

TO: Mayor and City Council  
 FROM: David Chanski, City Administrator/Clerk  
 RE: Project Funding – Updated June 2024  
 DATE: June 17, 2024

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**Background**

As the City has worked through the Buschmann Road and city hall projects, funding is a significant part of the equation. Through preliminary design, the City’s portion of the Buschmann Road project (a small portion of the project is the responsibility of Ideal Township) currently has an estimated total cost of \$4 million, which includes engineering, easement acquisition, and construction. The current estimated construction cost for the city hall remodel and expansion is \$2.5 million and is out for bid. A formal project bid will be before the City Council in July.

Throughout the planning process for these projects, City Administrator Chanski has continually stated that the City is in an excellent financial position for completing these necessary projects without increasing the tax levy. Here is a breakdown of how this can be done.

**Project Funding**

The total estimated project costs between the City Hall remodel and expansion and Buschmann Road is \$6.5 million. Between available Capital Fund dollars, unrestricted Debt Service fund balance, and estimated bond proceeds, the City can use existing levy dollars to bond approximately \$6 million, which would leave only approximately \$500,000 of cash-on-hand needed to complete both projects, leaving over \$4 million in Capital Fund dollars for future projects.

Project	Est Cost
Buschmann Road	\$ 4,000,000.00
City Hall Remodel & Expansion	\$ 2,500,000.00
Total Project Costs	\$ 6,500,000.00
Est. Available Bonding Capacity	\$ 5,965,000.00
Needed Cash on Hand	\$ 535,000.00
Available Capital Funds & Debt Service Funds	\$ 4,665,593.85
Remaining Capital Fund Balance	\$ 4,130,593.85

The remainder of this memo outlines the details of the funding summary exhibit above.

**Capital Funds**

As of April 30, 2024, the City’s Capital Fund had a balance of \$2,586,862. This is a reduction from the 2023 End of Year Balance of \$4.2 million is primarily due to the purchase of the ladder truck on behalf of the Pequot Lakes Fire District. Those funds will be reimbursed later this year once a bond issuance is made. In addition to refunding the purchase of the ladder truck, the

Capital Fund is anticipated to receive approximately \$1,268,600 in revenue in 2024. Subtracting the anticipated remaining 2024 expenditures of approximately \$900,000, that will leave the Capital Fund with an estimated fund balance of approximately \$4,364,932.

Capital Fund as of 4.30.24	
Current Balance	\$ 2,586,861.85
Anticipated 2024 Revenue	\$ 1,268,600.00
Anticipated Fire Truck Reimbursement	\$ 1,409,470.00
Anticipated Remaining 2024 Expenditures	\$ 900,000.00
Est EOY Balance	\$ 4,364,931.85

**Debt Service Fund Balance**

As part of the 2023 Financial Audit, it was identified that the City does have a fund balance in the Debt Service Fund of \$300,662. These funds are unrestricted and were leftover from the 2022 debt payoff.

Per the City’s Fund Balance Policy, any unrestricted fund balance in the Debt Service Fund can be used for any purpose as determined by the City Council. As such, these funds could be left in the Debt Service Fund for a future debt payment or withdrawn to help make an upfront cash payment toward a project.

**Bond Capacity**

In addition to cash on hand, the City has the ability to bond for projects. There are currently two identified sources within the current tax levy that could be turned into annual bond payments, allowing the City to bond without increasing the tax levy. \$230,000 was budgeted in 2022 to payoff the last of the City’s debt (making the City currently debt free) and was kept in the 2023 and 2024 budgets as it is anticipated that the City will be issuing bonds in the near future. Additionally, \$342,000 has been transferred to the Capital Fund each year for future road projects. This also could be easily turned into a bond payment.

The City engaged BakerTilly to run bond projections based on these two sources during the summer of 2023. According to BakerTilly, an annual bond payment of \$230,000 has estimated bond proceeds of \$2,450,000, and an annual bond payment of \$342,000 has estimated bond proceeds of \$3,535,325. That’s an estimated total of \$5,984,324 in bond proceeds the City could pursue without increasing the tax levy. BakerTilly is in the process of updating these numbers and will discuss them at the June 17 council workshop.

Existing Payment Source	Est. Bond Proceeds
\$230,000 Capital Transfer	\$ 2,415,000.00
\$342,000 Capital Transfer	\$ 3,550,000.00
Total Est. Bond Capacity	\$ 5,965,000.00