



REQUEST FOR ACTION CITY COUNCIL

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

Department Origination: Finance

Agenda Item: Adopt Resolution 2026-094, Approving the Issuance and Sale of \$4,845,000 General Obligation Improvement Bonds, Series 2026

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. Proceeds from the improvement bonds will reimburse for costs incurred to construct the various street and utility improvements in 2025 and 2026. The projects include: the 2025 FDR street improvements, the 2025 Design Road street and utility improvements, the 2026 Clearwater Road, North Lynndale Area, and Brentwood Circle street and utility improvements project, and the 2026 mill and overlay street improvements that were ordered.

Finance Director Vacinek has been working with our financial advisor at Public Financial Management (PFM) and our bond counsel at Kutak Rock on the bond sale. In consultation with our counsel and financial advisor, attached is the draft resolution to award the sale of the bonds to the low bidder from the October 20th sale. **Actual results will be known after the 10:15 a.m. sale on Tuesday, October 20. Updated information will be presented to the Council at the Council meeting with a recommendation to consider adoption of the resolution.**

On October 14th, Moody's Investors Service assigned the Aa2 rating to the proposed 2026 bonds and reaffirmed the Aa2 rating on our existing outstanding debt. Moody's cited the rating was because Baxter, "benefits from a strong financial position, solid full value per capita, and moderate long-term liabilities and fixed costs. While the city's economy is strong, its residential income trails Aa medians and its economic growth metric trails the nation." Moody's noted credit strengths included, "Robust financial position and moderate leverage and fixed costs". Credit challenges were indicated as "Economic growth trails the nation".

The City's financial performance (available fund balance and liquidity ratios), institutional framework, fixed-costs ratio, and economy (full-value per capita) place the City in the "Aaa" scoring. These strong scores mitigate the lower "A" rating score for economy (economic growth metric) and "Aa" scores for resident income ratio, and leverage for long-term liabilities.

Factors that could lead to an upgrade included "Further growth in the city's local economy, reflected in resident income ratios in line with higher rated peers and reduction in long-term liabilities ratio below 125%. Factors that could lead to a downgrade were noted as "Deterioration of reserves, with available fund balance ratio declining below 40% and increase in leverage, with long-term liabilities ratio increasing above 250%." Baxter's available fund balance ratio and long-term liabilities ratio are currently at 87.6% and 118.8%, respectively.

FINANCIAL IMPLICATIONS

Finance Director Vacinek, in consultation with PFM, has prepared the initial \$4.845 million bond issue to finance about 30% of the improvement projects, based upon engineer's estimates of the various projects' funding sources and estimated costs projects, as of September 17, 2026, when the bonds were structured.

The attached table and graph depicts the estimated sources and uses for the bonds and projects.

At the time of the revised sizing, funding sources for the project costs included special assessments to benefitting properties (24%), a future debt service property tax levy (13%), sales tax proceeds (19%), collector street funds proceeds (4%), intergovernmental revenues from federal grants and municipal state aid (31%), and contributions from the City's enterprise funds (9%). The estimated \$4.845 million of net bond proceeds corresponds to the approximate special assessment and City property tax levy being collected and levied in the future. When structured, about 57% of the debt service from this bond issue is proposed to be paid from special assessments to benefited property owners with the remaining 43% comprised of a property tax levy.

Given the current interest rate environment, it is anticipated the City will receive a premium when the bonds are sold on October 20, similar to prior bond issues. If the premium is more than anticipated, the City may elect to reduce the par amount of the bonds further, effectively reducing the amount borrowed, and use the proceeds from the premium to fund a portion of the improvements. Additional adjustments to the final bond size will be made for any special assessment prepayments and updated project cost estimates after the sale occurs and before the bonds are awarded.

The preliminary property tax levy requirement will be included in the 2027 levy certified to the county and will be incorporated into the City's existing property tax levy cash flow. The project costs and financing, prior to the final adjustments after the sale, are outlined in the attached Sources and Uses analysis from the original bond size.

The bonds meet the \$10 million qualified tax-exempt limits for 2026. The bond issue will reimburse for project costs incurred this year and estimated outstanding costs.

STAFF RECOMMENDATIONS

Upon receipt of Tuesday's bond sale results, Finance Director Vacinek will make a recommendation to the Council to consider adopting the attached resolution, updated with actual figures, awarding the sale of the 2026 G.O. Improvement bonds to the low bidder.

COUNCIL ACTION REQUESTED

Adopt the attached Resolution 2026-094, approving the issuance and sale of \$4,845,000 General Obligation Improvement Bonds, Series 2026