



# CITY OF UTICA

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ROBERT M. PALMIERI  
MAYOR

To: City Clerk Patricia Lindsey  
President Michael Galime  
Members of the Common Council

From: Mayor Robert M. Palmieri

Subject: Veto Message on Introductory Local Law Number 4 of 2016

Date: August 30, 2016

I am returning Introductory Local Law Number 4 of 2016 with my disapproval.

The Common Council recently approved Introductory Local Law Number 4 amending the charter to increase the annual allocation for street paving from \$2 million to \$5 million.

While I respect and appreciate the Council's desire to pave more streets in the City, after thoroughly examining and reviewing this proposal I cannot support it.

We all agree many of our roads need repair and this is a good time to borrow given the current interest rates, however I want to ensure the Council and residents have a clear understanding as to the true cost of this plan.

The proposal calls for paving every road in the City by allocating \$5 million annually over a 15 year paving cycle (paving 14 miles per year).

The \$5 million would come from the \$2 million in the current referendum with an additional \$500,000 from the Water Trust fund, coupled with another \$2.5 million in bonding, each year.

Should the Council override my veto; the residents will vote on this measure via referendum in November. It is important they understand that while the paving cycle would be 15 years, it will take 30 years to pay off the bond.

One of the major concerns I have about the proposal is the average cost to repave a mile used in this calculation is \$360,000.

It is essentially a guarantee the cost of paving will gradually increase over the next 30 years, and the plan presented by the Council doesn't reflect any projected increase in paving cost, meaning it will cost more to pave every street than is being proposed.

Another factor is the direct impact this plan would have on the tax payers and the budget.

For example, below is a comparison of this year's budget (FY 2016-2017) to next year's projected budget (FY 2017-2018) of certain items which the City has no direct control over.

	FY 2016	FY 2017-2018	Increase Cost*
Salaries:	\$21,637,011	\$22,134,696	\$497,685
Medical:	\$9,929,455	\$10,326,633	\$397,178
Lease Purchase:	\$413,810	\$779,028	\$365,218
Pension:	\$5,651,788	\$5,764,824	\$113,036

\*Projected Costs

The projected increases in these four items alone create a \$1,373,117 budget gap.

When you factor in the Hotel Utica tax revenue of approximately \$830,000 that won't be in next year's budget and the increase to the Fire Department's complement, which was recently approved by the Common Council, these six items alone put significant pressure on next year's budget without including additional bonding costs.

In looking at the amortization schedule of this proposal (see enclosed), it will cost \$43.7 million (\$37.5 million in principle, \$6.2 million in interest) over a 30 year period, with the bond scheduled to be paid off in FY 2046-2047.

As previously mentioned, the Council's proposal utilizes \$500,000 per year from the Water Trust fund, but the Water Trust note expires in FY 2036-2037 (see enclosed).

**Where is the \$500,000 annual Water Trust contribution going to come from for the final ten years of the proposal after the Water Trust note expires? This creates an additional \$5 million cost to the City, increasing the total to \$48.7 million.**

With that said, even the \$48.7 figure million is misleading in that there is no projected increase in the interest rate, which is at a historically low level, or any projected increase in paving costs over the 30 year payment period.

**Under this nearly impossible “best case scenario” in which interest rates stay at a historically low level and the cost of paving doesn’t increase for 30 years, this proposal will still yield an average cost of \$1.6 million per year, creating significant tax increases in future budget years.**

The enclosed amortization schedule shows the gradual annual increase, with the cost peaking in FY 2032-2033, and gradually decreasing each subsequent year.

For example in FY 2020-2021, the cost of the proposal would yield a 2.2% tax increase, but in FY 2032-2033 this proposal alone would yield a 10.8% tax increase.

**Some Members of the Common Council have stated this proposal will only cost a 0.74% tax increase each year. The facts simply show that is not accurate.**

The Council and residents also have to bear in mind these projected tax increases are strictly to pay for the bonding proposal itself; it does not incorporate any other budgetary items that will naturally increase every year such as medical (insurance) cost, pensions and lease purchase obligations.

Additionally, in order to climb out of the financial hole we inherited, the City had to hold off on bonding for other necessary capital improvements such as our parking garages, public safety facilities, downtown and Harbor Point development, traffic signals, public pools, etc.

Approving this proposal will essentially put all our bonding needs in one basket, to address one issue, and disregard these other vital needs.

In three years the City’s debt service will be reduced by nearly \$1 million, but even if all the realized savings went to cover the cost of this initiative, and didn’t incorporate any other bonding needs, it would still have a minimal impact on the long term debt this proposal creates.

In speaking with municipal financial professionals locally and across the State there was a general consensus in recommending municipalities pay for operating expenses with current year revenues or reserves when necessary rather than bonding.

**During my tenure as Mayor I’ve witnessed firsthand how decisions made many years ago can negatively impact us today. In that light, I cannot in good faith support a proposal that places such a substantive burden on the next generation and ties the City’s hands financially for decades.**

**CITY OF UTICA, NEW YORK**  
**15 YEAR AMORTIZATION**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
3/31/2018	0	2.00%	25,000	25,000.00
3/31/2019	145,000	2.00%	73,550	218,550.00
3/20/2020	290,000	2.00%	119,200	409,200.00
3/31/2021	440,000	2.00%	161,900	601,900.00
3/31/2022	595,000	2.00%	201,550	796,550.00
3/31/2023	750,000	2.00%	238,100	988,100.00
3/31/2024	910,000	2.00%	271,500	1,181,500.00
3/31/2025	1,075,000	2.00%	301,650	1,376,650.00
3/31/2026	1,240,000	2.00%	328,500	1,568,500.00
3/31/2027	1,410,000	2.00%	352,000	1,762,000.00
3/31/2028	1,585,000	2.00%	372,050	1,957,050.00
3/31/2029	1,760,000	2.00%	388,600	2,148,600.00
3/31/2030	1,940,000	2.00%	401,600	2,341,600.00
3/31/2031	2,125,000	2.00%	410,950	2,535,950.00
3/31/2032	2,310,000	2.00%	416,600	2,726,600.00
3/31/2033	2,500,000	2.00%	393,500	2,893,500.00
3/31/2034	2,355,000	2.00%	344,950	2,699,950.00
3/31/2035	2,210,000	2.00%	299,300	2,509,300.00
3/31/2036	2,060,000	2.00%	256,600	2,316,600.00
3/31/2037	1,905,000	2.00%	216,950	2,121,950.00
3/31/2038	1,750,000	2.00%	180,400	1,930,400.00
3/31/2039	1,590,000	2.00%	147,000	1,737,000.00
3/31/2040	1,425,000	2.00%	116,850	1,541,850.00
3/31/2041	1,260,000	2.00%	90,000	1,350,000.00
3/31/2042	1,090,000	2.00%	66,500	1,156,500.00
3/31/2043	915,000	2.00%	46,450	961,450.00
3/31/2044	740,000	2.00%	29,900	769,900.00
3/31/2045	560,000	2.00%	16,900	576,900.00
3/31/2046	375,000	2.00%	7,550	382,550.00
3/31/2047	190,000	2.00%	1,900	191,900.00
	<b>37,500,000.00</b>		<b>6,277,500</b>	<b>43,777,500.00</b>

UPPER MOHAWK VALLEY REGIONAL WATER BOARD  
PROMISSORY NOTE

DECEMBER 1,	TOTAL PAYMENT	BEGINNING BALANCE	PRINCIPAL PAYMENT	INTEREST PAYMENT	ENDING BALANCE	INTEREST RATE
1998	150,000.00	7,000,000.00	0.00	150,000.00	7,000,000.00	2.143%
1999	200,000.00	7,000,000.00	0.00	200,000.00	7,000,000.00	2.857%
2000	250,000.00	7,000,000.00	0.00	250,000.00	7,000,000.00	3.571%
2001	300,000.00	7,000,000.00	0.00	300,000.00	7,000,000.00	4.286%
2002	448,036.00	7,000,000.00	0.00	448,036.00	7,000,000.00	6.401%
2003	480,715.00	7,000,000.00	68,799.53	411,945.47	6,931,200.47	5.885%
2004	480,715.00	6,931,200.47	72,848.04	407,866.96	6,858,352.43	5.885%
2005	480,715.00	6,858,352.43	77,134.79	403,580.21	6,781,217.64	5.885%
2006	480,715.00	6,781,217.64	81,673.79	399,041.21	6,699,543.85	5.885%
2007	480,715.00	6,699,543.85	86,479.89	394,235.11	6,613,063.95	5.885%
2008	480,715.00	6,613,063.96	91,568.81	389,146.19	6,521,495.15	5.885%
2009	480,715.00	6,521,495.15	96,957.18	383,757.82	6,424,537.97	5.885%
2010	480,715.00	6,424,537.97	102,662.63	378,052.37	6,321,875.34	5.885%
2011	480,715.00	6,321,875.34	108,703.82	372,011.18	6,213,171.52	5.885%
2012	480,715.00	6,213,171.52	115,100.51	365,614.50	6,098,071.02	5.885%
2013	480,715.00	6,098,071.02	121,873.60	358,841.40	5,976,197.42	5.885%
2014	480,715.00	5,976,197.42	129,045.26	351,669.74	5,847,152.16	5.885%
2015	480,715.00	5,847,152.16	136,638.94	344,076.06	5,710,513.22	5.885%
2016	480,715.00	5,710,513.22	144,679.47	336,035.53	5,565,833.75	5.885%
2017	480,715.00	5,565,833.75	153,193.14	327,521.86	5,412,640.61	5.885%
2018	480,715.00	5,412,640.61	162,207.80	318,507.20	5,250,432.81	5.885%
2019	480,715.00	5,250,432.81	171,752.93	308,962.07	5,078,679.88	5.885%
2020	480,715.00	5,078,679.88	181,859.74	298,855.26	4,896,820.14	5.885%
2021	480,715.00	4,896,820.14	192,561.29	288,153.71	4,704,258.85	5.885%
2022	480,715.00	4,704,258.85	203,892.57	276,822.43	4,500,366.28	5.885%
2023	480,715.00	4,500,366.28	215,890.64	264,824.36	4,284,475.64	5.885%
2024	480,715.00	4,284,475.64	228,594.74	252,120.26	4,055,880.90	5.885%
2025	480,715.00	4,055,880.90	242,046.42	238,668.58	3,813,834.48	5.885%
2026	480,715.00	3,813,834.48	256,289.65	224,425.35	3,557,544.83	5.885%
2027	480,715.00	3,557,544.83	271,371.04	209,343.96	3,286,173.79	5.885%
2028	480,715.00	3,286,173.79	287,339.88	193,375.12	2,998,833.91	5.885%
2029	480,715.00	2,998,833.91	304,248.42	176,466.58	2,694,585.49	5.885%
2030	480,715.00	2,694,585.49	322,151.94	158,563.06	2,372,433.55	5.885%
2031	480,715.00	2,372,433.55	341,108.99	139,606.01	2,031,324.56	5.885%
2032	480,715.00	2,031,324.56	361,181.57	119,533.43	1,670,142.99	5.885%
2033	480,715.00	1,670,142.99	382,435.32	98,279.68	1,287,707.67	5.885%
2034	480,715.00	1,287,707.67	404,939.76	75,775.24	882,767.91	5.885%
2035	480,715.00	882,767.91	428,768.46	51,946.54	453,999.45	5.885%
2036	480,715.00	453,999.45	453,999.45	26,715.55	0.00	5.884%
	17,692,346.00		7,000,000.00	10,692,346.00		