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**CITY OF RYE**  
**Office of the City Manager**

**Inter-Office Memorandum**

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**To:** Mayor Cohn and Rye City Council

**From:** Greg Usry, City Manager

**Date:** August 4, 2023

**Re:** 2023 City of Rye Capital Improvement Program

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**INTRODUCTION**

Section C21-8 of the City Charter requires the Manager to annually submit to the Council a listing of proposed capital improvements, with appropriate supporting information and cost. This must be completed within 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 Improvement Program (CIP) presentation each August. This memo, with incorporated documents and presentation materials, meets the requirements for the 2023 CIP submission. It further serves as background for the City Council presentation on August 9 and details the status of various City Council directed projects. Finally, it highlights the financial implications of the CIP and the comprehensive plans underway to fund the projects. ***There is no action required by the City Council related to the CIP at this time. Rather, this is a planning document for the 2024 Proposed Budget, and beyond. The budget presented in November will include certain budget recommendations that are informed by this document.***

Since 2019, this Mayor and City Council, with the assistance of senior City staff, has identified priority projects for the City. As directed, staff along with our consultants have undertaken significant design and project development. This list includes projects that have been ordered by a court, regulatory or oversight body, as well as those necessary to assure the community of continued essential services.

In furtherance of the CIP, the Council established certain financial goals and policies which led to significant accumulated financial resources. In addition, our aggressive pursuit of grants and the increased level of State and Federal assistance have resulted in significant additional financial assistance and the ability to fund an even larger group of projects.

For the first time since 2019, we are returning to the five-year CIP. In the following pages, I will highlight six categories of capital program needs and a potential approach to funding. The format and approach reflect a concise and focused look both in terms of projects and potential funding opportunities. As in the past, we are including the City's vehicle fleet. With almost 150 vehicles, ranging from administrative cars to Fire Department and DPW vehicles, the City must continue to make a significant investment in its fleet.

The CIP is a multi-year plan, not a multi-year budget. It is not a commitment to fund all requested projects, but rather a schedule of necessary and/or desired improvements and possible funding sources. In reviewing this CIP, it is important to focus on the cost and possible funding, priority, importance, and the impact of undertaking or not undertaking the projects. The existence and condition of infrastructure, City vehicles/equipment, and major capital assets have a direct bearing on the City's ability to provide services and facilities needed or desired by the community, and the perception of the community on its quality of life.

The CIP is the culmination of a process that seeks the input of City Departments to identify what projects are needed to maintain a level of service expected by the community. The process includes establishing priorities, developing cost estimates, and determining possible funding sources. ***As with any plan, especially one covering a multi-year period, the projects, their requirements, and resources, and even the need for the projects may change substantially over time.*** These changes are the impetus to update and redevelop the CIP on an annual basis. The 2023 Comprehensive list of projects, estimated cost and potential funding options are attached. The following is the total cost summary by category.

<b>2023 Five Year CIP</b>	
Building Projects	\$ 20,700,000
Transportation Projects	30,160,000
Sewer Projects	16,050,000
Drainage Projects	3,100,000
Recreation Projects	7,525,000
Vehicles and Equipment	<u>9,050,000</u>
Total - Excluding RGC and Boat Basin	86,585,000
Rye Golf Club	6,640,000
Boat Basin	<u>5,615,000</u>
<b>Total</b>	<b><u>\$ 98,840,000</u></b>

**CIP PRIORITY PROJECTS**

The City’s priority CIP totals an estimated \$44 million and is the result of staff recommendations and City Council direction. This total cost is based upon the best available and current information, but in some cases reflects dated designs and will need further update and refinement (e.g., Police/Court Facilities). A number of these projects will be underway over the next 12 months. It is important to note that the Channel dredge was completed in Fall of 2022 (with some minor refinements to take place this fall). Furthermore, work is underway on the Salt Shed and DPW Building 7. The street resurfacing total included here includes the \$1.5 million cost in 2023 and an estimated annual expense of \$1.2 million through 2028.

<b>Priority Project Expenses</b>	
<b><i>Department of Public Works</i></b>	
Building 7	\$ 400,000
Salt Shed	2,200,000
Building 5	7,000,000
Fuel Depot	<u>350,000</u>
	9,950,000
<b><i>Miscellaneous Projects</i></b>	
City Hall HVAC	2,400,000
Forest Avenue Sidewalks	2,800,000
Police/Court Facilities	3,700,000
T. Fremd Wall	2,010,000
STS Annual+EBP	900,000
RTP-City Contribution	<u>100,000</u>
	11,910,000
Sanitary Sewer Improvements	14,400,000
Street Resurfacing (6 years)	<u>7,750,000</u>
<b>Total Project Expenses</b>	<b><u><u>\$ 44,010,000</u></u></b>

## **2023 NEW PRIORITY PROJECTS**

Building upon the work in 2019, and the resulting planning and design for the Priority Projects, City staff has further refined an estimated \$14.4 million of additional needs. The projects highlighted below, largely reflect City fleet, transportation, sewer, and stormwater needs. Departing from past CIP plans, several aspects of these priorities reflect annual costs spread over the next 4-6 years (annual drainage improvements, flood resiliency, Sluice Gate monitoring). More impactful is the inclusion of expected fleet costs. As noted in the 2022 and 2023 budget presentations, our City fleet requires approximately \$1.2-1.5 million of annual investment based upon our fleet management program. This includes annual expenses such as Police vehicles, as well as the funding of depreciating large assets such as fire trucks, garbage trucks etc. There is currently \$400k annually included in the property tax rate, leaving a significant annual shortfall. The \$8.25 million noted below highlights those vehicles which are in likely need of funding/replacement over the next five years.

Projects in the CIP, but not reflected in this priority list, are critical but require further refinement and work. In some cases, this relates to potential funding sources. In no way does this diminish the importance. Included in this list are several projects for Rye Rec. In some cases, there is Recreation fund balance and donor opportunities to fund a portion of these costs. Please note that the Rye Rec Courts 7/8 rebuild is being funded from FEMA Ida reimbursement.

## 2023 New Priority Projects (2024-28)

### City Buildings

Building/Facility Assessment	\$	100,000	
Building Upgrades		1,350,000	
			1,450,000

### Transportation

Purchase/Fremd/Purdy		350,000	
Purchase/Highland/Cedar		250,000	
Thistle/BPR Crosswalk		100,000	
McCullough Place Parking Lot		200,000	
			900,000

### Sewer System

Styuvesant Ave Pump Station		250,000	
Kirby Land North Pump Station		250,000	
Peck Ave Pump Station		250,000	
			750,000

### Stormwater System

Annual Drainage Improvements		1,000,000	
Milton Cemetary Streambank Restoration		100,000	
			1,100,000

### Recreation

Rye Rec Courts 7/8		550,000	
Rye Rec Pickeball		150,000	
			700,000

### City Fleet (2024-28)

Annual PD Vehicles		1,500,000	
FD Ladder		1,750,000	
FD Engine		900,000	
FD Misc		600,000	
DPW Sewer Vacuum Truck		550,000	
Annual DPW Vehicles		2,950,000	
			8,250,000

### Flood Resiliency

Annual		875,000	
Sluice Gate Monitoring		375,000	
			1,250,000

**\$ 14,400,000**

## ENTERPRISE FUNDS

The CIP includes projects for the Rye Golf Club and Boat Basin. These operations are enterprise funds that pay for their operating expenses from user fee revenues. Generally, enterprise funds pay for their capital needs; however, larger projects may exceed their available revenue and reserves. In those cases, there may be requests to use the City's general fund or the City's bonding authority to fund capital projects. Following the dredge of the Channel in 2022, there will be a dredge of the Basin this fall. This cost is being borne by the accumulated fund balance of the Boat Basin enterprise fund. The 2024-28 Boat Basin CIP includes an annual investment for future Basin dredges. A similar annual expense is being assumed for City's obligation to dredge the Channel.

Included in the CIP is an engineering assessment and review of the RGC pool and Whitby Castle. We reasonably expect that the 2024 CIP will include projects related to Whitby Castle. It is also likely that the RGC and City will need to begin significant planning related to the pool and its likely replacement.

<b>Enterprise Fund Projects</b>	
<b>Rye Golf Club</b>	
Irrigation	\$ 4,000,000
Bunkers	1,750,000
Parking Lot Paving	300,000
Drainage	500,000
Hitting Cage	40,000
Whitby Castle Assessment	25,000
Pool Assessment	25,000
	<u>\$ 6,640,000</u>
<b>Boat Basin</b>	
Basin Dredge (2023)	\$ 3,300,000
Future Dredge	1,500,000
Dock Replacement	500,000
Wifi/Security Cameras	15,000
Parking Lot Repaving	200,000
Facility Upgrades	50,000
Dock Entrance/Walkway	50,000
	<u>\$ 5,615,000</u>

## FLOOD MITIGATION AND RESILIENCY

As you are aware, significant time and focus has been spent since Ida on projects to mitigate the impacts of the Blind Brook watershed. Through the engagement of engineering firms and consultants, we have identified potential projects. In all of these cases, the costs far exceed the financial resources of the City. We continue to work with our State and Federal delegations, and with the assistance of consultants, to seek funding. For this CIP, we have included flood projects in a separate section and have not included those costs in our CIP. However, we have included local stormwater projects, and significantly increased our assumed annual funding.

## CIP FUNDING

Funding for the existing Priority Projects and five-year CIP come from a variety of funding sources. At present, we have accumulated or reasonably expect to receive an estimated \$62 million for our five-year CIP. This has been achieved through prudent policies and financial management, aggressive pursuit of grants and a significant increase in State and Federal aid.

<b>Funding Resources</b>	
2022 Bond Proceeds	\$ 13,550,000
2028 Bonds (TBD)	5,000,000
Capex Reserve (August 1, 2023)	7,820,000
FEMA Reimbursement (Courts 7/8)	700,000
Annual Tax Rate (2024-28) (Vehicles, Flooding, Roads, Sewer)	7,500,000
Annual State Budget (Current balance through 2028)	14,204,000
Grants	<u>18,516,000</u>
	<u><b>\$ 67,290,000</b></u>

## **Bonds**

In February of 2022, the City issued \$13.55 million of general obligation bonds at an interest cost of 2.1%. These proceeds are being used to fund costs related to Disbrow DPW buildings, City Hall HVAC, and certain sanitary sewer projects. Under the City Charter, the Council can authorize debt totaling 30% of the City's annual operating expenses. As debt matures, the Council can authorize additional borrowings. More importantly, maturing debt provides the financial capacity to borrow for the CIP without impacting the annual City Budget (debt service) or raising taxes. Over the next five years, outstanding City debt will mature, therefore allowing the City Council at the time to authorize approximately \$5 million of additional debt for capital projects (without an increase in taxes-replacement debt). For the 2023 CIP, I have assumed this is used for the unfunded amount of the Locust Avenue bridge replacement.

In addition to the outstanding debt, the Council can authorize \$4.27 million for Public Safety and Disaster Rebuilding Purposes. These amounts are not included in the CIP funding analysis.

## **Capex Reserve**

In 2019, the City Council set a policy that all annual surplus monies (assuming the General Fund Reserve is funded at 10% of total expenditures) are reserved for the CIP. Currently the Capex Reserve totals \$7.82 million. This amount does not reflect any 2023 budget surplus. Similarly, the CIP does not assume any future City surpluses.

## **Annual Tax Rate**

Through City Council action in recent budgets, certain capital costs are annually funded through the tax rate. These include:

*Street Resurfacing: \$600,000 (plus \$100,000 street opening permit revenue)*

*Flooding: \$250,000*

*Sanitary Sewer: \$150,000*

*Vehicles: \$400,000*

The CIP financial plan assumes \$7.5 million is available over the next five years.

## **Annual State Budget**

In recent years, the State budget has significantly increased its funding of local road projects. Historically, this was limited to the Consolidated Local Street and Highway Improvements Program (CHIPS). Beginning with the 2021 budget, the State created several additional budget appropriations for local government road infrastructure. The most significant for Rye is the State Touring Routes (STR), which provides monies to offset the cost of maintaining State roads (Bost Post Road). CHIPS, STR and two other programs now provide the City with approximately \$1.7 million annually. The

accumulated balance of State allocated monies plus an assumed continuation of these programs contributes over \$14 million to our CIP expenses.

## **Grants**

Over the last five years, the City has aggressively pursued grants in support of our identified CIP priorities. This approach, combined with the significant support of our State legislative delegation has resulted in over \$18.5 million in grant awards:

Sanitary Sewer *\$10mm*

Locust Avenue Bridge *\$5mm*

Forest Avenue Sidewalks *\$2.1mm*

Stormwater System *\$500k*

T. Fremd Wall *\$515k*

Salt Shed *\$400k*

## **CONCLUSION**

The Capital Improvement Plan provides the City Council, City Management, and the entire community with an opportunity to prioritize and plan for the longer-term needs of the City, while accurately anticipating the near-term budget(s) impact. These plans should be reviewed in the context of an ongoing dynamic process, with each year being an update and refinement. Needs and priorities will change and evolve, along with possible funding sources. The 2023 CIP will be presented at the August 9, 2023, City Council meeting and will be posted to the City website. Comments, questions, and suggestions are welcome as we continue to identify and modify projects to best meet the needs of the entire community.

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Attachments:

2023 Capital Improvement Plan Spreadsheet  
2022 CIP Finance Plan  
August 9, 2023 City Council Power Point Presentation