



CITY COUNCIL MEETING

AGENDA SECTION	PUBLIC HEARINGS
MEETING DATE	MAY 26, 2026

ITEM:	Resolution No. 2026-033 Adopting a Capital Improvement Plan For Project 2414 (Replacement of the Municipal Service Center) and Providing Preliminary Approval For The Issuance of General Obligation Bonds Thereunder.						
<i>Presenting Item:</i> Joseph Kloiber, Finance Director							
DEPARTMENT: Finance	BY/DATE: Joseph Kloiber, Finance Director / May 19, 2026						
<p>CORE CITY STRATEGIES: <i>(please indicate areas that apply by adding an "X" in front of the selected text below)</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; padding: 5px;"><input type="checkbox"/> Community that Grows with Purpose and Equity</td> <td style="width: 50%; padding: 5px;"><input type="checkbox"/> Engaged, Effective and Forward-Thinking</td> </tr> <tr> <td style="padding: 5px;"><input checked="" type="checkbox"/> High Quality Public Spaces</td> <td style="padding: 5px;"><input type="checkbox"/> Resilient and Prosperous Economy</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/> Safe, Accessible and Built for Everyone</td> <td style="padding: 5px;"><input type="checkbox"/> Inclusive and Connected Community</td> </tr> </table>		<input type="checkbox"/> Community that Grows with Purpose and Equity	<input type="checkbox"/> Engaged, Effective and Forward-Thinking	<input checked="" type="checkbox"/> High Quality Public Spaces	<input type="checkbox"/> Resilient and Prosperous Economy	<input type="checkbox"/> Safe, Accessible and Built for Everyone	<input type="checkbox"/> Inclusive and Connected Community
<input type="checkbox"/> Community that Grows with Purpose and Equity	<input type="checkbox"/> Engaged, Effective and Forward-Thinking						
<input checked="" type="checkbox"/> High Quality Public Spaces	<input type="checkbox"/> Resilient and Prosperous Economy						
<input type="checkbox"/> Safe, Accessible and Built for Everyone	<input type="checkbox"/> Inclusive and Connected Community						

BACKGROUND

The Municipal Service Center is the City facility used for public works activity. In each annual budget since 2022, the City has disclosed and publicly discussed the need to replace the Municipal Service Center building due to unrepairable structural failure, as determined in a 2021 study by Oertel Architects.

A project of this scale will require external financing; the City will issue long-term bonds which will be repaid primarily with property taxes over approximately 25 years. In Minnesota, to finance construction of municipal facilities in this manner first requires a public hearing on the matter, followed by a preliminary approval by the City Council to begin a 30-day "reverse referendum" period. This is the purpose of Resolution 2026-033.

If a valid petition signed by five percent of the voters in the 2024 general election is received during the 30-day reverse referendum period, an additional approval of the proposed financing will be required by a majority of voters at the 2026 general election. Assuming those 2026 approvals (as applicable) are obtained, in approximately February 2028 the City Council in office at that time will make the final decision whether to adopt a 2028 resolution calling for the actual issuance of the bonds. If they affirm the 2026 prior approvals, then in approximately March 2028, the City will award the sale of the bonds to the lowest bidder in the municipal bond market, obtaining the financing necessary to complete this project.

It is important to note that Resolution 2026-033 does not set the dollar amount of bonds that will be issued for this project. It only sets the *maximum* dollar amount that could be issued for this project. The format of Resolution 2026-033, dictated by MN statute section 475.521, adopts a five-year Capital Improvement Plan (CIP) for the project and within that CIP provides for issuing up to \$31,515,000 of tax-exempt general obligation bonds.

Depending on the construction bids received in 2027/2028 for this project, the final amount of state and federal funding made available for this project, and the interest rate at the time of issuance, it is reasonably

possible that the actual amount of bonds issued will be less than the \$31,515,000 maximum authorized under the CIP.

The attachments to this meeting agenda item include certain supplementary information that is not part of the CIP itself but is provided as additional context. This supplementary information includes an estimate of the property tax increase that in theory could result from this project for owners of single-family homes with various values. **It is important to note** this tax estimate:

- Omits the approximately 20% subsidy provided by the Metro-Area Fiscal Disparities Levy each year after 2029.
- Assumes the City will issue the maximum dollar amount of bonds allowed under the CIP.
- Assumes the City will not use any annual State Aid to Local Government (LGA) to pay a portion of the debt service for this project.

The City Council will likely choose to use LGA to pay a portion of the debt service for this project. For 2026, the City Council applied \$500,000 of LGA towards the \$1.1 million of existing annual debt service on the public safety and library buildings. The City receives \$2.6 million of LGA annually.

SUMMARY OF CURRENT STATUS

The attached Public Hearing Notice and Resolution 2026-033 have been prepared by the City's bond counsel, Kutak Rock LLP. The attached five-year CIP has been prepared by the City's municipal bond advisor, Ehlers Inc. Both from information provided by the City and Oertel Architects.

Land east of the existing facility has been acquired to allow staging the project in phases. City funds have been allocated for the lease termination payment to the tenant (SACA) on the northwest corner of the existing property. Approximately \$4 million in state and federal funding has been awarded to date for this project, with additional funding requests to be filed by the City in each of the next two years.

STAFF RECOMMENDATION

Staff recommends approval of the following motions.

RECOMMENDED MOTION(S):
MOTION: Move to close the hearing and waive the reading of Resolution 2026-033, there being ample copies available to the public.
MOTION: Motion to adopt Resolution 2026-033 adopting a capital improvement plan and providing preliminary approval for the issuance of general obligation bonds thereunder.

ATTACHMENT(S)

Public Hearing Notice

Resolution 2026-033

Capital Improvement Plan – Project 2414

Supplemental Information:

Detailed Budget Project 2414 – Estimated Sources and Uses

Estimated Maximum Property Tax Effect on Individual Homeowner