

Date: May 19, 2026

To: Common Council

From: Rachelle Blicht, Director of Financial and Administrative Services

Re: Updated Capital Improvement Plan and Borrowing Recommendations

At the last Council meeting, staff was directed to model two updated borrowing scenarios for the Capital Improvement Plan:

1. A scenario that maintains a flat debt service tax rate.
2. A scenario that limits new borrowing to the original estimate of \$8.9 million.

Attached are the two options prepared by Ehlers based on that direction. Both scenarios achieve the goal of keeping the debt service levy at the originally projected rate of **\$1.85 per \$1,000**. This is accomplished either through debt restructuring or by reducing project scope.

Option 1 restructures existing debt while still borrowing the full **\$9.2 million**, resulting in a stable debt service tax rate of \$1.85.

Option 2 achieves the same tax rate by **eliminating two projects**. For illustration purposes, the projects removed in this model are the outdoor splash pad and the computer replacement program. Council may choose to substitute or reprioritize different projects if desired.

The change in total borrowing from the original estimate is driven by three factors:

- The City is **not borrowing for 2027 projects** at this time.
- **Actual 2026 project costs** have increased compared to earlier estimates.
- A **reimbursement borrowing** is required for 2025 project costs that were inadvertently omitted from the prior plan.

Historically, the City has borrowed on a biennial cycle. However, due to COVID-related delays and supply chain disruptions, the decision was made to borrow only for 2024 projects, with 2025 to be handled separately. The 2025 budget anticipated approximately **\$1.3 million** in general obligation borrowing, but the updated plan requires reimbursement of only **\$575,000**, resulting in a reduction of more than **\$700,000** in unnecessary borrowing.

The parameters resolutions being presented establish a *maximum* borrowing authority of **\$9.2 million**. A parameters resolution does **not** commit the City to borrowing that full amount. Instead, it sets the upper limit within which the final borrowing can occur once interest rates, project costs, and market conditions are finalized. Approving this resolution simply preserves flexibility and ensures the City can proceed with the financing process without exceeding the authorized cap.