

VILLAGE OF HASTINGS-ON-HUDSON, NEW YORK
BOARD OF TRUSTEES
SPECIAL MEETING
JULY 22, 2003

A Special Meeting was held by the Board of Trustees on Tuesday, July 22, 2003 at 9:05 p.m. in the Meeting Room, Municipal Building, 7 Maple Avenue.

PRESENT: Mayor Wm. Lee Kinnally, Jr., Trustee Michael Holdstein (9:15 p.m), Trustee Bruce Jennings, Trustee Marjorie Apel, Trustee Peter Swiderski, Village Manager Neil P. Hess, and Village Clerk Susan Maggiotto.

CITIZENS: Five (5).

66:03 AWARD OF BID - POOL RENOVATION

Village Manager Hess: Mr. Ward has discussed the bids with the apparent low bidders. Contract number 1, General Contractor: \$1,385,000; contract 2, Plumbing: \$52,900; contract 3, Electric: \$250,250, with a lighting change order of \$44,003. Total low bids: \$1,732,450. The original bond resolution passed by the Trustees was \$1.6 million. The Parks and Recreation Commission has recommended the bids to these bidders with the addition of the lighting. The sun shelters would be purchased by the Parks Department and installed by the Parks and Recreation Department instead of the add on bid of \$23,000.

I recommend that we develop a total project of \$1.9 million, amending the bond resolution to that amount. That would provide \$167,550 for any contingencies, such as change orders, during construction and would also provide for the purchase of the sun shelters. I was not sure of the price; I estimated \$1,000 for the cost. If the funds are not needed beyond the base bids and the sun shelters, the money will not be borrowed.

Trustee Swiderski: Would the bond be for \$1.9 million instead of \$1.6?

Village Manager Hess: We would have to pass a new bond resolution for \$1.9 million. It does not necessarily mean we borrow 1.9, although we could and then pay it back at the end of the project. Or we could borrow exactly what we need because our interest rates are tremendously low right now. Our last borrowing was 1.3%. In interest alone, \$1.6 million at 2% is \$32,000. At 3% it is \$48,000. The difference is at least 50% on 1%, so you are looking at \$17,000 on \$1.6 million in the first year.

We have a number of major capital projects coming up over the next several years to consider. I would like you to consider some type of consolidated borrowing. You have to expend your funds within three years. If interest rates are as low as they are now, it could save significant sums of money for the Village over the future. We are looking at a \$3 million Community Center, the pool, fire pumps, Kinnally Cove, Boulanger Plaza. If we

could, on a long term basis, average 2.5% on bonds that would mean tremendous savings for the Village over the years.

Trustee Swiderski: The repayment of the bonds becomes the obligation of the Village, but is it funded from pool revenues?

Village Manager Hess: The pool is self-sustaining, for the most part, including the bond issue. However, the Village itself has to be a co-signer, so to speak. If there is a shortfall we have to make up the difference. In the past we have provided funds from the general fund to the pool fund with what is called a due-to-due-from on the balance sheets; over a series of years the money is paid back from the general fund.

Mayor Kinnally: So it is incumbent upon us to adjust the pool fees to provide the necessary revenue stream.

Village Manager Hess: My recommendation to the Parks and Recreation Commission last night was not to raise the pool fees next year. A commitment has been made to the pool membership to do the renovations. We have a commitment to try to maintain that fee level and try to increase membership to make up any difference.

Trustee Swiderski: So the increased fees which went up two years ago will be sufficient to cover this \$1.9 million.

Village Manager Hess: Yes.

Trustee Jennings: This seems like a good plan to me. I would reiterate a point made when we raised the pool fees. We should talk about whether it is a good idea to have no fee increase for several years and then a very large one, as opposed to a graduated increase on a regular basis. Either way, you come out the same in terms of revenue, but it might be more conducive to holding our membership if the increases were more gradual.

Ellen Bush, 21 Calumet Avenue: I am the chairperson of the Parks and Recreation Committee. We met last night with Trustee Apel and reviewed the bids, and talked again at great length about the pros and cons of the lighting factor. That really is the key for this amount of money. If we do not have evening lighting we cannot meet the programmatic needs such as YAP night or family nights. Because of Health Department regulations we need to have that additional lighting, and that is what adds this additional amount over the \$1.6 that you already obligated. We are asking that the Board approve this with the lights so that we can have the evening programs.

Trustee Holdstein: The lights could be installed at a later date, is that correct? I'm sorry to have come in late to the discussion.

Richard Ward, Ward Associates: During the construction you would have to put in the concrete bases and the conduit back to the bathhouse filter room because that is all going to get new decks. You do not want to rip all that up later. And one of the poles would be hard to put in later on, because it would be boxed in by the new construction.

Trustee Holdstein: Was there further discussion by the commission last night about going back to the drawing board? You have a lot more time to see what else could be pared from this to bring us back into the original plan of \$1.6 million.

Village Manager Hess: Yes, but when you look at it, construction costs are up from last year. To do the same thing would mean you would have much less of a project and probably the same cost that you are looking at now.

Trustee Holdstein: It is difficult to have gone through this process with a set plan and have it come back three times with a proposal that does not hit the plan. This is a difficult vote given what we have gone through in the last six months and the tax increases that we have had to put on our community. A question for the Village Manager. The pool has always been self-funding through the fees. Can we extend the length of the original bond plan?

Village Manager Hess: No, we cannot do that. The maximum is 20 years. We raised pool fees two years ago by 50%. Even though our membership is down 23% from two years ago, the revenues are about the same and our expenditures to run it are about the same. Within those expenditures were all the architectural fees, so that has already been paid. I am suggesting the additional money because I am more conservative. I like to project a bit higher and keep control of the budget and not spend the money, but have it available if a serious problem comes up that would require a change order, for example, an unexpected rock condition. I have never been involved in a construction project without change orders.

The Health Department threw us a curve ball during the second round of review, to require additional lighting on all the decks. This adds \$44,300 to this project. Without the lighting you would have a deduct of about \$60,000, so the swing is \$104,000. We offered for a number of years, until the Health Department would not let us stay open past dusk, programs such as family nights, YAP programs, a volunteer night sponsored by the Board for all the Board and Commission members and their families. The Parks and Recreation Commission, Ray, and I agree that the lighting makes sense for the many things you could do for the membership or other special programs. We would have restricted hours as we had before,

closing at 10 or 11 at the latest, because we try to be good neighbors in terms of lighting or noise.

We have made a commitment to the pool membership. We scaled back the project, and the total bids are more than we saw previously. There is not much to scale back in the project. We have to provide a project that is good for the membership and good for the Village.

Trustee Holdstein: Have you done a projection to roughly figure out, with some sort of increase for other expenses that we cannot necessarily cap, like insurance and personnel, what this is going to look like in pool increases to cover this expenditure over the next 20 years?

Village Manager Hess: You are making an assumption that we have to make increases over the years to cover the cost of the bond. But in paying off debt service, if we assume \$1.8 million just to be in the middle someplace, the annual payment is \$90,000. At 2%, it is a \$36,000 interest payment the first year. But the second year the principal is \$1,710,000. So your 2% is on the \$1,710,000, or \$34,000. Your interest is decreasing each year. When your operational costs increase you make up that difference with a reduction in your debt.

Trustee Holdstein: I am not suggesting that every year we have to increase. I am just saying, what does it look like going 20 years out with this debt with the present pool rate? Did we do a projection for 20 years to see what this would look like?

Village Manager Hess: No, not at this point.

Trustee Holdstein: So having not done that, is there or is there not the possibility that after 20 years we will not have paid off the 1.9 or not have been able to maintain paying this off as well as running our pool strictly by the fees generated?

Village Manager Hess: No. That will not happen.

Trustee Holdstein: How do we know that if we have not projected it out?

Village Manager Hess: You can project out anything, but it is not a guarantee of anything. You do not know what is going to occur in the future. You do not know that the membership could be expanded to non-residents to build up the membership, at differential fees. You do not know what the cost increases are going to be. What I can say is, over the last two years, we have raised the rates 50%. We had a 23% drop in membership, but our revenues and expenditures were approximately the same.

Trustee Holdstein: I understand that boards in the 12th or 15th year from now could do such things as open it up to outside residents. But I am concerned that we have developed a beautiful pool program that is self-funding, and I am not confident as we go into spending another potentially \$1.9 million that it will maintain its self-funding status.

Village Manager Hess: The reason the pool is self-funding right now is because you have already raised the rates 50% two years ago in contemplation of the renovation. Now, you cannot say we have raised your rates 50% and not do the renovation. If you are not going to do the renovation, then roll back the rates.

Trustee Holdstein: If we nix the whole project, then we would have to do that. But I am not going down that path. I am just trying to get some projections to make sure that in 20 years the mayor and the Board at that time are not faced with a problem that they are short for paying off the bond, the fees have gone up, and...

Mayor Kinnally: But they are not going to be short of paying the bond. They have an annual obligation to pay off the bond. It is amortized. It is just like your mortgage. You are not going to find yourself in the 20th year short of paying off a 20-year mortgage.

Trustee Holdstein: You are correct. But I am trying to factor in a projection of where this will take us both from a standpoint of fees to our community and the funding of this bond.

Village Manager Hess: In simple terms, if you take \$1.9 million, divide it by 20, assume 2% interest: 2% is \$38,000. Principal over 20 years is \$95,000 a year. The \$38,000 will reduce by 5% per year each year for 20 years. The 95 stays the same.

Mayor Kinnally: \$133,00 the first year. He is saying right now, in year one, we have enough to pay it off, given the economics that we have now, the fees, the expenses, and projecting the debt service.

Village Manager Hess: That is correct.

Trustee Holdstein: I think that is foolish planning to only think about year one.

Mayor Kinnally: Neil, can you do the year two through ten numbers?

Village Manager Hess: Sure.

Trustee Swiderski: It starts to get pointless beyond year four or five. You can only reasonably project over a few years' time and at any point along the way you can raise fees, the minimum wage can go up beyond our control, the Board can change membership criteria.

Trustee Holdstein: I respectfully disagree. I think you can project increases for the next 20 years. It is strictly a guess, but there has to be a reasonable way to make an educated guess as to the potential fee increases against the potential increases in costs beyond what we can tell by what we know for sure, which is the paying off of the bond, and trying to balance that against revenues.

Trustee Jennings: You are assuming that the pool fees will have to go up by virtue of borrowing this money and making this capital investment. As a matter of fact, they may go up more if we do not. As the pool deteriorates, not only will its operating costs go up but we will very likely lose membership. So revenues will fluctuate also. We should not just assume that by not making this capital improvement we will be able to maintain a lower level of increase in our fee structure in the future. We could end up with a higher fee structure in the future if we did not make this investment.

Trustee Holdstein: I am in complete agreement with you and I never said that I am making an assumption that the fees would have to go up. I am asking to look at numbers to see if, in fact, they may or may not. I would like to see on paper these different revenues. Maybe we can actually show with that projection that, in fact, we will not have to raise them to where they are. I just want to put it all together and look at a 20-year plan to pay this off.

Mayor Kinnally: I have to give some credence to Neil's statement that it is difficult to do. I have always looked at this project as a much larger project. We have to deal with the bathhouse, and that is going to be another expense. In going through the pool last October, it became clear that we do not have an option as far as improvements. The pump and filter room, the delivery of the chlorine, has to be brought up to 21st century standards or we are going to have larger problems. We cannot operate the pool and get the necessary permits from the Board of Health unless we make certain improvements. Once we start dealing with improvements, it seems to have a domino effect that you have to go into the deck so when you start taking up the deck we have to deal with the additional pool. If we do not have the additional pool, we are facing a continued decline of enrollment.

I have always felt that the pool should be self-sustaining, though I do not know what a board is going to do in the future. Offering the pool as an amenity helps all of us as far as property values. We cannot go halfway. The price is higher than we hoped it would be, but it would be even higher today from a payoff standpoint if we had the rates that were in effect a year

ago or two years ago. I would like to plan out 20 years; your point is well-taken. But I do not know how we can extend that out. There are so many variables. Neil, do the best on that, if you can.

Village Manager Hess: My suggestion is that you award the bids tonight and authorize the project. I will provide that backup information within a week.

Trustee Apel: I want to thank the Parks and Recreation Committee. They have been spending a lot of thoughtful time on this, especially with all these changes. I am very much in favor of putting the lights on the pool. If we are going to be digging everything up and we are going to want to do it later, we might as well do it now. It will be more costly later, and it will enable us to enhance the program and the usage of the pool. We have to thank Mr. Ward for the design. He has been very patient back and forth in explaining things. I am very much in favor of awarding the bids tonight. I would like to move this along.

Trustee Jennings: I would like to thank the Parks and Recreation Commission, and department, and Mr. Ward also for all the hard work they put into this. I am in favor of the entire package: the new design, the upgrading of the infrastructure of the pool, the lighting. That it may turn out to be \$100, or \$200, or \$300 thousand higher than we had hoped a year ago still seems to me to be well within a reasonable investment for the benefit to the community that we are achieving by upgrading our pool. So I am in favor of this resolution.

There are a couple of things that I would like to just say in relation to the discussion the Board has had this evening. As far as what we tell the membership of the pool community, for the foreseeable future we believe that the current, or a reasonably moderately increased, fee structure will be sufficient to support this investment. I do not feel comfortable in making a promise to the community going out 20 years. But for the next few years we can be reasonably confident that this investment is not going to bust the budget of the pool. It is not going to cause a tremendous burden on those who choose to be fee-paying members of the pool community.

The community ought to understand that we have two seemingly contradictory situations going on at the same time. On the side of the Village budget, we have difficult cost increases and revenue decreases that are beyond our control, and an unfortunate necessity for a significant raise in our property taxes in order to balance our budget. But this happens to be an extremely advantageous time to borrow money because the interest rates are extremely low. So the investment that we are making on the pool is a separate consideration that has nothing to do with the tax rate and the budget. The taxes went up this past year not because of this bond issue and not because of these plans for the pool. They had nothing to do with

that. And taxes are not going to go up because of this investment. It will be handled and paid for separately. I hope that people understand the paradox of borrowing money at a time when we have to be cautious and prudent in terms of our operating budget and our taxes. But we can do both at the same time and, in fact, we are. And I feel that we should.

Trustee Swiderski: I agree with everything that Bruce said. There is some irony that we suffered a 23% drop in membership when we are about to increase the pool size by quite a bit more than that. One way to get a lot more people through the door may be to consider aggressive marketing and a cut in fees. I notice fewer people in the pool area and a lot of people I know have not shown up this year because they cannot afford it, and I would like this to be a community resource. There is that economics textbook where there's a utility, and the slope of the membership is related to the dollar cost increase; maybe a little bit of marketing and a small cut might result in more than enough additional revenues to offset that and get more people over the transom.

Other than that comment, I am in favor. I am pained that public works projects cost so much. I am pained that it costs this much without even touching the bathhouse.

On MOTION of Trustee Apel, SECONDED by Trustee Jennings the following Resolution was duly adopted upon roll call vote:

RESOLVED: that the Mayor and Board of Trustees award the bid for the Chemka Pool Renovations to the following to be paid from bond proceeds:

Norco, Ltd.	General Construction	\$1,385,000
James Ford Plumbing and Heating	Plumbing Construction	\$ 52,900
RLJ Electric Corp.	Electrical Construction	\$ 250,250,

and be it further

RESOLVED: that a change order be approved on the Electrical Construction contract for \$44,300.

ROLL CALL VOTE	AYE	NAY
Trustee Michael Holdstein	X	
Trustee Bruce Jennings	X	
Trustee Marjorie Apel	X	
Trustee Peter Swiderski	X	
Mayor Wm. Lee Kinnally, Jr.	X	

Mayor Kinnally: Ray, I would like to thank you for shepherding this thing through; Mr. Ward for all of your help under exceedingly trying conditions; and the members of the Parks and Recreation Commission and the community for their input in getting this thing going. Neil, thank you, and your staff.

EXECUTIVE SESSION

On MOTION of Trustee Holdstein, SECONDED by Trustee Jennings with a voice vote of all in favor, the Board scheduled an Executive Session immediately following the Special Meeting to discuss personnel.

ADJOURNMENT

On MOTION of Trustee Holdstein, SECONDED by Trustee Apel with a voice vote of all in favor, Mayor Kinnally adjourned the Special Meeting at 9:45 p.m.