



CITY COUNCIL MEETING

AGENDA ITEM

Prepared By: <i>Allie Polsfuss, City Administrator</i>	Meeting Date: <i>January 5, 2026</i>	Item Name: <i>Buschmann Road GO Bond Term Alternatives Discussion</i>
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BACKGROUND

In fall 2025, the Finance Committee reviewed several bonding scenarios for the Buschmann Road Reconstruction Project. As the City moves forward in the funding process, the Council should discuss whether the alternative identified at that time remains the preferred bond term.

OVERVIEW

At the Finance Committee meeting on August 7, 2025, members discussed multiple bonding alternatives for the Buschmann Road project, including levy impacts, interest rate considerations, and overall affordability in the short term and long term. The committee identified a 15-year level levy bond as the preferred option based on the following considerations:

- With other budget pressures anticipated in 2026, the annual levy impact of approximately \$25,000 was considered the most manageable.
- A level levy over the life of the bond provides predictability, avoiding future levy spikes and allowing future Councils to better anticipate debt service obligations.
- The benefits of the infrastructure improvement will extend beyond current residents to future residents over the next 15 years.
- Debt service terms are typically aligned with the useful life of the infrastructure, which for street projects is generally 15–20 years.

At the September 2, 2025 City Council meeting, the Council discussed the bond strategies and approved the 15 year level levy GO Bond as a part of the budget process.

More recently, a 10-year term bond has been raised as an alternative for consideration. Staff worked with the City's bond advisers to develop viable 10-year options, which are summarized below and compared to our existing alternative (1):

- 1. 15 Year Level Levy (current)**
 - a. Est. Interest Rate: 4.15%
 - b. Total Interest Amount: \$1,146,069
 - c. Annual Levy: \$305,625
- 2. 10 Year Level Levy**
 - a. Est. Interest Rate: 3.28%
 - b. Total Interest Amount: \$602,578
 - c. Annual Levy: \$402,000
- 3. 10 Year Gradual Levy**
 - a. Est. Interest Rate: 3.28%
 - b. Total Interest Amount: \$637,578
 - c. Annual Levy: Increases \$50,000 per year (~1.5%) through 2031, then levels out
 - i. 2027: \$288,000
 - ii. 2028: \$340,000
 - iii. 2029: \$390,000



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iv. 2030-2036: \$434,000

Considerations

- The 15-year term results in the lowest annual levy impact of all options.
- The 10-year options benefit from an interest rate approximately 1% lower, resulting in nearly \$500,000 in interest savings over the life of the bond.
- Option 2 includes a one-time (2027) levy impact of about 4% (\$100,000)
 - The levy then stabilizes for the life of the bond
 - If this is the option chosen, it is likely the Council will see a double-digit levy in 2027.
- Option 3 includes a \$50,000 increase until 2030 (~1.5% increase per year) and levels off for the remainder of the life.

All options are financially viable and present advantages and disadvantages related to levy impact, interest costs, and long-term predictability.

STAFF RECOMMENDATION

The Council should discuss the options presented and provide direction to staff on the preferred bonding alternative to move forward in the funding process.