended for funding are listed below.

- Police Headquarters Facility (additional funding for GOB project) (split-funded) - \$3,269,462
- Beachwalk Bollards Citywide - \$1,700,000
- City Hall-Generator Replacement - \$500,000
- MBPD Garage Flood Mitigation Improvements (Grant Match) - \$504,000
- Electric Vehicle Charging Stations - \$156,482
- City Hall Switch Gear Replacement - \$900,000
- Citywide Bonded Aggregate (fka Restorative Tree Well Citywide) - \$350,000
- Citywide Bridges - \$600,000
- FDOT Utilities Relocation - \$250,000
- Fairway Park Improvements (soccer field component) - \$1,500,000
- Miami Beach Golf Course Renovation - \$1,000,000
- Polo Park Lighting & Soccer Field - (\$253,000) – project completed with savings
- North Shore Park Youth Center Restrooms - \$312,000
- West - Palm Island Undergrounding - \$1,665,879 – to be reimbursed by the residents
- Fire Station #1 (Grant Match) - \$2,450,600
- Park View Neighborhood Traffic Calming - \$47,000
- Flamingo Park Soccer Field Turf - \$300,000
- Soil Remediation – Miami Beach Golf Club and Bayshore Park - \$2,150,000
- Parkview Water Quality Improvement - \$2,000,000
- Brittany Bay Park CCTV - \$350,000
- North Beach Oceanside Park CCTV - \$340,000

OTHER FUNDING SOURCES

The preliminary FY 2024 Capital Budget also recommends the following projects from various funding sources as shown below.

- **Transportation Fund**
 - Bicycle Lanes/Shared Use Path Improvements - \$2,765,450
 - Bayshore Neighborhood Traffic Calming 1a - \$1,257,926
 - Normandy Isle Neighborhood Traffic Calming - \$1,822,698
 - Miami Beach Senior High School Pedestrian Enhancements - \$1,388,004
 - South Beach Trolley Transit Electrification (Grant Match) (split-funded) - \$1,600,000
 - 71st Street Bridge Bike Lanes & Enhancements - \$1,546,210
 - South Beach Pedestrian Zones - \$832,902
 - Meridian Avenue & Lincoln Lane Crossing - \$14,000
 - La Gorce / Pine Tree Dr Bike Lanes - \$1,672,050
 - Raised Crosswalks and Intersections - \$124,000
 - 6th Street Neighborhood Greenway - \$525,000
 - Orchard Park Traffic Calming - \$118,424
 - Miami Beach Senior High Pickup/ Drop-Off Lane - \$600,000
- **Resiliency Fund**
 - West Avenue Phase II - \$(859,000) - reduction in funding based on updated funding needs (project is fully funded)
 - West Avenue Phase III (Grant Match) (split-funded) - \$5,859,000

- **7th Street Garage Fund**
 - 7th St Parking Garage Fire Alarm Replacement at Retail Spaces - \$50,000
 - 7th St Parking Garage 40-Year Certification - \$400,000
 - 7th St Garage Elevator Cab Finishes - \$91,500
 - 7th St Garage-Landscaping - \$120,000
 - 7th St Garage-Superstructure Renewal - \$1,200,000

- **RDA South Pointe Operations Fund**
 - South of Fifth Neighborhood Traffic Calming (split-funded) – merged projects – no change to overall budget

- **Transportation Trust Fund**
 - South Beach Trolley Transit Electrification (Grant Match) (split-funded) - \$1,000,000

- **City Center RDA Capital Fund**
 - Collins Park Ancillary/Liberty Avenue North Improvements - \$784,621

- **South Pointe Capital Fund**
 - South of Fifth Neighborhood Traffic Calming (split-funded) – merged projects – no change to overall budget

- **Building Fund**
 - North Beach property purchase - \$650,000

- **Water & Sewer Operating & Capital Fund**
 - FDOT Utilities Relocation (split-funded) - \$2,363,066
 - Waste Water Stations Rehabilitation (split-funded) - \$463,182
 - DERM & EPA Consent Decree- \$2,800,000
 - Water & Wastewater Mains and Rehab (split-funded) - \$11,119,491
 - North Bay Road and Lakeview Sewer Collection Upgrades (split-funded) - \$2,100,000
 - Convention Center Lincoln Road Connector (split-funded) - \$5,423,345
 - 17th Street Improvements Phase I (split-funded) - \$800,000
 - Public Works Loading Dock Improvements - \$25,000
 - Public Works Facility Exterior – (\$25,000) – funding released, as no longer needed

- **Water & Sewer Bond, Impact Fees and 2006 Gulf Breeze Bond Funds**
 - FDOT Utilities Relocation (split-funded) - \$5,111,934
 - West Avenue Phase II (split-funded) – (\$141,000) - reduction in funding based on updated funding needs (project is fully funded)
 - West Avenue Phase III (Grant Match)(split-funded) - \$141,000
 - Water & Wastewater Mains and Rehab (split-funded) - \$3,505,978
 - Water Meter Replacement Program - \$ (5,000,000 - funding released, as no longer needed

- **Stormwater Bond Funds**
 - West Avenue Phase II (split-funded) - \$ (4,000,000) - reduction in funding based on updated funding needs (project is fully funded)
 - West Avenue Phase III (Grant Match) (split-funded) - \$4,000,000
 - Convention Center Lincoln Road Connector (split-funded) - \$795,436

- **Stormwater Operating & Capital Funds**
 - West Avenue Phase III (Grant Match)(split-funded) - \$8,358,522
 - Temporary Stormwater Pump System Water Quality Improvements - \$1,300,000

- Stormwater Pump Station Culvert - \$1,250,000
- Nuisance Flooding Mitigation - \$200,000
- 17th Street Improvements Phase I (split-funded) - \$1,200,000
- Stormwater Critical Needs (fka Citywide Interim Flood Solutions) (split-funded) - \$3,000,000
- Convention Center Lincoln Road Connector (split-funded) - \$133,762
- Shane Watersport Seawall - \$1,496,777

- **Sanitation Operating & Capital Fund**
 - Fleet / Sanitation Fire Alarm System - \$100,000

- **Convention Center Operating Fund**
 - CC Paint All Rooms - Front & Back of House - \$2,000,000
 - CC Collins Canal Park Lighting Upgrades/Enhancements- \$200,000
 - CC Parking Deck Flexible Seal (split-funded) - \$291,486
 - CC UPS for Tr Rooms - \$100,000
 - CC Pride Park Landscape - \$250,000
 - CC Rum Room & Venue - \$70,000
 - CC Digital Signage, Office Workstations/Hardware - \$154,800

- **Convention Center Renewal & Replacement Fund**
 - Conv. Ctr Parking Deck Cracks Repair (split-funded) - \$1,161,617
 - LED Walls (various locations) - \$1,500,000
 - MBCC Cooling Tower Roof Replacement - \$250,000
 - Replace East Side Boiler and Holding Tanks - \$250,000
 - AV System Amplifier Power Rewiring - \$27,000
 - AV System Redundant Hardware - \$35,000
 - AV System Network Wiring Redundancy - \$40,000
 - CC Drive Landscape: Plant Material Replacement/Addition - \$200,000
 - MBCC Wireless Network Repairing/Correcting - \$500,000
 - Exterior Elevator Shafts French Cleats - \$750,000

- **Anchor Garage Fund**
 - 16th St. Parking Garage Rooftop Air Unit - \$96,768
 - 16th St. Parking Garage AC Condensing Unit - \$87,840
 - 16th St. Garage Replacement of Ventilation Fans on Mechanical Rooms - \$80,000
 - 16th St. Garage Lobby - Floor and Lighting Replacement - \$100,000
 - 16th St. Garage-Exterior Renewal - \$400,000

- **Parking Bond Funds**
 - CC Parking Deck Expansion Joints- \$300,000
 - CC Parking Deck Flexible Seal (split-funded) - \$408,514
 - Conv. Ctr. Parking Deck Cracks Repair (split-funded) - \$238,383

- **Parking Operating & Capital Fund**
 - 13th Street Garage 40 Year Certification - \$300,000
 - 17th Street Garage Generator Replacement - \$25,000
 - 42nd Street Garage Generator - \$50,000
 - 12th Street Parking Garage 40-Year Certification - \$250,000
 - 42nd Street Garage Fire Sprinkler (Dispatch Office) - \$40,000
 - 12th Street Parking Garage Emergency Lights - \$42,301
 - 17th Street Garage Exterior Coating - \$300,000
 - Citywide Parking Lots Improvements - \$300,000

- 42nd Street Parking Garage Drainage - \$120,000
- 5th & Alton Elevators/Escalators - \$207,000

- **Fleet Management Fund**
 - Fleet Management Stairs Restoration - \$135,000
 - Fleet Facility Gate - \$100,000
 - FY 2024 Vehicle/Equipment Replacement - \$8,497,000
 - FY 2022 Vehicle/Equipment Replacement - \$(5,135,759) – Funding no longer needed
 - FY 2021 Vehicle/Equipment Replacement - \$(2,219,000) – Funding no longer needed

- **Facilities Management Fund**
 - Facility Management Air Compressor - \$25,760

CONCLUSION

The Administration’s approach during this year’s capital budget development process is to fund all critical renewal and replacement projects, as recommended by the Facilities and Fleet Management department, to fund as many key existing projects with budget gaps, and to allocate matching funds for projects that are eligible for potential grants.

In September, two public hearings will be held per the State of Florida’s TRIM requirements. The first public hearing currently scheduled on September 13, 2023 will be to adopt the tentative FY 2024 Capital Budget and FY 2024-2028 Capital Improvement Plan. The second public hearing currently scheduled on September 27, 2023 will be to adopt the final FY 2024 Capital Budget and FY 2024-2028 Capital Improvement Plan. Both public hearings will be held in the City’s Commission Chambers at 1700 Convention Drive, 3rd Floor, Miami Beach, Florida 33139.

ATH/JG/TOS

Attachment A – Preliminary FY 2024 Capital Budget and FY 2024-2028 Capital Improvement Plan
Prioritization by Funding Source