

SECTION 11

CAPITAL IMPROVEMENTS

1. INTRODUCTION

The purpose of the Capital Improvement Element (CIE) is to implement the provisions of the City of Panama City Beach Comprehensive Plan by:

- A. Using timing and location of capital projects to provide services to support growth in areas where the City can efficiently and effectively provide services, and to avoid placement of capital facilities in locations that would promote growth in areas which cannot be efficiently served or which are designated as coastal high-hazard areas.
- B. Establishing a system of examining and assigning priorities to the needs of the City, thereby assuring that the most essential improvements are provided first;
- C. Coordinating the timing and location of capital improvements among City and County agencies as well as other local governments, special districts, and State agencies to maximize benefit from public expenditures, minimize disruption of services to the public and implement land use and infrastructure decisions;
- D. Allowing sufficient time in advance of actual need to allow for proper planning, design and construction;
- E. Coordinating financial planning, allowing maximum benefit from available public funds;
- F. Providing cost information on a timely basis for the evaluation and formulation of alternative financing programs;
- G. Providing a means for coordinating and consolidating various departmental requests, thereby preventing duplication of projects and equipment;
- H. Helping to provide an equitable distribution of public improvements throughout the City; and,
- I. Providing for a Concurrency Management System.

2. METHODOLOGY

This element includes a five-year program covering fiscal years 2019/2020 through 2023/2024. In some instances, the time frame is extended to better depict the long-range improvements to be constructed as part of the Front Beach Road Community Redevelopment Area Plan. The fiscal year 2019/2020 budget is considered the base year for projecting the requirements for the other five years of the CIE. Capital improvements required beyond fiscal year 2023/2024 are addressed in general in the Plan elements and will be specifically addressed in this element during the required updates.

The inventory of existing conditions is an assessment of the historic and current conditions and background of the City's current practices, capital programming and revenue sources.

The analysis section of this element consists of:

- A. Projections of capital and operating expenditures based on needs identified in the other elements;
- B. Recommendations to implement the goal, objectives, and polices and the levels of service as defined in the various elements.

3. EXISTING CONDITIONS

The City of Panama City Beach operates under a council-manager form of government and provides the following services as authorized by its charter: general government, public safety (police and fire), highways and streets, culture and recreation, and utility services.

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements for the primary government's governmental, proprietary and fiduciary funds are presented after the government-wide financial statements in the City's annual financial statements. The City's major governmental funds are the General Fund and the Community Redevelopment Fund. The General Fund accounts for the City's primary services (police, fire, public works, parks and recreation, etc.) and is the primary operating unit of the City. The Community Redevelopment Fund is used to account for the activities of the Front Beach Road and Pier Park community redevelopment areas. The City's non-major governmental funds are comprised of various Special Revenue Funds that are used to account for specific restricted sources of revenues. The City's enterprise funds are Proprietary Funds which are operated in a manner similar to private

business whereby the costs of providing services to the general public on a continuing basis are recovered through user charges. The major Proprietary Fund of the City is the Utility Fund which is used to account for the operations and activities related to the water and wastewater systems.

A three year comparison of the revenue and expenses were taken from the annual audits prepared by the City's Certified Public Accounting firm and are available on the City's Website <http://www.pcbgov.com/about-us/budgets-financial-statements>. The financial statements show the City's total revenues have continued to exceeded expenses for the last three years. Analysis of the total revenue generated between 2017 and 2019 shows that the 2019 revenue was up over 2018 by approximately 18.27 percent and the 2018 revenue was up over 2017 by approximately 2.2 percent.

The expenses for 19 were up over those of 2018 by almost 10.58 percent. The expenses for 2018 were up over .5 percent over those of 2017.

The City of Panama City Beach does not have ad valorem taxes, so it derives its revenue from other sources. The taxes that were received are broken down in the audit as follows: Gross Receipts Tax, Utility Tax, and Franchise Tax.

The gross receipts tax is a 1% tax levied on the merchants within the City limits. The utility tax is a 9.43% add on to all utility users. The franchise tax is a 3% tax levied against the gross receipts of all the utilities.

A. Capital Improvement Program Preparation and Adoption

Capital facilities and equipment are considered to be any governmental expenditures for the acquisition of land, or the construction and installation of facilities that are expected to be in service over a considerable period of time, usually more than one year. Capital improvements are relatively large-scale, non-recurring projects which may require multi-year financing. Major equipment, furniture, and fixtures necessary to make the facilities operational are also considered part of the capital budget.

Expenditures that meet the above criteria and are in excess of \$25,000 are included in the City's Capital Improvement Program (CIP). Examples of typical capital projects included in the CIP are: road construction and improvements; new and expanded physical facilities for the community; large-scale rehabilitation or replacement of existing facilities; purchase of equipment with a relatively long period of usefulness; engineering, design and architectural studies and services relative to the improvement and acquisition of land for a community facility.

Expenditures for renewal and replacement that extend the useful life of an asset beyond one year are included in the Capital Improvement Program. Examples include water main replacements and roof replacement. Expenditures for maintenance and repairs, and recurring expenditures for small capital items are included in the departmental operating budget.

B. Responsibility for Program Preparation and Implementation

The Capital Improvement Program, by virtue of its comprehensive character, involves all City operations. Departments, agencies, and the City Council must coordinate their actions to accomplish a successful program for improving the community. The recommended program must be a statement of relative community needs conditioned by the availability of resources to finance them.

Each year, the CIP is prepared from project requests submitted by the various departments of the City. Concurrent with the preparation of the project requests, information concerning the financial resources available to the City for capital projects is prepared by the City Manager and City Financial Director.

C. Capital Projects Requirements and Costs

The key role in the initial stages of capital programming falls upon the operating departments and department heads, by virtue of their responsibility to identify capital requirements, initiate project requests, and formulate a program that states the justification for each project, as well as its relative importance in the department's program.

D. Capital Programming Resources

The City Manager provides information concerning the City's past, present, and future financial resources. The City Manager prepares and distributes the package and instructions used by departments submitting requests. As the program develops, the City Manager assists in the review and evaluation of the project submissions and guides the administration of the program through its function of budget control, identification of funding alternatives and setting of basic fiscal policies. The City Manager coordinates the evaluation process with the City Financial Director. The program recommended by the City Manager is used by the Council to develop the annual budget that becomes effective October 1st of each year. The first year of the Five-Year Capital Improvement Program is adopted by the Council as the capital budget, with the following five years projected as future requirements. The CIP will be an important tool for implementing the City's Comprehensive Plan. The Council will use the CIP to analyze the City's fiscal capability to finance and construct capital improvements.

E. Intra-Departmental Assignment

Establishing priorities for the various projects is essential to properly plan and recommend alternatives for financing current as well as future projects.

1. Categories

All services and their associated facilities are categorized as follows:

- * Basic or Core Services are those services that are most efficiently provided at the local level and are most closely linked to protecting the health and safety of citizens. Legally mandated services are also included in this category.
- * Existing Services are those services which the City has traditionally provided or that reflect a major capital investment requiring an ongoing expenditure of operating and maintenance funds; and
- * Quality of Life Services are those services provided for specialized groups that enhance the desirability of the City of Panama City Beach as a place to live.

Within each category, programs (operating expenditures) and projects (capital expenditures) are then ranked as: essential, necessary, or desirable.

2. Ranking

The following table demonstrates how priorities would be assigned by a department:

<u>Basic Services</u>	<u>Existing Services</u>	<u>Quality of Life</u>
Essential (1)	Essential (2)	Essential (3)
Necessary (4)	Necessary (5)	Necessary (6)
Desirable (7)	Desirable (8)	Desirable (9)

For example, a basic service "essential" project would be considered top priority and a quality of life "desirable" project would be considered last priority. By using this methodology to assign funding priorities, services that are not "capital-driven" are simultaneously prioritized. This process is critical to ensure that services provided through operating programs (staff or grants) are considered on an equal basis with services that require capital expenditures.

3. Inter-Departmental Assignment

Priorities must be assigned among the different types of facilities and departments.

a. Criteria

In the absence of legal constraints or mandates, priorities are assigned

according to the following criteria in order of importance:

1. Correction of public hazards;
2. Elimination of existing deficiencies as described by the minimum levels of service;
3. Providing capacity for developments that have received priority determination when such developments are within the outside City Limits Service Area.
4. Maintenance of levels of service as growth occurs; and
5. Increase of existing levels of service to desired levels of service.

b. Other Considerations

Other considerations that may impact the assignment of priorities are:

1. Impact on City revenues and annual operating budget;
2. Degree of urgency;
3. Severity of the impact on the level of service associated with not going forward with the project;
4. Facilitation of Intergovernmental Coordination and coordinating with or advancing the purpose of projects provided by non-City entities.
5. Extent to which it coordinates with other programs; and
6. Extent to which an economic advantage is realized.

4. CAPITAL PROJECT TYPES, TIMING AND LOCATION

The capital projects contained in the Five-Year Capital Improvement Program have been classified according to the types listed in the Capital Improvements Schedule which is available on the City's website <http://www.pcbgov.com/Home/ShowDocument?id=15492>. The capital expenditures listed are planned improvements within the next five years. The time frame is extended beyond five years in some instances involving projects identified in the Front Beach Road

Community Redevelopment Plan. The projects are consistent with the needs of each of the elements of the Comprehensive Plan during that time frame. The dollars needed for each of the projects are within the ability of the City to fund with present revenue sources, with the exception of CRA projects and major water and sewer improvements which may be funded by selling revenue bonds that would be repaid by the utility fund. The Capital Improvements Schedule is updated every December and sent to DEO for review and approval.

5. CAPITAL IMPROVEMENTS ANALYSIS

The City has made provisions for vast capital improvements in the near future. Plans are in place for a future wastewater treatment plant, water main replacements, watermain extensions and lift station replacements

The Front Beach Road CRA enabled the widening and reconstruction of several roadways with plans in place for the widening and reconstruction of Alf Coleman Road, North Thomas Drive, Hill Road, Powell Adams Road, Clara Avenue, SR 79, and the remaining portions of Front Beach Road. Preliminary engineering and right-of-way acquisitions have commenced on all remaining connector roads and uncompleted segments of Front Beach Road. Improvements to Panama City Beach Parkway have coordinated with the FDOT and the development community.

The Stormwater Master Plan enabled the City to enact a city-wide stormwater assessment in order to pay for the needed improvements and on-going programs and maintenance.

Housing construction has accelerated in the last few years, accompanied by a notable increase in prices which has created a shortage of affordable housing. The City will need to address affordable housing at this time in order to prevent a loss of the supply in the future.

In summary, the facilities needed to address future growth are in place or being addressed by the City with additional support by other governmental agencies. It is anticipated that the demand for additional housing will be met in the near term with subsequent needs being provided on demand by the private sector. However, actions are needed to ensure that there will be an adequate supply of affordable housing in the future to support the large service industry workforce of the area.

6. FORECASTS AND CONCLUSIONS

The City of Panama City Beach is one of a handful of communities in Florida which does not have an ad valorem tax and relies mainly on a 1% sales tax. This tax is highly vulnerable to economic changes, pandemics, changes in tourism and other factors. Because of this, the City generally estimates expenses and revenues one budget cycle at a time. The 2020-2021 budget is available on the City's website <http://www.pcbgov.com/home/showdocument?id=15420>.

GOALS, OBJECTIVES AND POLICIES

GOAL: To utilize a Capital Improvements program to coordinate the timing and to prioritize the delivery of public facilities; and other capital projects that supports growth management and which encourages efficient utilization of its public facilities and financial resources.

OBJECTIVE 1: Priorities for Capital Improvements - The City of Panama City Beach shall identify and fund services and capital improvements required by this Plan.

POLICY 1.1: In the absence of legal constraints on the use of revenues, projects and programs shall be funded in order to:

- A. Correct public hazards;
- B. Eliminate existing deficiencies as described by the minimum levels of service;
- C. Provide capacity for developments that have received a determination as a Committed Development when such developments are within the City limits.
- D. Maintain levels of service as new growth occurs; and
- E. Increase existing levels of service to desired levels of service.

POLICY 1.2: The City shall not utilize public funds for infrastructure expansion or improvements in coastal high-hazard areas unless such funds are necessary to:

- A. Provide services to existing development;
- B. Provide adequate evacuation in the event of an emergency;
- C. Provide for needs of water-dependent uses.

POLICY 1.3: When a certificate of concurrency has been issued that relied on a project in the City's Capital Improvement Program, that project shall not be deleted from the Capital Improvement Program unless the City determines that the level of service for that facility type can be maintained without the project.

OBJECTIVE 2: Public Buildings-The City of Panama City Beach shall provide public facilities throughout the City and shall provide for the efficient and cost-

effective management and planning of all public buildings.

POLICY 2.1: The City shall provide sufficient usable public building space to accommodate the provision of services by the City Commission and the constitutional officers. Any legally available non-ad valorem revenue source of the City may be used as a funding source to provide such public building space, dependent upon the type of service provided by such space.

POLICY 2.2: Public facilities shall be constructed in accordance with the space requirements determined by the functions of the end users, based upon existing levels of service.

POLICY 2.3: The City of Panama City Beach shall effect energy management and control systems in public buildings which:

- A. Comply with Federal, State, County and City codes; and
- B. Utilize natural resources in a cost-effective manner.

POLICY 2.4: Financial resources for the implementation of planned preventive maintenance and capital replacement programs shall be provided annually to maintain public facilities at cost-effective operational levels.

POLICY 2.5: The City of Panama City Beach shall implement programs for the evaluation, maintenance and correction of environmental issues associated with buildings.

POLICY 2.6: The planning of public buildings shall include the coordination and participation of the end users including constitutional officers, agencies and departments.

POLICY 2.7: The City of Panama City Beach shall, through the use of its property inventory, evaluate all existing facilities and properties for suitability, prior to purchasing or constructing new properties.

OBJECTIVE 3: Service Area: The City shall, through the identification of the service area shown on the Service Area Map, allocate financial resources according to a schedule of capital improvements that maintain the adopted levels of service identified for that service area.

POLICY 3.1: The level of service standard shall be maintained in the service area identified in the Service Area Map 7-A.

OBJECTIVE 4: Intergovernmental Coordination - The City shall coordinate its Capital Improvements program with all governmental entities that provide facilities within the City's jurisdiction.

POLICY 4.1: The City shall work with all governmental entities that provide public facilities within the City's jurisdiction to ensure that facilities and services are provided concurrent with impacts of development.

POLICY 4.2 The City shall coordinate with all governmental entities providing services and facilities in the unincorporated area to ensure that location and timing criteria are followed.

OBJECTIVE 5: Fiscal Policies - The City of Panama City Beach shall establish the following fiscal policies regarding budgeting revenues, and expenditures to ensure that the needs of the City are met for construction of capital facilities to meet existing deficiencies, accommodate future growth, and replace obsolete or worn-out facilities; to ensure that future development will bear its proportionate share of the cost of facility improvements necessitated by the development, in order to maintain adopted level of service; to demonstrate compliance with applicable Florida Statutes.

POLICY 5.1: Budget and Financial Reporting Policies

- A. The City's financial reports shall be produced in accordance with generally accepted accounting principles.
- B. The City's budget shall be adopted and administered in accordance with 129.01 and 200.065 Fla. Stat.

POLICY 5.2: Revenue Policies

- A. The City shall develop and expand, when necessary, any legally available non-advalorem revenue sources sufficient enough to fund the adopted maximum levels of service.
- B. Cost recovery fees (user charges), where appropriate, shall be reviewed to offset the cost of providing specific services.
- C. Potential fee rates and policies applicable to each service or activity shall be based upon:
 - 1. The related cost of the service provided;
 - 2. The approved cost recovery rate for the service or activity;

3. The impact of inflation and exceptional changes in significant cost components in the provision of services; and
 4. Equity of comparable fees.
- D. The City Financial Director shall prepare and incorporate a consolidated summary of revenue sources into the City's budget document.

POLICY 5.3: Debt Policies

- A. The City of Panama City Beach shall use long-term debt financing only for capital improvements that provide long-term benefits to the community.
- B. The City shall ensure that long-term debt is soundly financed by:
 1. Conservatively projecting the revenue sources that will be utilized to pay the debt; and
 2. Financing the improvement over a period not greater than the useful life of the improvement.
- C. The City will regularly analyze total indebtedness, including underlying and overlapping debt, as part of its analysis of financial condition.
- D. Overall net debt shall be maintained at a level commensurate with the available revenues, user fees, and grants to retire said debt.

POLICY 5.4: Capital Improvement Policies

- A. The Plan shall identify the capital needs of the community and indicate how these needs will be funded. The City's Capital Improvement Program shall be developed based on the elements of the Plan.
- B. The City shall develop a Five-Year Capital Improvement

Program as a part of the annual budget process and will make all capital improvements in accordance with the adopted Annual City Budget.

- C. The City will continue the projection of revenues, expenditures and future costs and financing of capital improvements.
- D. The City will identify the cash flow needs of all new projects and determine which financing method best meets the cash flow needs of each project.
- E. The costs of operating and maintaining all proposed projects will be identified and incorporated into the five-year financial projection for operations.

POLICY 5.5: Capital Facility Policy

- A. The City shall continue to develop and implement a program for identifying, scheduling and budgeting the renewal and replacement requirements of capital facilities.

POLICY 5.6: Financing Public Facilities Necessitated by New Development.

- A. The City of Panama City Beach shall require new development activity to pay fair share fees for new capital facilities or expansion of existing facilities. Fees shall not exceed a pro rata share of the reasonably anticipated costs of such improvements.
- B. Connection charges may be assessed for any new water and wastewater connections within the City of Panama City Beach Service Area.
- C. Waste Impact Fees or Assessments may be assessed to residential and non-residential development.
- D. Service impact fees may be assessed to residential and non-residential development, pursuant to City Impact Fee Ordinances.

OBJECTIVE 6: The Capital Improvement element and the minimum levels of service obtained therein shall be monitored and updated.

POLICY 6.1: The City, as part of the Comprehensive Plan and the CIE, shall annually adopt a Five-Year Capital Improvement Program that identifies the capital needs of the community and supports the adopted minimum levels of service.

POLICY 6.2: The CIE shall be updated annually through the Five-Year Capital Improvement Program and adopted as part of the annual budget process, as long as the Five-Year CIP supports and furthers the minimum levels of service contained in the Plan.

POLICY 6.3: The City Manager or his designee shall maintain and provide the City Council with an assessment report on the current availability City-provided services and facilities at adopted level of service standards.

OBJECTIVE 7: Implement School Concurrency. Coordinate with the School Board the approval of residential subdivisions, site plans or their functional equivalent to correct existing deficiencies and assure adequate future school capacity consistent with the adopted level of service standards for public school concurrency.

POLICY 7.1: Consistent with the Interlocal Agreement, the School Board and City agree to the following standards for school concurrency in Bay County:

TYPE OF SCHOOL	LEVEL OF SERVICE
Elementary	100% of permanent FISH capacity
Middle	100% of permanent FISH capacity
High	100% of permanent FISH capacity

POLICY 7.2: The City shall ensure that future development pays the proportionate share of the costs of capital facility capacity needed to accommodate new development and to assist in maintaining adopted level of service standards, via legally available and appropriate fee methods in development conditions.

POLICY 7.3: The City hereby incorporates by reference the most current Bay District Schools' Five Year District Facilities Work Program that includes school capacity sufficient to meet anticipated student demands projected by the County and municipalities, in consultation with the School Board's projections of student enrollment, based on the adopted level of service standards for public schools. Level of Service standards shall be applied district wide to all schools of the same type. As provided in the Interlocal Agreement for Public School Facility Planning and Concurrency, incorporation of the School Board's Facilities Work Plan does not obligate the City to fund the improvements included in said Facilities Work Plan. The City, in coordination with the School Board, shall annually update the Capital Improvements

Element by adopting by reference the School Board’s financially feasible Work Program, to ensure maintenance of a financially feasible capital improvements program and to ensure level of service standards will continue to be achieved and maintained during the five-year planning period.

POLICY 7.4: The 5-year schedule of improvements ensures the level of service standards for public school are achieved and maintained within the period covered by the 5-year schedule. After the first 5-year schedule of capital improvements, annual updates to the schedule shall ensure levels of service standards are achieved and maintained within each year of subsequent 5-year schedule of capital improvements.

POLICY 7.5: The City will update its Capital Improvements schedule on an annual basis by December 1st, to incorporate the upcoming five years of the School Board’s Capital Improvement Program. As provided in the Interlocal Agreement for Public School Facility Planning and Concurrency, incorporation of the School Board’s 5-Year Capital Improvements Program does not obligate the City to fund the improvements included therein. The City and the Bay County School Board will coordinate during updates or amendments to the City’s comprehensive Plan and updates or amendments for long-range plans for School Board facilities.

POLICY 7.6: The City shall ensure maintenance of the financially feasible capital improvements program and to ensure level of service standards will continue to be achieved and maintained within each year of the subsequent 5-year schedule of capital improvements.

POLICY 7.7: The City’s strategy, in coordination with the School Board, for correcting existing deficiencies and addressing future needs includes:

- A. Implementation of a financially feasible 5-year schedule of capital improvements to ensure level of service standards are achieved and maintained.
- B. Identification of adequate sites for funded and planned schools; and
- C. The establishment of a Proportionate Fair Share ordinance in order to generate additional revenue to help fund school improvements.