



STAFF REPORT

CITY OF GREEN COVE SPRINGS, FLORIDA

TO: City Council Special Session. **MEETING DATE:** May 16, 2023
FROM: Mike Null, Assistant City Manager
SUBJECT: City Council discussion and direction regarding modification to schedule and budget for current general fund CIP projects. *Mike Null*

BACKGROUND

Due to the current economic and employment state of the local, state and federal economy, construction projects are costing 50 to 100 percent, or more, above anticipated budgets that were developed just 1 or 2 years ago. This, coupled with continuing supply chain issues, has created some challenges for city staff when it comes to designing and constructing capital projects. Some of these projects have been on the books for several years. Most of the ones you are being asked to consider this evening also have grant funds attached to them. Unfortunately, many of these grant funds were requested based on pre-covid and pre-inflation cost estimates.

This discussion will focus on projects that are funded by the general fund. The general fund has very limited revenue streams, and many of these streams are restricted as to how they can be spent. In many cases, these capital projects could not happen without grant funding. While staff has been successful in securing grants for many of these projects, it can take 1 to 2 years from the time a grant application is submitted and the time we are finally able to expend funds. As mentioned above, with the supply-chain and other economic challenges we have faced over the last 2 years, project costs have doubled while the grant amounts have remained fixed. The result is the City must now provide 200% more funding than originally anticipated just to complete the same project.

Following is a discussion of the current projects that are “on the board” in the general fund, which are also shown in a matrix on the attached spreadsheet:

- Highland Ave Sidewalks – This is one of three components of a \$700,000 CDBG grant that was awarded in August 2021. Due to the steps associated with CDBG grants, we were not able to expend funds until December 2022. This project has a budget of \$266,000. The design cost is \$53,000. At 30% design, the construction cost estimate was near \$1,000,000. Staff worked with the engineer to reduce the scope of the project to bring the estimate down to \$500,000 while still satisfying the goal of the grant. As it stands now, this project is anticipated to have a deficit of \$287,000.
- VFH Park Playground Cover – This is the second of three components of the same CDBG grant. The budget for this portion of the grant is \$73,000 and is anticipated to be completed within budget.
- Cafetorium Rehab – This is a different CDBG grant project. The \$1,397,600 grant was secured under a special “Coronavirus” cycle of the CDBG program. This is a two-step grant that will

require architectural design followed by construction. The design RFQ has been issued twice, once in 2021 and again this April, with no proposals received either time. Staff has no new information regarding the potential cost of this project but anticipates that it can be completed within the budget, even if the overall scope needs to be modified. If we are unsuccessful in securing an architect, then staff will need to have discussions with the state (DEO) about advertising this as a design-bid project, a process with which the state is unfamiliar.

- PW Compound – There are two phases to this project that are currently in play. As mentioned when the Phase II contract was awarded, it included several pieces of Phase III. The remaining components that have not been awarded are a new covered equipment storage area and the conversion of the existing metal equipment storage building into the new equipment maintenance shop. As this is really the only project that does not have grant funding tied to it, staff is recommending that the remaining budgeted Phase III funds of \$1,109,550 be used to offset the cumulative deficits of the other current general fund projects.
- Walnut Street Improvements – This project is being funded through a combination of surtax, gas tax, ARPA and grant funding. The current budget is \$1,725,000. The engineering costs combined with the engineer’s estimate of probable cost total \$3,459,440. This leaves a deficit on this project of \$1,734,440. There have been several rounds of value-engineering that have reduced the estimate to where it stands now and that have resulted in several months of delay. The project was advertised for bid on May 5, 2023 and bids are due back June 6, 2023. Staff anticipates a recommendation for award at the June 20, 2023 City Council Meeting.
- Public Safety Boat Dock – This project has a \$400,000 budget, of which \$300,000 was funded by a Legislative Line Item appropriation. Permitting has been ongoing for well over 14 months. This timeline has just been extended by at least another 4 months due to modifications to the project in response to concerns from nearby property owners. Design is complete. The boat has been ordered, received and paid for. This leaves approximately \$195,000 in the project budget. The dock construction is estimated at \$600,000, resulting in an anticipated \$400,000 deficit for this project.
- City Hall Generator – This is a \$150,000 project with a \$64,131.90 HMGP grant portion. Staff received notice that it was being funded two weeks ago and are awaiting a grant agreement. At this point, we still feel that we can construct this project within the approved budget amount.
- Street Resurfacing – Each year, the City allocates \$200,000 in gas tax to resurfacing streets. This year, \$63,000 has been expended, leaving a balance of \$137,000. It is staff’s recommendation that this remaining balance be made available to offset the cumulative deficit of these projects.

Cumulatively, these projects represent a budget deficit of \$2,421,400. If Council approves staff’s recommendation to re-allocate the unspent funds for the Public Works Compound and the FY23 Resurfacing program, then this deficit is reduced to \$1,174,890. In the absence of any new outside funding sources and based on cash flow and timing of these projects, staff has identified the following potential funding sources to fund the deficit:

- Current Reserves:
 - There is \$967 available in the gas tax reserve.
 - There is \$1,088,034 available in the surtax reserve.
- FY 24 Anticipated Funding:
 - The City should receive at least \$300,000 in gas tax funds next year.
 - The City should receive at least \$1,000,000 in surtax funds next year.

Most, if not all of these projects will continue beyond September 30, 2023 and into next fiscal year.

When cities return unspent grant funds to funding agencies, it can impact future grant awards. Since most of these projects have grant dollars attached, staff's desire is to complete all of the above-mentioned projects. Based on the information presented, staff is requesting direction from Council on how to address the anticipated deficits if all projects are to be completed.

Should Council decide to continue with all of these projects and utilize some of the available (current or future) funds to complete the projects, staff would not recommend any new large general fund CIP projects for the FY 24 budget year with the exception of any grants that have already been applied for that are funded. Some projects that would be pushed out to future years would include Downtown Festival Parking on Magnolia Avenue, Public Works Compound Phases III and IV, and Completion of the extended City Pier.

FISCAL IMPACT

Dependent upon City Council Direction.

RECOMMENDATION

Dependent upon City Council Direction.