

--MEMORANDUM--

**TO:** City Council

**FROM:** Gregory E Buckley  
City Manager



**DATE:** February 14, 2025

**SUBJECT:** Financing Resolution on February 17 Agenda

Monday's agenda includes Council action on a so-called "parameters resolution" that addresses:

- new, ten-year general obligation borrowing for 2025 budgeted capital projects totaling \$3,355,000 (of that amount, we expect that \$1,985,000 will be repaid through property taxes, with the balance to be repaid from other sources); and
- possible borrowing to refinance an existing State Trust Fund Loan (2020 borrowing for stormwater projects, with an outstanding balance of \$820,000), provided that interest savings can be achieved

The Finance Committee met with Justin Fischer of Baird Public Finance on February 11, and recommends approval of this resolution. If approved by the Council, this will allow Baird, our bond counsel at Quarles & Brady, and City staff to move forward with preparation of the official offering statement, application for bond insurance, and other activities.

*Pro forma* projections provided to the Finance Committee by Baird, and attached to this memo, assume an interest rate of 4.25 percent for the new debt. If the debt were being issued today, Baird estimates that a rate just under 4.00 percent could be secured. But, due to market uncertainty, the parameters resolution allows for the debt issue to be approved if a rate at or below 4.75 percent can be obtained when the issue goes to market, likely in March.

Moving ahead with the possible refinancing piece would occur only if rates obtained produce a savings with a net present value exceeding 2 percent of the outstanding principal (at least \$16,400).

While there is a fair amount of interest rate uncertainty in the current financial markets, it is worth noting that the actual borrowing rates obtained by the City over the past four years have not only been lower than the "not to exceed" rate cited in the parameters resolution, but also typically lower than the rate cited in Baird's *pro forma*. This information is summarized in the table below (all 10-year borrowings):

<b>Year</b>	<b>Pro-Forma</b>	<b>Parameters Resolution</b>	<b>Actual At Sale</b>
2025	4.25%	4.75%	TBD
2024	4.00%	5.00%	3.59%
2023	4.00%	4.75%	3.78%
2022	2.75%	3.25%	3.03%
2021	1.97%	2.50%	1.67%