



# Agenda Report

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**Agenda of:** August 12, 2025

**Department:** Administration

**Subject:** Discussion and appropriate action regarding the proposed tax rate and related debt issuance.

**Recommended Motion:** N/A – staff will seek council consensus on both the proposed tax rate and potential debt issue amounts. Official council action will be taken at subsequent meetings.

**Background:**

The City's financial advisor has provided updated projections based on certified "after-freeze" property values, which came in significantly lower than anticipated. Final taxable value is **\$345,103,772**, compared to the preliminary estimate of **\$375,552,838**, representing an increase of only **\$5 million** over last year—far below the **\$30 million** originally projected.

This valuation shortfall impacts the City's capacity to fund new debt while maintaining the current tax rate. Staff has outlined the following **scenarios** for consideration:

**1. Issue Only Utility Fund Debt**

- Issue Certificates of Obligation (COs) for Utility Fund projects only; exclude the General Fund portion.
- Maintain current tax rate of \$0.5233

**2. Issue General Fund Debt but Use I&S Fund Reserves**

- Apply existing **Interest & Sinking (I&S) Fund reserves** (approximately **\$571,000** as of 9/30/25) to cover initial debt service on new COs.
- Annual debt payment: approximately **\$225,000**.
- Tax Rate remains the same at \$0.5233

**3. Raise the tax rate**

- Issue the planned amount of \$3.5 million and raise the total tax rate to \$0.5915.

**Staff Recommendation:**

Given the lower-than-expected taxable values and the resulting pressure on the tax rate, staff recommends **deferring the issuance of new General Fund debt until next year**. This will allow time to reassess property valuations, monitor market conditions, and maintain greater stability in the City's tax rate. This is essentially what we have been doing for the past two years.

**Fiscal Impact:** TBD.

☐ Budgeted   ☐ Requires Budget Amendment

**Source of Funding:** N/A

**Attachments:** None.

**Urgency (0-5 = Low Urgency to High Urgency):** 5

**Impact (0-5 = Low Impact to High Impact):** 3

**Submitted by:** R. Scott Dixon