



CITY OF LOCKPORT
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TIM RUSSO
Director of Finance

April 26, 2023

To: Common Council
From: Director of Finance

Re: Capital Proposal Narrative

Capital projects play a significant role in the governance of a municipality. Proper planning and adequate financial resources are key to ensure that public infrastructural needs are being met on an on-going basis. This memo will analyze the upcoming availability of bonding as it fits within the operating budgets and discuss a proposal from the Mayor regarding recommended upcoming projects (as well as how to move forward with next steps).

Availability of Bonding as a Resource

Bonding is long term debt that is incurred for specific projects typically over the length of their life. Municipalities use bonds to pay for large capital expenditures and infrastructural requirements. Firstly, a project is authorized via the legislative body via a bond ordinance, which allows the City to go to bonding for the project up to a certain dollar amount. The City can, after that point, take out cash by either formally going to bond or can take out short term cash in form of a bond anticipation note (BAN) which will then be paid off by the bond proceeds under two years.

After a bond is taken out with cash, the City will make annual principal and interest payments on the debt via annual operating budgets. As a result, it is important to consider the impact of bonds on the taxpayers and more specifically, the property tax levy and user fees associated to water and sewer. Ideally, an entity will ensure that there are no significant increases/decreases with these costs on a year-to-year basis, rather, a slow incremental increase which people can adequately plan their personal finances for in a predictable manner.

The City of Lockport has a number of current bonds expiring in upcoming years. Primarily, this includes our 2014 bonds ending with last payments in FY 2024. Required principal and interest payments within the operating funds would then decrease by \$750k in FY 2025. As a result, it is recommended that the City incur bonds to maintain a flat tax rate, as this would help mitigate sudden shifts and fluctuations in our levy and user fees. Ultimately, if the legislative body agrees that there are capital infrastructural needs, this is the recommended time to pursue it.

The following depicts the operating funds that are no longer required beginning in FY 2025 from the expiration of the 2014 debt payments:

General Fund	\$235,346
Refuse Fund	\$36,477
Water Fund	\$270,861
Sewer Fund	\$207,013

Moving from FY 2025 into FY 2026, a portion of the 2017 bond package drops, further reducing the annual operating debt payments by the following amounts:

General Fund	\$174,013
Water Fund	\$83,956
Sewer Fund	\$91,039

Currently, there are the following bond authorizations outstanding that have not yet been bonded:

Gulf Interceptor (Sewer)	\$7,738,000
UV Project (Sewer)	\$3,800,000
Fire Truck (General)	\$1,717,191

It should be noted that the Gulf Interceptor is anticipated to only utilize Clean Water State Revolving Fund (CWSRF) low/no interest loan in the amount of \$3.1 million after netting out anticipated grants. Similarly, the UV project is anticipating to utilize CWSRF in the amount of \$2,125,000 net of other anticipated awards.

Based on the projection of the 25-year ladder truck bond, it is anticipated that the first year payment will amount to \$140k, leaving an additional potential \$95k in that year's bond payments available. If assuming the same properties as the fire truck, that would equate to roughly \$1.2 million in available funding for General Fund projects. If you include the additional drop in FY 2026 as well, the total available balance increases to over \$3 million. It is likely the sewer will have minimal room for significant continued bonding once assuming the two CWSRF projects currently authorized. The Water Fund will be able to bond around \$2.5 million between the two years to keep the rate flat. Please note that these are estimates based off of the interest rates and life provided for the fire ladder and will change depending on the project.

Other Available Funding Sources

Capital projects do not have to be funded through bonds alone. There are other funding sources to make note of at this point in time, including fund balance per each operating fund, Coronavirus State and Local Fiscal Recovery Funds (ARPA) funds, annual NYSDOT funds, and prior bond funds for incomplete or stalled projects.

Operating fund balance has increased in recent years to values above the minimum as per fund balance policy for all funds except refuse. The below exhibits (on the following page) denotes current levels for fund balance, cash available, and anticipated cash used in FY 2023.

Exhibit 1. Accumulated and Planned Fund Balance at Year End 2023

	2021 Unreserved Fund Balance	2022 Surplus	2023 Budgeted Use	Resulting Fund Balance	As a Percent of Expenditures
General	\$ 9,250,420	\$ 925,971	\$ 1,057,470	\$ 9,118,921	32%
Water	\$ 2,937,357	\$ 46,711	\$ -	\$ 2,984,068	69%
Sewer	\$ 1,878,009	\$ 116,374	\$ 15,905	\$ 1,978,478	47%
Refuse	\$ 527,994	\$ 204,276	\$ -	\$ 732,270	51%

Exhibit 1 shows the unreserved fund balance per each fund from the end of FY 2021 into FY 2022’s closing results and then followed by the budgeted use of funds in FY 2023 per budget appropriation. Note the final column shows the resulting unreserved fund balance as a percent of expenditures, which range at 69% in the Water Fund to 32% in General.

While unreserved fund balance is important to consider, it alone does not dictate the ability to utilize funds for capital expenses. Cash balances are important to consider as well, as fund balance also consists of non-cash accounts. **Exhibit 2** shows the FY 2022 year-end cash balances, the FY 2023 year-end cash balances (assuming we perform exactly to the budget), and a recommended amount of cash available to use for capital projects (if desired). Note the final column denotes the resulting cash as a percent of the fund’s expenditures, ranging around 32% in the Water and Sewer Funds and 20% in the General Fund. It may be surprising to see \$2 million in General Fund as available, but it is important to note that we did not use the budgeted fund balance appropriation in FY 2022, but instead *contributed* to the fund balance at year end. If utilized the \$2 million in the General Fund in full, the fund would end FY 2023 with a 25% unreserved fund balance to expenses ratio.

Exhibit 2. Year-End and Anticipated Cash Balances

	2022 YE Cash	2023 YE Anticipated Cash	Recommended Cash Available	Resulting Cash as a Percent of Expenditures
General	\$ 8,834,272	\$ 7,776,802	\$ 2,000,000	20%
Water	\$ 2,660,958	\$ 2,660,958	\$ 1,285,000	32%
Sewer	\$ 1,610,102	\$ 1,594,197	\$ 250,000	32%

Finally, in addition to bond proceeds and fund balance, a number of different funding options are available to the City currently. These include annual NYSDOT funding (CHIPs/POP/EWR/PAVENY/Touring), remaining unappropriated ARPA funds (\$237,997), previously bonded but halted/delayed projects – (1) Scalzo Park Wall (\$180,408) and (2) WWTP Sludge Dryer Engineer Work (\$150,000).

Mayor's Proposal

The Mayor has proposed that the City pursue the following capital projects:

Water and Sewer Infrastructure Study	This project would consist of having a contracted group perform a study measuring the City's current water and sewer infrastructure and lines to determine what repairs and corrective action should be done.
Sidewalk and Railing on Gooding Street	This project would improve the Gooding Street infrastructure to make the area safer for citizens.
Chestnut Street Improvements and Traffic Calming	This project would improve the infrastructure to promote better efficiency and safety of the area.
Compost Door Replacements	This project, contingent on upcoming compost facility actions, would replace the delinquent doors at the facility.
Ford F450 in Water Distribution	This piece of equipment would serve water distribution and better the efficiency of the department.
Lincoln and Locust Street Improvements	This project would solidify the area to be a four-stop corner, with better cross walks and other safety improvements for students and pedestrians.
Lead Inventory	As per upcoming State requirements, the City will need to maintain a database and inventory of lead lines connecting to City infrastructure.
New Garage Building Structure	This structure would drastically improve and solidify the public works and garage equipment, allowing better storage, inventory, and management matters of City equipment.
Fire Apron Repair	This project would fund a new apron outside the back and side area of City Hall.
Compost Lease Agreement	Since 2021, our Engineering team has been looking at options to pursue for the Compost Plant. It is recommended to RFP the facility and have vendors present options to the Council and City.
Pool Renovation	This project fund improvements at the City pool, creating ADA compliance and better facilities for our public and youth to use.
Splash Pad	This project would create a new splash pad in Outwater Park for our citizens and youth to enjoy.
EV Stations	This project, led in coordination with NYPA Advisory Services, would fund a number of electronic vehicle stations in City Hall for a future EV City fleet as well as in parks for the Public to use and pay for.
Solar Panels	This project, led in coordination with NYPA Advisory Services, would provide solar panels on municipal buildings / lots. This would alleviate monthly payments of utility costs in City infrastructure.
Water and Sewer Infrastructure Repairs	After a study is finished to document the age and condition of City water and sewer infrastructure, funding would be made to alleviate decaying areas.
Lead Line Replacements	While it is unknown how NYS will distribute funding for this project, it is important to note of potential upcoming bonding for this project.
Violence Prevention Policy Recommendations	A newly revised FY 2023 Violence Prevention Policy contains a number of improvements that the City should make to ensure employee safety. This funding would supply costs for major repairs, such as fencing and lighting at Water Treatment.

Next Steps

Next steps for each project involve:

- 1) The City Engineer will begin reaching out to a pre-approved list of engineering firms to determine which groups have expertise in which function areas. The Engineer will discuss with them the scope of the project and inquire as to the design and engineering costs.
- 2) The Council will be presented with a resolution to authorize the Mayor to enter into such contract and to have the City begin the bond ordinance process (if the project is going to be funded via bonds) and/or to approve funds to start the design.
- 3) Once the design is completed, an RFP will be published. A resolution will award the contract and funding source (by moving funds and/or a full bond ordinance).
- 4) If the design and engineering work is to be done in-house, an RFP will be published and the Council will then vote on awarding the contract and funding.

Note that some projects are more so 'phase 2' plans that need other projects completed first, so it is important to note that not all will necessarily be designed and awarded in this funding package. For example, improvements to water and sewer lines cannot be funded until a study is done to compile and strategize the needs.

An example resolution for reference is below:

012418.15

By Alderman Devine:

Whereas, the Chief Operator of the Waste Water Plant informed the Mayor that the Plank Road culvert is deteriorated and in need of repair, and

Whereas, per Engineering Department request, the City's consulting engineering firm, Nussbaumer and Clarke, Inc. performed a condition assessment of the Plank Road culvert and determined that the culvert superstructure has reached the end of its anticipated service life and should be replaced in order to maintain its integrity and safety; and

Whereas, Nussbaumer & Clarke, Inc. submitted a proposal dated December 5, 2017 to provide engineering services related to the design of the replacement of the Plank Road culvert superstructure; now, therefore, be it

Resolved, that the Mayor, subject to Corporate Counsel approval, is hereby authorized to execute an agreement with Nussbaumer & Clarke, Inc., 3556 Lake Short Road, Suite 500, Buffalo, NY 14219, for a fee Not-to-Exceed of \$19,100 for the Scope of Work included in its proposal and to be charged to Capital Projects, and be it further

Resolved, that the City Attorney and City Treasurer are hereby directed to prepare the necessary Bond Ordinances to authorize the issuance of debt to fund said project.

Seconded by Alderman Farrell and adopted. Ayes 6.

Thank you,



Tim Russo
Finance Director