



# CITY COUNCIL MEETING

## AGENDA ITEM

<b>Prepared By:</b> <i>Allie Polsfuss, City Administrator on behalf of the Finance Committee</i>	<b>Meeting Date:</b> <i>9/2/2025</i>	<b>Item Business</b>	<b>Item Name:</b> <b><i>Buschmann Road Funding Discussion</i></b>
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### COUNCIL ACTION REQUESTED

Discuss Buschmann Road and the funding presented for context during the Buschmann Road Final Design presentation and 2026 Preliminary Levy Discussion.

### BACKGROUND

The Buschmann Road reconstruction project has undergone a phased planning and design process over the past three years, with the following key milestones:

- **December 5, 2022:** The City Council selected WSB as the engineering firm to lead the reconstruction effort, marking the official launch of the project.
- **January 3, 2023:** WSB presented the preliminary design process to the Council, providing a roadmap for engineering design, public engagement, and funding considerations.
- **May 5, 2023:** Council approved a cooperative agreement with Ideal Township, which formalized their participation and financial commitment to the project (13.11% of total cost).
- **July 26, 2023:** The City hosted a Community Open House to share updated design concepts and collect public input, ensuring the design aligned with resident needs and concerns.
- **October 17, 2023:** WSB presented preliminary designs, and Phase 2 was split into two parts:
  - **Phase 2a:** Land acquisition and right-of-way procurement.
  - **Phase 2b:** Development of final design documents and preparation for bidding.
- **July 7, 2025:** The City successfully acquired all necessary property, clearing the way for final design work and initiation of the funding process.

### FINANCIAL IMPACT

To date, the City of Breezy Point has invested approximately **\$950,000** in planning, engineering, and land acquisition. The projected cost breakdown is as follows:

- **Total Estimated Project Cost:** \$4,578,785
- **City of Breezy Point Share:** \$3,919,742
- **Ideal Township Share:** \$659,043
- **Remaining Breezy Point Cost to Fund:** **\$3,110,359**

*\*\*the \$950,000 includes the final land acquisitions.*

### FUNDING MECHANISM

Initially, the City had anticipated and discussed using capital fund reserves to finance the project. However, those funds are no longer available. City staff evaluated alternative financing options and presented several bonding scenarios to the Finance Committee on August 7, 2025.

The Committee recommended issuing a 15-year general obligation bond in the amount of \$3,220,000, which would cover the remaining cost and provide a small buffer for bond issuance expenses or construction contingencies.

- Annual Bond Payment: Approximately \$305,000 per year
- 2025 Budget: Already included \$280,000 for anticipated future bond payments
- 2026 Tax Levy Impact: Estimated increase of **\$25,000**, which will be reflected in the preliminary budget



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This funding strategy balances affordability with long-term infrastructure needs and avoids placing the full burden on a single year's tax levy. City staff and WSB will continue efforts to receive outside funding in parallel with the project. We will keep the City Council updated on any progress.

### **BONDING OVERVIEW**

A local government general obligation bond is a type of debt issued by a local government entity to fund public projects. The local government borrows money from investors by issuing bonds with the help of a financial advisor. In return, the municipality will repay the borrowed amount (principal) on a future date (maturity date) and make regular interest payments (coupon payments) until then.

A benefit of this funding mechanism is that the current taxpayers don't have to shoulder the burden of the entire project. A 15-year bond allows the cost of the project to be paid by current and future residents of Breezy Point. Benefitters of the improved infrastructure will not just be our existing residents, but any future residents we may have. This method also allows the city to preserve its day-to-day services and avoid tax spikes and service cuts. Bonding also ensures that the taxpayers' dollars are used for their intended purpose.

The city has some experience with bonding for projects over the last 20 years. The only outstanding debt obligation is the ladder truck purchased last year, paid for by the entire fire district.

### **TIMELINE**

If the Council agrees with the Finance Committee's recommendation, the next step is to approve the associated debt service levy during the budget approval process. The City's bond advisor (Ehlers) will guide the issuance process, which includes scheduling the bond sale, setting interest rates, securing legal approvals, and timing the disbursement of funds.

Below is the tentative project timeline if funding is approved:

- October 6, 2025: Approve Plans and Specification and Authorize Advertise for Bid
- December 1, 2025: Award Bid
- February-March: Tree Clearing
- May 2026: Begin Construction
- September 2026: Complete Construction

### **STAFF RECOMMENDATION**

Staff wishes to engage City Council in discussion about the reconstruction of Buschmann Road and reflect that decision in the 2026 Preliminary Budget.