



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 10/20/2026
Agenda Section: Other Business

Department Origination: Finance

Agenda Item: Adopt Resolution 2026-095, Setting the Final Special Assessment Interest Rate on the 2026 Improvement Projects

Approval Required: Simple Majority Vote

BACKGROUND

Earlier this year, the City initiated the 2026 Clearwater Road, North Lynndale Area, and Brentwood Circle Street and Utility Improvements project and the 2026 Residential Mill and Overlay Improvement project. The projects' special assessments were adopted before the bonds financing the projects were sold. Per the city's adopted special assessment policy, the final interest rate on special assessments financed with the issuance of city debt for non-developer requested projects is set at one and one-half percent (1.5% or 150 basis points) greater than the True Interest Cost (TIC) Rate of the bond issue.

As a result, the assessment interest rate was not finalized for the 2026 projects' special assessments. **With the October 20 bond sale earlier today, the final assessment interest rate was determined.** The records of assessment will be updated with the final interest rate and mailed to the affected property owners.

FINANCIAL IMPLICATIONS

The special assessment interest rate is tied to the bond interest rate to ensure adequate cash flow when the City is unable to reinvest assessment prepayments at an interest rate sufficient to meet the interest cost of debt. It is also set at 1.5% or 2.0% greater than the bond TIC for non-developer or developer requested parcels, respectively, to recover a portion of the bond issuance costs incurred to finance the special assessments, cover a portion of the costs related to the ongoing special assessment payment administration, and assist when the city experiences problems with collection of payments and delinquencies.

The final assessment interest rates will be inserted in the resolution on Tuesday after the bond sale. The assessment interest rate was originally set at 6.75%.

STAFF RECOMMENDATIONS

Finance Director Vacinek recommends adopting the attached resolution to set the final special assessment interest rate, based upon the results of the October 20, 2026 bond sale and the city's assessment policy.

COUNCIL ACTION REQUESTED

Adopt the attached Resolution 2026-095, setting the final special assessment interest rate on the 2026 improvement projects