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CITY OF RYE Office of the City Manager

Inter-Office Memorandum

To: Mayor and Rye City Council
From: Greg Usry, City Manager
Date: August 8, 2024
Re: 2024 City of Rye Capital Improvement Program

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 2024 CIP submission. It further serves as background for the City Council presentation on August 14 and details the status of various City Council authorized 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 2025 Proposed Budget, and beyond. The budget presented in November will include certain budget recommendations that are informed by this document.***

Since 2019, the 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 and/or public safety.

In furtherance of the CIP, the Council established certain financial goals and policies which have led to significant accumulated financial resources. Beginning with the 2022 budget we added the City vehicle fleet to our long-term planning and focus, with a resulting annual contribution and fund balance dedicated to vehicles and equipment.

In the following pages (and the attached worksheet), I highlight nine categories of capital program needs and a potential funding strategy. The format and approach reflect a concise and focused look both in terms of projects and potential funding opportunities.

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, timing and the impact of undertaking (or not undertaking) the projects. The existence and condition of City infrastructure, vehicles/equipment, and major capital assets have a direct bearing on the City’s ability to provide services and the facilities needed or desired by the community, and the perception by residents of the overall quality of life.

The CIP is the culmination of a process that seeks the input of Department Heads to identify projects. 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 over time.*** These changes are the impetus to update and redevelop the CIP each year.

2024 Five Year CIP	
Building Projects	\$ 20,300,000
Transportation Projects	29,356,000
Sewer Projects	16,050,000
Drainage Projects	4,200,000
Recreation Projects	9,200,000
Rye Town Park	627,000
Vehicles and Equipment	<u>8,250,000</u>
Total - Excluding RGC and Boat Basin	\$ 87,983,000
Rye Golf Club	6,695,000
Boat Basin	<u>925,000</u>
	<u><u>\$ 95,603,000</u></u>

2024 CIP

The City's CIP totals an estimated \$95 million and is the result of staff recommendations and City Council direction. Following many years of design, planning, permitting and delays caused by COVID many of these projects are now underway, or soon to be started. Of particular note and highlighted in my 2024 Manager's Priority Report in March, are various DPW buildings, as well as the vast work related to our sanitary sewer system. The list below also includes projects added over the last 12-24 months such as stormwater improvements and Nursery Field. The total cost is based upon the best available information, but in some cases reflects dated designs and will need further update and refinement. The street resurfacing total included here includes the \$1.5 million cost in 2024 and an estimated annual expense of \$1.5 million through 2026 (the current resurfacing contract). In the table below I have highlighted those projects currently underway, or with expected Council authorization to proceed within the next 60 days.

2024 Priority Projects	
Building 7	\$ 400,000
T. Fremd Wall	3,056,000
Salt Shed	2,200,000
Building 5	7,000,000
Fuel Depot	550,000
Rec Park Tennis Courts	750,000
Nursery Field	3,100,000
Parking Lot 1	150,000
2024 Street Resurfacing	1,500,000
Sanitary Sewer Improvements	<u>14,400,000</u>
	<u>\$ 33,106,000</u>

2024 Additions

Building upon the work that began in 2019, and the resulting planning and design for the Priority Projects, City staff has further refined and added an estimated \$6.1 million of potential projects. Ultimately this and future City Councils will make funding decisions that will dictate the timing and prioritization of these projects.

Except for Nursery Field (with enhancements), Damiano building upgrades, the recreation fields study and RTP expenses there is no additional identified funding for these new projects.

Included in the 2024 CIP are certain projects for Rye Town Park. These include ADA bathrooms, window replacements, Pavilion roof, Bath House retaining wall and necessary improvements to Barleys Beach House. The costs reflected in the worksheet are net costs

and take into account any grants received by the RTP Commission. Further, the expense reflects the City’s proportionate share of expense (39%). There are a number of other projects being contemplated by the RTP Commission that have not yet advanced due to the shortage of grant monies or other considerations.

Finally, each year the RTP Commission includes certain small capital projects in their budget. I am including an assumed \$30,000 annually for those expenses.

2024 CIP Additions	
Fire Department-Milton	150,000
Nursery Field	3,100,000
Nursery Field Enhancements (TBD)	250,000
Rec Fields Study	50,000
Sterling Field Improvements (TBD)	500,000
Gagliardo Park Sound Barriers	500,000
Damiano Building - Misc.	100,000
RTP Multiple Projects	<u>477,000</u>
	<u>\$ 5,127,000</u>

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 through user or related revenues. Historically, the City’s two enterprises fund their ongoing 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 bonding authority to fund capital projects.

Included in the CIP is an engineering assessment and review of the RGC pool and Whitby Castle. We reasonably expect that the 2025 CIP will include specific projects related to Whitby Castle; although there is a “placeholder” included in the 2024 for possible expenses. It is also likely that in 2025 the RGC and City will need to begin significant planning related to the RGC pool and its replacement.

With the completion of the Boat Basin and Channel dredge over the last 24 months, the Boat Basin Commission and staff are turning their attention to regular capital improvements. This includes dock (and dock entry) repairs and replacement and building improvements. For 2024 CIP there is also the inclusion of a wash pit; in keeping with our desire to move toward green marine practices.

Enterprise Fund Projects	
Rye Golf Club	
Irrigation	\$ 4,000,000
Bunkers	975,000
Parking Lot Paving	300,000
Drainage	500,000
Hitting Cage	50,000
Cartpath Repairs	320,000
Whitby Castle Assessment/Repairs	525,000
Pool Assessment	25,000
	<u>\$ 6,695,000</u>
Boat Basin	
Dock Replacement	500,000
Wash Pit	100,000
Parking Lot Repaving	200,000
Facility Upgrades	75,000
Dock Entrance/Walkway	50,000
	<u>\$ 925,000</u>

PROJECTS REMOVED FROM THE 2023 CIP

As noted above there are numerous projects underway, including some expected to be completed within the next 3-12 months. In addition, certain projects that appeared in the 2023 CIP have been completed and therefore removed this year. Notable of these is the Channel and Boat Basin dredge. Over the next several years it will be necessary to begin planning for future dredges, which will likely need to occur in 10-12 years, depending upon the rate of siltation.

Also absent in the 2024 CIP is the RGC Pool and Nature Center Road. In both cases, the projects concepts have not been dropped but rather we have inadequate information to accurately predict timing and funding. The Pool will be a necessary investment, but the timing is not clear until the engineering assessment is complete. The Nature Center Road (in various incarnations) has been considered for some time; but again, we need further study to determine design, timing and cost.

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 various engineering firms and consultants, we have identified potential mitigation 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 the major flood projects in a separate section but given the extreme expense and expected lengthy timeline they are not included in the five-year CIP totals.

In 2024 we undertook the first significant stormwater system improvements in many years. By Council action in June \$1.1 million for repairs/improvements were authorized. We expect annual spending to continue as we address an old and undersized system.

CIP FUNDING

Funding for the CIP is derived from a variety of sources. At present, we have accumulated or reasonably expect to receive an estimated \$70 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.

Funding Resources	
2022 Bond Proceeds	\$ 12,150,000
2028 Bonds	6,000,000
Public Safety/Disaster Rec. Bonds	4,630,000
Capex Reserve (August 1, 2024)	4,960,000
Vehicle Reserve	2,700,000
Annual Tax Rate (2025-29) (Vehicles, Flooding, Roads, Sewer)	9,000,000
Annual State Budget (Current balance through 2029)	16,775,000
Nursery Field Donation	3,100,000
Grants	<u>19,895,000</u>
	<u><u>\$ 79,210,000</u></u>

Bonds

In February of 2022, the City issued \$13.55 million of general obligation bonds at an average 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 to authorize an estimated \$6+ million of additional debt for capital projects. Although included in the table above, *the 2024 CIP funding assumptions in the worksheet do not include the use of these additional monies or the Council authorized \$4.63 million for Public Safety and Disaster Rebuilding Purposes.* This estimated \$10.63 million is an available funding source for future CIPs.

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), as well as significant one-time revenues, are reserved for the CIP. Currently the Capex Reserve totals \$4.96 million. The current balance does not reflect any 2024 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 have been 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

Beginning with the 2024 budget the Council reallocated the \$600,000 for roads to City vehicles. Given the annual State grant monies available for roads, the annual \$1.5 million for City roads is funded by annual street opening permit revenues (\$100,000) and State grants. I expect to make the same recommended use of the \$600,000 in the 2025 budget

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 (Boston Post Road). In total CHIPS, STR and two other programs now provide the City with approximately \$2.23 million annually.

The accumulated balance of State allocated monies plus an assumed continuation of these programs contributes over \$16.8 million to our five-year CIP expenses. For the foreseeable future we expect this same level of funding to continue, and therefore we have included those amounts here.

Grants

Over the last five years, senior City staff have 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 \$19 million in grant awards:

Sanitary Sewer *\$10 million*

Locust Avenue Bridge *\$5 million*

Forest Avenue Sidewalks *\$2 million*

Stormwater System (SAM) *\$500,000*

Stormwater System (County) *\$250,000*

T. Fremd Wall *\$995,000*

Salt Shed *\$400,000*

In addition to those grants highlighted above we are currently pursuing over \$2.3 million of State Grants available under the annual 2024 Consolidated Funding Application (CFA) process. These applications have been submitted for projects including the Locust Avenue Bridge and additional electric vehicle acquisition. In addition, we are currently reviewing submission requirements for the new grants made available because of the 2022 Environmental Bond Act. Those grant submissions are due in the next 30 days.

Finally, through our Federal legislative delegation we have requested \$5mm of earmark monies for the Locust Avenue Bridge replacement to be included in the 2025 Federal budget. The grants, and the outcome of the earmark request, are expected to be announced late this year or early in 2025.

For the 2024 CIP we have not included any grant or earmark monies not yet awarded.

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 2024 CIP will be presented at the August 14, 2024, 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.

Attachments:

2024 Capital Improvement Plan Worksheet
August 14, 2024 City Council Power Point Presentation