



# CITY COUNCIL MEETING

## AGENDA ITEM

<b>Prepared By:</b> <i>Allie Polsfuss, City Administrator</i>	<b>Meeting Date:</b> <i>February 3, 2026</i>	<b>Item Name:</b> <b>Street Infrastructure</b>
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### **OVERVIEW**

Maintaining and improving the City’s street infrastructure continues to be a shared priority for the City Council. In 2025, the Council authorized the first street improvement project in nearly five years. As the City resumes its pavement management efforts, staff agrees it is important to begin discussing long-term funding strategies for future infrastructure needs.

### **Continued Street Improvement Projects (assessable)**

The City currently budgets \$300,000 annually for street improvement projects. Staff recommends the Council discuss its comfort level in gradually increasing this amount over the next three to five years until it reaches a more sustainable level for long-term pavement maintenance.

Because street infrastructure is a high priority for the Council, staff, and the community, developing an intentional and predictable funding plan would better position the City for future projects. One example of a potential strategy is increasing the street improvement allocation by approximately 2–3% of the levy each year for the next five years. Below is an example:

<b>Year</b>	<b>Street Levy</b>	<b>Est. Total Levy</b>	<b>3% of levy</b>
2026	\$ 300,000	\$ 3,700,000	\$ 111,000
2027	\$ 411,000	\$ 3,885,000	\$ 116,550
2028	\$ 527,550	\$ 4,079,250	\$ 122,378
2029	\$ 649,928	\$ 4,283,213	\$ 128,496
2030	\$ 778,424	\$ 4,497,373	\$ 134,921

Under this approach, a steady annual levy adjustment of roughly 3% would increase the street levy to approximately \$780,000 by 2030. At that time, the City would be positioned to bond for the Dove Street project (estimated \$1.5–\$2.0 million) with a projected annual bond payment of around \$300,000, while still retaining approximately \$480,000 to continue annual improvements without increasing the levy further.

The goal in 2030 would be to stabilize the street levy at around \$780,000 and begin planning for the next major pavement project.

This example illustrates one possible funding structure that would allow the City to address aging street infrastructure while avoiding large, one-time levy increases.

### **Street Improvement Projects (non-assessable)**

Staff believes that bonding will be necessary for larger street projects, such as Dove Street, because they are not assessable and are cost-prohibitive to fund entirely with cash. Saving for these projects through reserves also presents challenges. Because Councils can change every two years, priorities often shift. Without restrictions on the use of cash

reserves, funds initially intended for street improvements may be reallocated to other purposes. Bonding ensures that funds are dedicated to the project for which they were issued and cannot be diverted.



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Timing is also an important consideration, particularly as it relates to the payoff of the Buschmann Road bond. If the Council directs staff to retain a financial consultant for long-range financial planning, that consultant would help evaluate schedules, financing tools, and timing. However, below is an example of how a five-year bonding schedule could be structured to issue new bonds as existing debt drops off, without increasing the levy and by leveraging the prior annual debt payment capacity. Future bond amounts shown are estimates for illustration purposes and assumes 10-year bond terms.

Year	Project	Total	Levy Amount	Action
2026	Buschmann	\$ 3,200,000	\$ 305,000	Issue
2031	Dove Street	\$ 2,000,000	\$ 250,000	Issue
2036	Facility/Street	TBD	\$ 430,000	Issue
2036	Buschmann	\$ 3,200,000	\$ 430,000	Drop
2041	Dove Street	\$ 2,000,000	\$ 250,000	Drop
2046	Facility/Street	TBD	\$430,000	Drop

### Special Assessments vs. General Levy

During the review of the City’s Special Assessment Policy, there was discussion about potentially transitioning away from special assessments and instead funding street improvement projects through the general property tax levy. The Council should determine if moving toward a no-assessment model is still a policy direction they wish to pursue.

Staff recommends working toward eliminating assessments for most street improvement projects for a few reasons. Below is a summary of the pros/cons of funding street improvements through special assessments versus the general levy:

#### Special Assessments

##### Pros

- Costs are aligned to those receiving the most direct benefit
- Reduces pressure on the general levy
- Can increase overall project feasibility and completion
- Benefitting properties directly contribute to project costs

##### Cons

- Assessment process is administratively and financially burdensome
- Public pushback is common, especially viewed as “double taxation”
- Legal limitations due to the special benefit requirement
- More difficult to consistently forecast and budget

#### General Levy

##### Pros

- Broad cost distribution across the tax base
- Better long-term equity community-wide
- Simpler administration with fewer procedural requirements
- Supports predictable long-term budgeting
- City already uses levy for collector streets

##### Cons

- Potential short term tax levy impacts
- Perceived disconnect between who pays and who benefits
- Transition requires intentional planning and phasing
- Residents previously assessed may object to the equity change
- Considerations needed for gravel road conversions



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### Transition Options

If Council wishes to move toward funding street improvements via general levy, staff sees two viable transition paths:

#### Option 1 — Phase Down Assessments (Gradual Approach)

Over the next five years, the City would gradually shift from assessments to levy funding:

- 2026: 50% assessed / 50% levy
- 2027: 40% assessed / 60% levy
- 2028: 30% assessed / 70% levy
- 2029: 20% assessed / 80% levy

By early 2030/2031, the City will likely need to bond for Dove Street at 100% levy. At that point, the City could discontinue the assessment policy for street improvements (with the exception of new construction, etc.) and plan future projects assuming 100% levy funding.

#### Option 2 — Replace Assessments with Tax Levy (Immediate Approach)

Beginning in 2027, the Streets Committee would receive an annual budget without incorporating assessment revenues. Without an increase to the levy, the annual improvement capacity would be approximately \$300,000, compared to \$450,000–\$500,000 when assessments are included. This would likely result in fewer or lower-cost projects until funding levels increase over time.

The Council should discuss all items above and engage in a conversation to direct staff on a path forward.