

Date: March 24, 2026

To: Finance Committee

John Weidl, City Manager

From: Rachelle Blitch, Director of Financial and Administrative Services

Re: Borrowing Schedule Adjustment and 2025 Reimbursement

During the review of the Capital Improvement Plan and Fund 450 activity, staff identified a timing issue related to the City's borrowing schedule. City policy is to issue debt every other year. Due to multiple project delays associated with the 2022 borrowing, the City issued debt for only one year in 2024 to avoid potential arbitrage spend-down compliance issues. An additional borrowing was intended to occur in 2025.

The 2025 borrowing did not occur before year-end, but this creates a timing issue rather than a structural financial problem. The approved 2025 budget anticipated approximately \$1.3 million in general obligation bond proceeds to support the projects authorized for that year. After reviewing the actual cash requirements, staff estimates that the amount needed is approximately \$550,000. The revised borrowing levels are substantially lower than originally budgeted.

Within the utilities, the Wastewater Utility did not have any 2025 projects requiring debt issuance. The Water Utility budgeted \$3,004,445 in revenue bonds but will only need to issue approximately \$1,069,000. Stormwater projects were initially budgeted to receive \$550,000 in general obligation bond proceeds, and updated cash requirements total approximately \$400,000. Issuing debt only when projects are ready to proceed ensures the City avoids carrying idle bond proceeds and minimizes unnecessary interest costs.

Staff consulted with the City's financial advisor at Ehlers, who confirmed with bond counsel at Quarles & Brady that the City may include reimbursement of these 2025 project costs in the 2026 borrowing. Under standard municipal finance practices, eligible project costs incurred in 2025 can be reimbursed through a subsequent debt issuance in 2026, provided the borrowing occurs within the allowable reimbursement period. This approach is permissible and will allow the City to meet its project funding needs while remaining compliant with applicable borrowing requirements.

This situation highlights how project timelines do not always align perfectly with a biennial borrowing cycle and may warrant discussion about whether annual borrowing could provide greater flexibility in matching debt issuance to capital project delivery. As part of this review, it may be an appropriate time for the Council to consider whether to continue with a biennial borrowing schedule or transition to annual borrowing to better align with project timing and cash-flow needs.