

TO: Mayor and City Council

FROM: David Chanski, City Administrator/Clerk

RE: City Hall Bonding – updated 9.2.24

DATE: September 3, 2024

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### **Background**

The City Council accepted the not-to-exceed quote from Hy-Tec Construction of \$2.95 million for the City Hall Remodel & Expansion project during a special meeting on July 18. During that meeting, the Council voted to further discuss how much of the project they wanted to bond for during the August 5 City Council Meeting.

During the August 5 meeting, Mikaela Huot with BakerTilly walked the City Council through three preliminary bond run scenarios. The bond runs were for the full \$2.95 million, for a \$2.5 million bond issuance, and for a \$2 million bond issuance. In the case of the \$2.5 million bond and the \$2 million bond, the City would supplement remaining project costs with cash-on-hand.

Following the presentation of the bonding scenarios, the City Council requested further information. Specifically, they requested information regarding call options for the bonds, a side-by-side comparison of the bonding scenarios, information on how future lower bond rates might impact a bond payment, and further information about how the project will impact the City's finances. The Council agreed to discuss the subject again at the September 3 City Council meeting.

The Council adopted a reimbursement resolution for the full construction amount of the project, which provides the City Council up to 18 months to issue bonds for the project even though the project will commence prior to bonds being issued.

### **Preliminary Bond Runs**

BakerTilly has produced three preliminary bond run scenarios for discussion. The bond runs are the full \$2.95 million, for a \$2.5 million bond issuance, and for a \$2 million bond issuance. In the case of the \$2.5 million bond and the \$2 million bond, the City would supplement remaining project costs with cash-on-hand.

The full preliminary bond runs as well as information memo from BakerTilly are attached.

One item to note is that a bond to reimburse the City for the \$1,409,470 used to purchase the Pequot Lakes Fire District ladder truck will be included with the City Hall bond issuance. The payments from this bond will be paid for by the Pequot Lakes Fire

District. By including both items in the same bond issuance should result in the City getting a lower interest rate for each.

### **Project Funding Status**

As part of the Preliminary 2025 Budget, the City Council has identified three significant projects for 2025: City Hall Remodel & Expansion (commenced in 2024 but completed in 2025), implementation of the new Equipment Capital Improvement Plan, and additional road improvements over and above regular annual maintenance.

As discussed in the Preliminary 2025 Budget Memo, \$702,000 of existing levy dollars has been identified that can be used to help fund these projects. These dollars are made up of 2024 capital equipment purchases and transfers (\$130,000), an old debt payment that was kept in the levy for future projects (\$230,000), and an annual transfer to the Capital Fund for future projects (\$342,000).

The \$270,000 Equipment Capital Fund levy and potential \$280,000 City Hall project bond payment were taken out of these existing funds. This left \$152,000 of budgeted yet unallocated funds remaining. During the budget workshop on August 19, the City Council decided to use these remaining funds as well as \$150,000 of existing capital funds (cash-on-hand) to fund the budgeted \$300,000 in road improvement work.

As can be seen in the chart below, the funding of these three projects exhaust existing levy dollars for projects and use \$1,150,000 in capital funds. This will leave the City with approximately \$3.8 million in currently unallocated capital funds for future projects. However, any future bonding will require new levy dollars unless the City Council chooses to relocate other existing levy dollars from some other operational area.

<b>Projects &amp; Available Funding</b>	<b>Levy Funds</b>	<b>Capital Funds</b>
Existing Levy Dollars & Capital Funds for Projects	\$ 702,000.00	\$ 4,946,612.55
City Hall Remodel & Expansion Bond	\$ 280,000.00	\$ -
Equipment CIP Levy	\$ 270,000.00	\$ 1,000,000.00
2025 Road Improvements	\$ 152,000.00	\$ 150,000.00
Remaining Levy Funds & Capital Funds for Projects	\$ -	\$ 3,796,612.55

### **Final Gordian Pricing**

The final pricing for the City Hall project has been submitted by Gordian. The final not to exceed price for the project is \$2,946,721.06. The Gordian Work Order setting this price is attached and should be approved by the City Council.

### **Council Action**

Staff is seeking direction from the City Council as how much to bond for the City Hall Remodel & Expansion project and recommends approval of the final project work order document through Gordian.