



CITY OF RYE

Office of the City Manager

To: Mayor Cohn and Rye City Council

From: Greg Usry, City Manager
Joe Fazzino, Comptroller

Date: August 4, 2022

Re: City of Rye Capital Improvements Program (CIP)

OVERVIEW

Section C21-8 of the City Charter requires the Manager to submit to the Council a listing of proposed capital improvements, with appropriate supporting information. This must be completed annually, 90 days prior to the submission of the Manager's Annual Budget. In past years, this requirement was met by way of the five-year Capital Improvements Plan (CIP) presentation each August. This memo, with incorporated documents, meets the requirements for the 2022 Capital Program submission. It further serves as background for the City Council presentation on August 10 and details the status of the various City Council directed projects. Finally, it explains the financial implications of the CIP and the plans in place to fund the projects.

Over the last 48 months, this Council has identified priority projects for the City, and has directed City staff to design, plan and execute these undertakings. This list includes projects that have been ordered by a court or a regulatory body, as well as those necessary to assure the community of continued essential services and/or public safety.

In furtherance of the CIP, the Council established certain financial goals and policies, which has led to significant accumulated financial resources. In my March 4, 2021 memo to the Council, I described the then current CIP, including the estimated costs, funding sources and necessary financial actions still required. This material was further updated and presented to our legislative delegation on June 23, 2022 in support of our New York State Consolidated Funding Application (CFA). Those documents are included here for your information.

CIP PROJECTS

The City's priority CIP totals approximately \$44 million. This amount reflects the best available/current information. In the following pages the projects are described in greater detail, including the timeliness of the estimated cost. In some cases, costs reflect dated designs and will need to be updated further.

Unlike prior CIP summaries, this updated information includes City street resurfacing expenses (three years) as well as Storm Water System Improvements. Because New York State funding sources provide for broad applicability to the City it is helpful to look at all projects collectively, while taking into account all funding sources, including annual funding via the City/State budgets, bond proceeds, reserve funds and grants.

Project	Estimated Cost
Department of Public Works - Disbrow	\$ 9,950,000
Miscellaneous Projects:	
City Hall HVAC	2,400,000
Forest Avenue Sidewalks	2,800,000
Channel Dredge	1,500,000
Police/Court Facilities	3,700,000
T. Fremd Wall	2,010,000
STS Benefit Project	150,000
RTP-City Contribution	175,000
Sanitary Sewer Improvements	14,400,000
Street Resurfacing (3 years)	4,500,000
Storm water System Improvements	2,530,000
Total Project Expenses	\$ 44,115,000

DPW Projects

For the first time in decades the City is replacing and updating the aging infrastructure at Public Works. These facilities, some 100 years old, are critical to our ability to deliver essential services. Furthermore, they provide a safe work environment for our employees.

DPW Projects	Cost Estimate As Of	Estimated Start Date	Gross Expense	Grants Received	Net Expense
Building 5	Spring '22	Spring '23	\$ 7,000,000		7,000,000
Building 7	Final	Fall '22	400,000		400,000
Salt Shed	Spring '22	Spring '23	2,200,000	400,000	1,800,000
Fuel Depot	Final	Spring '23	350,000		350,000
			\$ 9,950,000	\$ 400,000	\$ 9,550,000

Miscellaneous Projects

In addition to the significant Public Works projects, the City has a variety of other projects, many related to long deferred maintenance. Of those highlighted below, we expect to have the City Hall HVAC and the Channel Dredge ready for final Council consideration and the awarding of bids in early Fall. Forest Avenue Sidewalk design is advancing rapidly and will be ready for further Council review and input by the 4th Quarter.

The Theodore Fremd wall is nearing final design. We are continuing to work with NYSDOT on additional funding. The Police/Court Facility requires updated cost estimates and those will be underway shortly. I expect we will be back in front of the Council later this year with an update and further consideration.

Miscellaneous Projects	Cost Estimate As of Date	Estimated Start Date	Gross Expense	Grants Received	Net Expense
City Hall HVAC	Fall '21	Winter '23	\$ 2,400,000		\$ 2,400,000
Forest Avenue Sidewalks	Summer '18	Fall '23	2,800,000	2,100,000	700,000
Channel Dredge	Spring '22	Fall '22	1,500,000		1,500,000
Police/Court Facility	Summer '18	TBD	3,700,000		3,700,000
T. Fremd Wall	Summer '21	TBD	2,010,000	516,000	1,494,000
			<u>\$ 12,410,000</u>	<u>\$ 2,616,000</u>	<u>\$ 9,794,000</u>

Sanitary Sewer Improvements

In 2019, the City completed a comprehensive Sewer System Evaluation Survey (SSES) to locate areas of need for sewer system rehabilitation. The projects, identified in the SSES, correspond with the Consent Order the City entered into with the New York DEC, as well as the Stipulated Order in the Save the Sound Clear Water Act lawsuit. To date we have invested over \$8 million towards sewer system upgrades. These include the four major pump replacements. Of the \$8 million spent to date, \$3.9 million was funded through a New York State grant (Water Quality Improvement Program – WQIP).

The next mandated phase of the program requires significant investment in City-wide sewer lines and manholes. We expect the total cost to exceed \$14 million over the next three years. Last week we applied for a second round of WQIP funding for \$10 million (NY State CFA Grant). As described in greater detail below the success of the WQIP grant will have a significant impact on our entire CIP finance plan.

Street Resurfacing

Since 2017, the City has invested over \$9 million in resurfacing City streets (averaging \$1.56 million annually). This does not include County funded streets (T. Fremd, Midland Ave etc.), nor does it include roads paved as a result of Con Ed/Suez utility work. Of this amount, \$3.3 million was funded by permit revenues (street opening surcharges) and tax dollars dedicated to streets; the remainder was funded by

NY State CHIPS monies (discussed below) and surplus City budget monies. The summary included here assumes that the City will continue to fund \$1.5 million for streets annually.

Storm Water System Improvements

Following Henri and Ida the City Engineer began evaluating localized flooding issues (non-Blind Brook watershed) across the City. The City’s storm water system is approaching 100 years old in some areas, and was not constructed in light of larger, more intense storms. This is consistent with most other Sound Shore communities.

To date we have completed preliminary reviews of 14 storm water issue locations in the City and have already undertaken three projects (all three completed with 2022 operating budget monies). These reflect actual pipe defects. In the coming months, the City will begin work on the additional smaller projects. The neighborhood projects will require more time to design and will be brought back to the Council for review at a later date. The chart below summarizes the projects and very preliminary cost estimates. Please note, where possible we will fund projects out of the City’s DPW budget. However, for this purpose the costs are all included in the CIP.

Project	Estimated Cost
Drake Smith	50,000
White Birch/Hickory	100,000
Lasalle/ South of Glen Oaks	50,000
Marlene Ct.	50,000
Sanford St	<u>30,000</u>
	280,000
<i>Neighborhood/Larger Projects</i>	
Hix Park	1,500,000
Kirby North	500,000
752 BPR	<u>250,000</u>
	<u>2,250,000</u>
	\$ 2,530,000

CIP FUNDING SOURCES

Over the last 18 months, the City has made significant strides in funding the CIP. Through Council established policies, prudent financial controls and proactive management of City finances, we have accumulated significant financial resources. That said, the growing list of urgent needs, along with unprecedented inflationary pressures and supply chain/labor issues, leaves us with a deficit. The following summaries provide an overview of each funding source.

Funding Source	Amount	
2022 Bond Proceeds	\$	13,550,000
Capex Reserve		6,600,000
Less: Ramboll Expense		(350,000)
ARPA ('23)		800,000
Grants		
Received	3,016,000	
2022 WQIP Outstanding	<u>10,000,000</u>	
		13,016,000
Projected State Budget Monies (3 years)		
State Touring Routes	4,079,566	
CHIPS	1,578,000	
Misc Roads	<u>660,951</u>	
		6,318,517
Projected City Budget Monies (3 years)		
Tax Rate (Streets)	1,800,000	
Permit Revenues (Streets)	<u>300,000</u>	
		2,100,000
Total Funding Sources	\$	<u>42,034,517</u>

Bond Proceeds

In February, the City took advantage of historically low interest rates and borrowed the maximum amount of Council authorized debt. This entire amount is dedicated to the identified CIP. The annual debt service expense of \$880 thousand is included in the current tax rate and will not result in any tax increase. In addition to the current outstanding bonds, there remains \$4.27 million of authorized debt capacity by way of the Public Safety and Disaster Rebuilding exemptions. This additional debt is not included in this analysis, but is available for future funding.

Capex Reserve

By Council policy in 2019, all surplus monies (assuming the General Fund Reserve is funded at 10% of total expenditures) are directed into the Capex Reserve Fund. Further, any large, one-time extraordinary revenues are dedicated to Capex. As a result of this policy, the City currently has \$6.6 million in reserve. *Please note that the Council authorized the engagement and payment of Ramboll*

Engineering from the Capex Fund. The highlighted balance is as of December 31, 2021 and does not take into account possible 2022 surplus monies.

American Recovery Plan Act (ARPA)

By Congressional action in 2021, states and localities were allocated one time monies for restricted use. The City has received \$1.61 million under ARPA. The first half of that payment was received in 2021 and is included in the Capex Reserve amount. The second half (\$800 thousand) was received earlier this month.

Grants

The City actively pursues State and Federal grants annually. The majority of these opportunities are managed through the State of New York’s annual Consolidated Funding Application (CFA). Given the significant capital plan underway, local matching requirements and the administrative burden of managing the grant process, the City pursues grants only when they are in keeping with the Council identified list of projects. Currently the City has three grants outstanding (received):

Project	Grant Amount
Forest Ave Sidewalks	\$ 2,100,000
Salt Shed	400,000
T. Fremd Wall	<u>516,000</u>
	3,016,000
2022 WQIP (outstanding)	<u>10,000,000</u>
	\$ 13,016,000

In addition, the City recently completed the first phase of the Sanitary Sewer program and received \$3.9 million under a 2018 Water Quality Improvement Plan (WQIP) grant to offset Phase 1 expenses.

As highlighted previously, we are currently in design and planning for the next phase of the Sanitary Sewer program, and have applied for an additional \$10 million (of the estimated \$14.4 million total cost) of WQIP grant funding for this year. The awards are expected to be made in November/December. This analysis only includes those grants received, as well as the 2022 WQIP outstanding grant application. We anticipate other grant applications over the next 36 months.

New York State Annual Budget

Historically, the NY State Budget has provided annual funding for local streets through its Consolidated Local Street and Highway Improvements Program (CHIPS). In the past, the City has used the CHIPS monies for resurfacing City roads (in addition to the dedicated tax rate monies and street opening surcharge revenues).

Beginning with the 2021 budget, the State created several additional budget appropriations dedicated to local government road infrastructure. The most significant of these is the State Touring Routes (STR) appropriation which provides monies to offset the cost of maintaining State roads. Given the significant “presence” of Boston Post Road in Rye, we now receive approximately \$1 million annually. In addition,

we annually receive \$115 thousand under the Pave-NY program and \$75 thousand through the Extreme Winter Recovery (EWR) program. These monies can be used for a wide variety of road related programs, including resurfacing of City roads and storm water remediation. For the purposes of this analysis, we are assuming that these State allocations will be received annually for the next three years.

In November, for the first time in 25 years there will be a state wide environmental bond referendum. If successful, the bond will provide over \$4 billion of state monies for a wide range of projects, including flood risk reduction, water quality improvements and resiliency infrastructure. Because the funding is contingent on the referendum success and there are no details regarding the process for allocating monies, we have not included any monies in our assumption. However, this could have a major positive impact on our financial planning.

City Annual Budget

Beginning in the early 2000's, the City established a street opening surcharge dedicated to the annual street resurfacing program. In recent years, this has generated \$30 - \$110 thousand annually, with \$100 thousand budgeted for 2022. Furthermore, beginning in 2017, the annual budget includes \$600 thousand in the tax rate dedicated specifically to the resurfacing program. The CIP financial plan assumes \$700 thousand annually through these two revenues. In recent years, the City has allocated significantly greater dollars for streets, including annual surplus monies. As noted earlier, in recent years the City has spent approximately \$1.5 million annually on street resurfacing.

STRESS ADJUSTMENTS AND PRIORITIES

In spite of the significant planning and financial management by the City, the size and complexity of the City's CIP creates the risk of a funding shortfall. The current extreme inflationary environment, combined with both supply chain and labor issues, causes us concern as we look to begin construction in the coming months. In some cases, estimated costs are upwards of four years old and we expect there will be significant increases once final designs are completed and bids are received.

In the coming months, we will receive bids for the Basin/Channel Dredge, the Salt Shed, Building 5 and City Hall HVAC. The results of these bids will be telling as we look to the remainder of the CIP.

In addition to project cost, we are particularly focused on the 2022 WQIP grant application for the Sanitary Sewer Project. As discussed earlier, this is a court mandated undertaking and constitutes over 25% of our total three year CIP. The grant application requests \$10 million in grant funding (of the \$14.4 million estimated total cost), and although we feel confident in the strength and merits of the application, the granting of a smaller award would have a meaningful negative impact on our program.

On a positive note, this plan does not include the possibility of additional City budget surpluses. Over the last five years, the street resurfacing program and Capex Reserve have both benefitted from annual surpluses. Our conservative budgeting, aggressive approach to the COVID-impacted 2020 and 2021 operations, and general fiscal management have provided significant monies for the CIP. We reasonably expect there to be additional monies available in the coming three years, but it is impossible to predict those amounts.

In addition, there are ongoing grant applications and discretionary State budget appropriations that we are pursuing with our legislative delegation. These are not included in the current CIP budget.

During the fourth quarter, we expect to have better information regarding many of these unknowns. However, we will also be challenged with a need to advance certain projects given the timing of bids. In light of these factors, the Council will likely be asked to further prioritize projects, either by timing or monies committed. This prioritization will need to consider the following:

- **Projects mandated by court or regulatory order:** Sanitary Sewer, STS Benefit Project and Police/Court Facilities
- **Projects required for public safety:** Channel Dredge, certain storm water improvements, Theodore Fremd Wall
- **Projects in furtherance of essential services:** Building 7, Salt Shed, Building 5, Fuel Depot

None of this is to imply that the remaining projects (City Hall HVAC, Forest Avenue Sidewalks, street resurfacing and some storm water projects) are not critical, but rather that they have greater overall discretion in timing or amount of financial commitment.

Finally, the current list of projects does not include flood mitigation or resiliency. 2022 year to date, the Council has appropriated approximately \$450 thousand for consultants, related to the Blind Brook watershed and overall project management (\$350 from the Capex Reserve and \$100 thousand from Contingency). It is premature to assume future City costs for flooding and resiliency as potential projects are advanced. We do not yet know the magnitude of costs for additional engineering, consultant etc. nor do we know our required match for grants. All of this will impact the monies available for other CIP projects.

Attachments:

City Council Presentation – Priority Capital Project Status (July 22, 2021)

City of Rye Capital Plan (Legislative Delegation – June 23, 2022)

City of Rye CIP Financial Plan (March 4, 2021)