



REQUEST FOR ACTION
CITY COUNCIL

Agenda Date: 11/6/2024
Agenda Section: Consent Agenda

Department Origination: Finance

Agenda Item: Approve PFM Proposal to Develop CIP Cashflow Models and Financing Options

Approval Required: Simple Majority Vote

BACKGROUND

As part of the Capital Improvement Plan (CIP) workplan discussed and approved at the September 17, 2024 council meeting, the preparation of cashflow models to aid in the development of a CIP and discussions on potential changes to the city's special assessment policy were identified. Public Financial Management (PFM), the city's financial advisor, assisted with the initial creation of the various cashflows 20 years ago. PFM briefly reviews the debt service tax capacity cashflow maintained by Finance and provides some ongoing consultation as part of our annual bond issues for that particular financing.

PFM has provided a proposal and quote to develop CIP cashflow models for the city's debt service tax capacity, the three utility enterprise funds, and local option sales tax. The financial services will include assistance in identifying and analyzing the financing options for the city's proposed CIP, including various special assessment options. The various special assessment levels will aid in discussions on potential changes to the city's assessment policy. Attached is a copy of the proposal.

FINANCIAL IMPLICATIONS

Utilizing the city's financial advisor and finance staff, the initial third-party cost for the financial planning services and development of the five planning models for the city's debt service tax capacity, sales tax, and enterprise funds is \$22,500. As shown in Exhibit B, the initial cost for the debt service tax capacity analysis and each of the three utility funds is \$5,000 each. The sales tax analysis initial cost is \$2,500. Annual updates thereafter are \$1,000 per city fund, or \$5,000 annually for updates.

The professional services for the initial preparation of the models are proposed to be funded primarily from a Sourcewell grant. An application to Sourcewell's Third-Party Services Reimbursement grant program is anticipated to cover up to \$20,000 of the cost. The balance will be covered within the existing respective budgets of the various operations. The \$5,000 annual cost thereafter for updates will be incorporated in the individual budgets.

STAFF RECOMMENDATIONS

Based upon the council's approved CIP workplan from September 17, 2024, Finance Director Vacinek recommends approval of the PFM proposal to develop CIP cashflow models and financing options, including various special assessment options.

COUNCIL ACTION REQUESTED

Motion to approve the PFM proposal to develop CIP cashflow models and financing options