



# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

## COMMISSION MEMORANDUM

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: City Manager Jorge M. Gonzalez

DATE: October 7, 2008

SUBJECT: **REPORT OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE MEETING OF SEPTEMBER 16, 2008.**

### NEW BUSINESS

1. Discussion Regarding Sunset Islands 1 & 2 Flooding, Drainage, Capital Improvements and Nautilus Neighborhood Flooding Remediation.

### ACTION

**Motion made by Commissioner Weithorn, and seconded by Commissioner Tobin, to draft an RFQ for design and engineering not to exceed \$90,000 and to present it to Bill Goldsmith for review and input.**

City Manager Jorge Gonzalez presented the item regarding flooding, drainage, and capital improvements at Sunset Islands 1 & 2, and flooding remediation in the Nautilus neighborhood.

The Manager stated that the Sunset Island I & II project is at the design stage and that the current engineering design from CH2MHill is an improvement but does not meet the 5-year storm standard and added that Mr. Goldsmith has identified a different engineering design that will achieve a better solution than presented by CH2MHill but will not yet meet the 5-year storm standard. The solution includes more wells and bigger outfalls.

CIP Director Jorge Chartrand stated that the consultant was asked to evaluate the outfalls and wells to bring the engineering up to the 5-year storm standard.

Chairman Gross asked if the design includes a beautification and water line component. Mr. Chartrand explained that the project focuses on drainage improvements and that it only includes minor landscaping. Chairman Gross then inquired as to the project funding. Mr. Chartrand stated that \$1.7 million has been allocated for drainage and value added components, \$1.6 million for water and sewer, and are currently asking for additional funding from the Pay-as-You Go Fund, for a total construction budget of \$3.4 million.

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Chairman Gross then inquired as to the level of anxiety and state of mind of the Island residents with regards to the project. The Manager stated that conversations with the public have not been held. Commissioner Tobin stated that the residents were under the impression that the City was going to take care of the flooding on a spot basis not on a 5-year storm standard. Commissioner Weithorn stated that residents are inquiring as to a timetable for the project and that they are more concerned about fixing the problem rather than pushing a project through.

Chairman Gross inquired as to the policy for non-priority basins. Public Works Director Fred Beckmann explained that spot flooding remediation is used for non-priority basins. Commissioner Weithorn noted that the Committee should start considering a more global approach with regards to a solution and should probably consider the 5-year solution. Chairman Gross then suggested getting an estimate for a design criteria package so the City could consider a Design Build Agreement.

The Committee consulted with Bill Goldsmith, through a phone conference, as to the details of the engineering proposals submitted by CH2MHill and Schewbke-Shiskin. They also inquired about Mr. Goldsmith's interest in bidding, along with anybody else interested in bidding, should the Committee choose to go in a design build direction, where a design criteria package would be placed out for bid to design build contractors. Mr. Goldsmith confirmed his interest. However, after further discussion, the Committee decided to remain with a traditional design, bid, build approach and to put out an RFQ for a new engineer to re-design the project.

Commissioner Weithorn moved the motion, which was seconded by Commissioner Tobin, to draft an RFQ for design and engineering not to exceed \$90,000 and to present it to Bill Goldsmith for review and input.

## **2. Discussion on CWA Local 3178's Request to Include a Drop Plan in their Collective Bargaining Agreement.**

### **ACTION**

**Motion made by Commissioner Weithorn and seconded by Chairman Gross to amend the Pension Ordinance to include a Deferred Retirement Option Plan (DROP) for all members of the Miami Beach Employee Retirement Plan. Commissioner Tobin voted against the motion.**

City Manager Jorge Gonzalez presented the item on CWA Local 3178's request to include a DROP Plan in their collective bargaining agreement.

As background, the Manager explained that this item was first discussed at the May 29, 2008 Finance and Citywide Projects Committee meeting. At that meeting, the members of the Committee asked the Administration and Communications Workers of America (CWA) to meet, along with Commissioner

Weithorn, to further discuss the issue and provide additional analysis for the Committee to consider.

The Administration, in conjunction with representatives from Gabriel, Roeder, Smith & Company (GRS), the City's pension consultant and actuarial for CWA, further analyzed the actuarial cost of implementing a DROP for CWA employees as well as all other civilian employees in the City. Based on GRS' analysis, if the City implemented a DROP for the CWA employees, the employer required contribution to the pension would increase by an additional approximate of \$20,308 per year. Based on assumptions used for the CWA employees, an estimate for all other remaining employees would require an additional contribution of approximately \$50,000 per year, for an estimated total additional employer required contribution to the pension of approximately \$70,000 per year.

Chairman Gross stated that the benefit should be given across the board to all employees in the Miami Beach Employee's Retirement Plan and inquired as to the next step to take. The Manager stated that the next step is to get a definitive cost from the pension actuary and to draft an amendment to the pension ordinance.

Commissioner Tobin inquired as to why a benefit is being given to CWA out of contract cycle and if it would be better to discuss the DROP during contract negotiations. Chairman Gross indicated that if it is the majority's opinion to wait for contract negotiations to award this benefit, then the item would be discussed during negotiations.

Commissioner Weithorn noted that the financial impact is minor. Commissioner Tobin inquired as to how the financial impact was determined. The Manager stated that the calculation was done through an actuarial study.

Commissioner Weithorn then added that there are intangible benefits to consider, such as better succession planning to replace employees who retire.

Mayor Matti Herrera Bower inquired as to whom the benefit would be extended to. The Manager stated that the benefit would be available to all employees who are members of the Miami Beach Employee's Retirement Plan. Chairman Gross stated Elected Officials should be excluded.

Commissioner Tobin stated that he prefers not to approve the benefit outside of negotiations and that if it is awarded, a "give back" should be provided by CWA. CWA President Richard McKinnon stated that the DROP is a lingering issue from the previous contract negotiation, due to the time the actuarial took to provide the DROP figures, and that instead of waiting, they agreed to finish negotiations and revisit the DROP at a later time.

Commissioner Weithorn moved the motion, which was seconded by Chairman Gross, to amend the Pension Ordinance to include a Deferred Retirement Option Plan (DROP). Commissioner Tobin voted against the motion.

### **3. Discussion of Water, Sewer and Stormwater Rates for FY 2009.**

#### **ACTION**

**No action was taken or required. Item was discussed for information purposes only.**

Public Works Director Fred Beckmann introduced the item regarding water, sewer, and stormwater rates for FY 2009.

This item was discussed at the August 21, 2008 Finance & Citywide Projects Committee meeting where the Administration provided an update of FY 2007/08 water consumption trends and discussed the proposed FY 2008/09 water and sewer rates and additional bond funding needed to finance the replacement of the City's aging water and sewer infrastructure. The FCWP Committee expressed concern regarding the amount of the proposed increase in fees (\$32.45 per month, in water and water and sewer fees for an average household using 11,000 gallons per month and \$7.25 per household in stormwater fees), and directed staff to evaluate a phased rate increase for the future, based on a more detailed analysis of the timing of the capital projects.

Mr. Beckmann presented a revised proposed rate structure and stated that the Administration was able to significantly reduce the proposed fees by further evaluating the phasing of the financing of the bonds and that as part of the review, the 10% operating expense contingency was reduced to 5%, earnings in excess of \$1 million were carried forward as revenues in the subsequent year, and the issuance of the first series of bonds was moved from October 2009 to mid 2010, and the second series of bonds to 2012. He then added that as a result of the modifications, the revised stormwater rate increase is \$1.62 and the revised water and sewer rate increase is \$14.74, for a total combined increase of \$16.36 for the average residential customer per month. For a minimum usage household using 5,000 gallons per month the revised water and sewer rate increase is \$14.74, for a total combined increase of \$8.32.

Commissioner Tobin asked for clarification as to who is considered to be the average consumer. The Manager explained that the average residential customer is the customer that consumes an average of 11,000 gallons per month.

Mayor Matti Herrera Bower inquired as to the portion being paid to the County out of the \$3.23 that the City charges residents for water. The Manager responded by stating that the current rate paid to the County per 1000 gallons of water is \$1.10, and that for FY 2008/09, the County proposed a rate of \$1.46.

The Manager then stated that the City's proposed increases for the first year will be presented to Commission for a second reading on September 17, 2008 and that he suggests that the increases for the second year be presented to Commission on October 7, 2008.

Regarding financing, Chief Financial Officer Patricia Walker stated that a letter of credit will be needed for commitment authority, which will allow the City to have the necessary funding capacity to enter into new projects.

Chairman Gross stated that he received an email asking why the City could not elect to pay for water and sewer and stormwater bonds out of the General Fund. Ms. Walker explained that while the General Fund will obtain the letter of credit, the Water & Sewer Enterprise and Stormwater Enterprise funds will pay for the origination and carrying costs because they are stand alone funds. She then added that funding has to be segregated for each of the systems and used for the systems individually.

Chairman Gross stated that this discussion is for information purposes only and no action is required since the item will be presented at the September 17, 2008 Commission meeting.

#### **4. Discussion of the Capital Renewal and Replacement Fund Budget.**

##### **ACTION**

**No action was taken or required. Item was discussed for information purposes only.**

Chairman Gross opened the discussion regarding the Capital Renewal and Replacement Fund Budget by stating that the list of capital projects to be considered for funding is typically reviewed at the Finance & Citywide Projects Committee before the budget is presented to the full Commission for approval.

Budget and Performance Improvement Director, Kathie Brooks, provided a list of projects for review. The handout included a list of funded and unfunded projects. She stated that the unfunded projects were non life-safety projects that were deferred, as part of a service reduction initiative to balance the budget.

Commissioner Gross questioned the \$304,000 in funding proposed for the replacement of the Flamingo Park Pool Deck. Mr. Beckmann explained that the deck which is approximately 7 years old is cracking in several places and further clarified that the request includes an assessment needed to determine the nature and extent of the damage. Depending on the results of the assessment, the funding required may be less than that requested. It was recommended that the assessment be funded at this time and that the balance of the \$304,000 be placed in contingency to be made available after the assessment is complete.

Commissioner Weithorn inquired as to what would happen to the funding for projects that do not materialize during the fiscal year. The Manager stated that the funding would stay in the fund balance to be used next year.

Chairman Gross indicated that bids for the projects on the list should be presented to the Committee for review when they become available.

**5. Discussion of the rejection of all bids by the Capital Improvement Project Oversight Committee for the South Pointe Phase II Streetscape Improvements.**

**ACTION**

**Emergency motion made by Commissioner Tobin and seconded by Commissioner Weithorn to add to the agenda a discussion regarding the rejection of all bids by the Capital Improvement Projects Oversight Committee (CIPOC) for the South Pointe Phase II Streetscape Improvements.**

As background, Chairman Gross explained that the item was discussed at the CIPOC on September 15, 2008 where it was recommended that all bids be rejected and a new Invitation to Bid (ITB) for the project be issued. The CIPOC also requested that unit prices and quantities be provided in addition to lump sum bids by the prospective bidders as part of the new ITB submittal.

Commissioner Tobin inquired as to the rationale of the three CIPOC members that voted against the rejection of all bids.

Commissioner Weithorn explained that the three members felt that the bidders went through the appropriate bidding process and that it would be unfair to ask them to provide unit pricing when they were initially asked for lump sum pricing. The four members that prevailed noted inconsistencies regarding sidewalk square footage and determined that it was difficult to analyze the data, as provided, and identify the lowest bidder, therefore; requested that unit prices and quantities be included as part of the new ITB. She then stated that the lowest bidders were RicMan International and Acosta Tractors Inc.

Assistant City Manager Tim Hemstreet stated that unit pricing and lump sum pricing are two different processes and explained that the lump sum process does not require itemized bids, therefore; contractors are not required to provide unit pricing.

The Manager then posed the question if the lowest and better bidder was to be chosen under the ITB process, and their pricing did not turn out to be the lowest, could the City then renegotiate. City Attorney Raul Aguila stated that the ITB process does not allow for renegotiation.

Chairman Gross inquired as to the bid process that would allow for renegotiation. Discussion ensued regarding the possible bidding methods to utilize, instead of ITB, to be able to renegotiate pricing.

Chairman Gross stated that the disadvantage of rejecting all bids is that it will discourage competition and that the contractors will not bid again. He then asked the Committee as to their expectation if the project goes out to bid again.

Commissioner Weithorn reiterated that there were obvious inconsistencies such as the pricing for concrete where RicMan International was at \$1,000,000 and Acosta Tractors Inc. was at \$400,000 and that the bottom line is that the bids were not comparable. She then noted that market conditions have changed in the past few months, and as a result, she feels that the City could save approximately \$1 million if the project went out for bid again. She also added that she would like to see the City move to the unit pricing system to better evaluate bids.

Chairman Gross indicated that the discussion should not be concluded, given that the bidders were not notified of this meeting, and that a final decision should be made at the September 17, 2008 Commission Meeting.

 JMG/PDW/rs/ns