



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 7/16/2024
Agenda Section: Consent Agenda

Department Origination: Finance

Agenda Item: Adopt Resolution 2024-070, Providing for the Competitive Negotiated Sale of \$6,900,000 General Obligation Improvement Bonds, Series 2024

Approval Required: Simple Majority Vote

BACKGROUND

As part of the City's annual, long-term financing of its utility and street improvement projects, General Obligation (G.O.) Improvement bonds are issued. The proceeds of the bonds will reimburse for costs incurred to construct the 2024 Mill and Overlay and FDR street improvements, the 2024 South Forestview street and utilities project, and the 2024 CSAH 77 utility improvements that are being constructed in 2024.

Finance Director Vacinek has been working with our financial advisor, Jon Burmeister of Public Financial Management (PFM), and our bond counsel, Jenny Boulton of Kennedy and Graven, to prepare for the bond sale. Attached is the resolution to proceed with the 2024 bond sale. The bond sale is scheduled for Tuesday, August 20, 2024, with the council awarding the sale at its regular meeting that evening.

FINANCIAL IMPLICATIONS

Finance Director Vacinek, in consultation with PFM, has prepared the bond issue, sized at \$6,900,000 to finance 48% of the 2024 improvement projects. The bond issue will reimburse for the project costs incurred this year and remaining anticipated outlays based upon original engineer's estimates for the projects and the costs known when the bonds were structured on May 20. Any project cost overruns or change orders not identified when the bonds were structured, or ineligible project costs may require additional city funds and will need to be evaluated later.

After earmarking related special assessments to the projects, the remaining project costs are being financed with contributions from the city's enterprise funds, collector street fund, sales tax proceeds, and the city's debt service property tax levy. Of the current special assessments on the projects, \$764,970 has been prepaid, or about 13% of the overall assessments. Prepaid assessments reduce the amount of bonds necessary to finance the projects. The \$6.9 million bonds meet the \$10 million qualified tax-exempt limits for 2024.

The estimated net bond proceeds correspond to the approximate special assessments and the city property tax levy being levied in the future. About 78% of the debt service from this bond issue will be paid from special assessments to benefited property owners with a property tax levy (22%) comprising of the balance. The preliminary property tax levy requirement will be included in the 2025 proposed levy to be certified to the county and is being incorporated into the city's existing property tax levy cash flow. The project costs and financing are outlined in the attached Sources and Uses analysis table.

Of the \$14.3 million of estimated total project uses for 2024, approximately 43% is funded with financed and prepaid special assessments. The city's sales tax collection fund (19%), collector street fund (17%), and property tax debt service levy (10%) round out the top four funding sources of the 2024 improvement projects as shown on the attached graph.

STAFF RECOMMENDATIONS

Finance Director Vacinek recommends adopting the attached resolution to proceed with the 2024 bond sale to reimburse for project costs incurred with the various 2024 improvement projects.

COUNCIL ACTION REQUESTED

Adopt Resolution 2024-070 providing for the competitive negotiated sale of the \$6,900,000 General Obligation Improvement Bonds, Series 2024