



# 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 stormwater fund CIP projects and stormwater fees for the FY 24 budget cycle.

*Mike Null*

### BACKGROUND

The purpose of this item is to discuss two different topics related to the City's stormwater utility. First is the list of current, active projects and the potential need to adjust budget and funding. Second is a discussion of stormwater utility fees and the potential need to adjust these fees moving forward.

First, we will address the current, active project list. 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. Both of the ones you are being asked to consider this evening also have grant funds attached to them. Unfortunately, these grant funds were requested based on pre-covid and pre-inflation cost estimates. The funds being generated by the stormwater utility rates are inadequate to construct these and future stormwater project, which we will discuss in more detail next. In many cases, these capital projects still 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 two current projects that are "on the board" in the stormwater fund, which are also shown in a matrix on the attached spreadsheet:

- West Street Stormwater Improvements – This is the third 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 \$1,018,431, of which \$333,341 is grant funding. The design and permitting cost was \$62,000. The project was bid and two bids were received in April of approximately \$2.2 and \$2.7 Million. Award of the project to the low bidder at \$2,176,936 will result in a deficit for this project of \$1,220,505.

- Bayard and Park St Stormwater Project – This project has a budget of \$425,000, of which \$318,750 is funded by a Legislative Line Item appropriation. The project was reviewed at 30% design and the estimated construction cost was approximately \$1,000,000. In working with the engineer and value-engineering, the current engineer’s estimate of probable cost is \$657,513. The design fee is \$83,696. Presently, there is a deficit of \$316,209 projected for this project. The cost of this project was also increased by damage resulting from Hurricanes Ian and Nicole, which both battered the shoreline at the Bayard Street outfall after the grant was awarded.

Together, these two projects represent a budget deficit of \$1,536,714. 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:

- ARPA funds:
  - There is \$423,400 designated for construction of the Clay Street Project. The design of this project was recently awarded and staff estimates construction at \$2,000,000 based on other similar recent project estimates and bids.
  - There is \$755,000 in ARPA projects that have not yet started that could be reallocated to this project. These funds include:
    - \$200,000 for roadway extensions and affordable housing projects.
    - \$25,000 for a community garden.
    - \$100,000 for a façade grant program.
    - \$250,000 for a business growth program.
    - \$180,000 for a program coordinator.
- FY 24 Anticipated Funding:
  - The City should receive at least \$400,000 in stormwater user fees next year.

If all three of these funding sources are considered, they would offset the anticipated cumulative deficit and leave approximately \$41,000 available for FY 24. The stormwater fund has no reserves. These projects would both carry into FY 24, but no new projects could be budgeted. We would, however, have two projects fully designed and permitted, Julia Street and Clay Street. Having these projects designed and permitted puts the City in a better position to seek additional grants. Grants that the City is currently following and preparing applications for include HMGP funds from Hurricane Ian, SJRWMD cost-share funding and other resiliency funding opportunities. Staff also anticipates notification of HMGP funds from Hurricane Nicole soon and will pursue those funds as well.

Staff is seeking direction from Council on the two current and active projects in this fund.

Secondly, there is a need to discuss stormwater rates. There are two components of the stormwater utility rates; base fee and user fee. As evidenced above, the stormwater utility has been operating on a shoe-string budget since inception ten years ago. When the fund was started in 2012, the initial base fee was recommended at \$9.00 per month per parcel. The fee was adopted at \$3.00 and has had one subsequent increase to \$3.50 per month per parcel. The intent of the base fee was to cover personal services and operating costs of the utility. Since inception, this two-person department has been consistently supplemented by personnel from the street department and the parks department. The utility has been in dire need of a new Vac-Con truck for at least three years. As a result, they consistently use the wastewater department’s Vac-Con truck, which has significantly reduced the life

expectancy of the wastewater Vac-Con truck. The base fee should also be able to support an annual debt service payment of at least \$50,000 for a Vac-Con truck.

In the FY 23 budget, there was a transfer from fund balance of \$9,500 and a transfer from the general fund of \$5,000 just to balance the personal services and operating budgets. As mentioned above, there is no fund reserve. There are currently approximately 3,200 parcels that pay the base fee. To offset a repeat of these potential transfers in the FY 24 budget and to fund the debt service on a new Vac-Con truck, the base fee would need to be increased from \$3.50 to \$5.18 per month, or a 48% increase (\$1.68 per month). This increase would represent an increase of \$20.16 per parcel on the annual non-ad valorem stormwater assessment on the annual tax bill for each parcel.

The other component of the stormwater rate is the user fee. This fee is \$125 per year per single-family home. Other properties pay a user fee based on a multiplier. One Equivalent Stormwater Unit (ESU) is equal to 3,000 square feet. For a non-single-family parcel, the total square feet of impervious area is divided by 3,000 square feet to generate the multiplier (rounded to the nearest whole number). For example, if a commercial property has 9,000 square feet of impervious area, that number is divided by 3,000, yielding a multiplier of 3. Therefore, that property owner pays a stormwater user fee of \$125 x 3, or \$375 on their annual tax bill. This is in addition to the base fee of \$42 per year (\$3.50 x 12 months).

When the user fee was adopted in 2020, it was based on an annual capital need of \$750,000. The recommended annual ESU fee was \$250 but was adopted at \$125. This created an immediate anticipated shortfall of approximately \$400,000 per year. Since then, as discussed at the beginning of this report, construction costs have doubled. As evidenced by the West Street project discussed above, should Council move forward with the project using all available funding identified by staff, this one single project will have required a grant of \$333,341 plus most of the user fees collected from FY 21, FY 22, FY 23 and FY 24 to construct.

Attached to this staff report is a capital improvement plan that identifies an estimated need of \$13,500,000 over the next ten (10) years, an average of \$1,350,000 per year in today's dollars. This is almost double the need identified in the 2020 study. This means that at our current user rates of \$125 per ESU per year, we have a shortfall of \$1,000,000 per year for the next ten years. It would take an increase of \$375 per year to make up this difference. Staff realizes that it is unrealistic to make a request such as this of our residents and business owners and is not asking Council to implement such a rate hike. However, this information is presented for discussion as staff and Council need to formulate a plan moving forward to meet the capital improvement needs of the stormwater system.

Should Council direct staff to make adjustments to either the base fee or the user fee, the ordinance will need to be advertised and presented at the June 6 and June 20 Council meetings. This will allow the new rates to be adopted to meet the non-ad valorem assessment schedule to be included in the 2023 tax bills.

## FISCAL IMPACT

Dependent upon City Council Direction.

## RECOMMENDATION

Dependent upon City Council Direction.