



Police & Fire Station Construction Projects

November 18, 2025

Goals for the Work Session

- To continue discussion about the cash & fund balances of the City
- To discuss the potential financing strategies for the Police & Fire Stations
 - ✓ Property Tax Levy Changes
 - ✓ Debt Issuance Assumptions
- To inform the next steps in the development of the Financial Management Plan



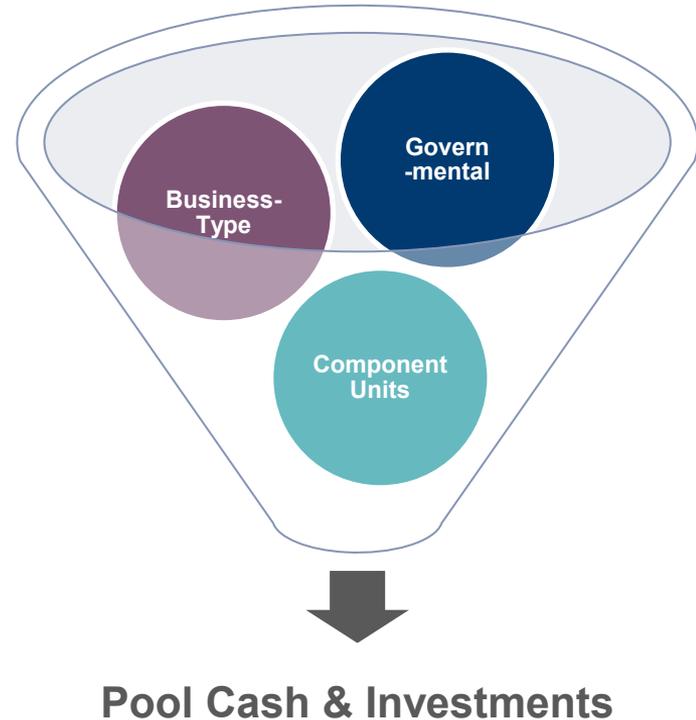
Police & Fire Station Construction Projects

FUND BALANCES & INVESTMENTS

Where Do We Get Fund Balances?

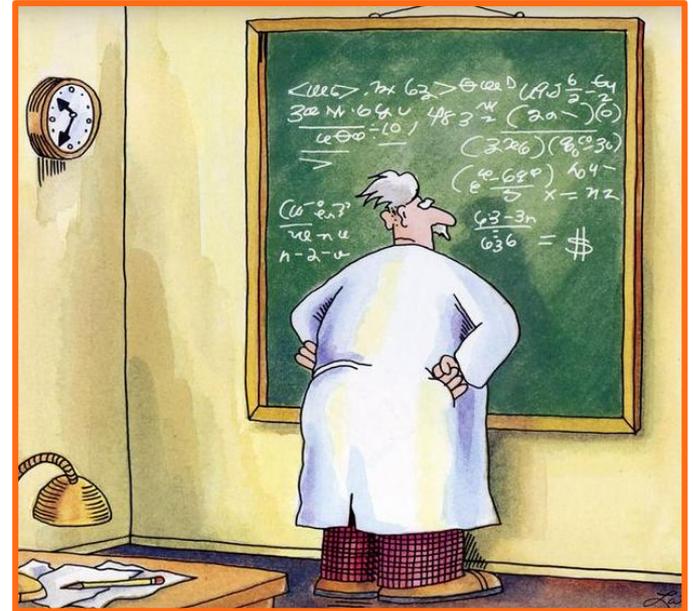
The total savings of the City since the beginning of time!

- For accounting purposes, the City divides its activities into different funds
- The City then pools the cash & investments into common accounts to...
 - ✓ Maximize investment income
 - ✓ Reduce administrative burden
 - ✓ Manage liquidity & safety



Why Do We Need Fund Balances?

- Sustain operations between property tax settlements
 - ✓ Operating costs
 - ✓ GFOA recommends 35% to 50% of next year's General Fund expenditures
- Cover unanticipated costs
 - ✓ Unforeseen circumstances
 - ✓ Emergencies
- Support long-term financial planning & expenditures



Recommended Fund Balance Requirements

Fund	Description	Requirement	Measurement	Basis
General	Small Local Governments	> \$500,000	Credit Rating Agency Req.	Fund Balance
	All Others	42%–50%	Subsequent Year Expenditures	
Special	Property Tax Supported	25%–50%	Subsequent Year Expenditures	
	Other Revenues	0%–50%		
Capital	Equipment & Improvements	25%–35%	Five-Year Rolling Average	
Enterprise	Public Utility	Varies	Six-Months Operating + Debt Service + Capital Projects	
	Other			

Estimated Available Cash & Fund Balances

Fund	Available	Policy Amount
General Fund	Pending	45% of Next Year's Ops.
Capital Projects Funds	Pending	None Established
Special Revenue Funds	Pending	None Established
Debt Service Funds	~\$2,760,000	None Established
Other Funds	Pending	None Established

Assumptions

- a) Individual funds may be subject to specific legal restrictions
- b) May not reflect availability based on current or future capital plans
- c) Policy thresholds may change due to the Financial Management Plan



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CAPITAL FINANCING ALTERNATIVES

Capital Project Financing Alternatives

“Pay As You Go”

Cash & Reserves

- Use existing cash flow or reserves
- Efficient for short-lived assets
- Sometimes difficult to save enough
- Those who “paid” may not benefit
- May cause tax rates & user fee issues

“Pay As You Use”

Interfund Loans

- Loan between two or more funds
- All funds should be treated fairly
- May cause reserve & cash flow issues
- May keep any interest income
- More flexible & lower financing costs

Debt

- Preserves cash & reserves
- Asset amortized over its useful life
- Those who “paid” benefit
- Better manages tax rates & user fees
- May structure certain terms

Debt Issuance Options

- Are there ways to reduce the property tax levy impact?
 - ✓ Phase-in the debt service over two or three years
 - ✓ Extend the term of the bonds
- These modifications tend to increase the overall borrowing costs

Option	Term	Debt Service	Par
1A	20 Years	Full, First Year	63,250,000
1B		Phased, Three Years	63,290,000
2A	25 Years	Full, First Year	63,355,000
2B		Phased, Three Years	63,385,000

For the Fire & Police Stations
Estimated Total Cost of \$61,131,096

Debt Issuance Options: Possible Terms

Option No.	Term (in years)	Estimated True Interest Cost	Estimated Average Annual Debt Service	Estimated Interest Payable	
				Total	Change
1A, Full	20	3.91%	4,815,618	29,899,244	-
1B, Phase	20	3.98%	4,779,249	33,756,539	3,857,295
2A, Full	25	4.18%	4,311,704	40,831,583	-
2B, Phase	25	4.22%	4,306,288	44,806,275	3,974,692

Assumption

- a) \$61,131,096 construction fund deposit
- b) Non-bank qualified market rates at Aa1 plus 50 basis points, as of November 12, 2025
- c) Includes capitalized interest
- d) Debt service at 105% of principal & interest payments

Debt Issuance Options: Potential Levy Impact

Option No.	Proposed 2026 Property Tax Levy	Estimated Annual Property Tax Impact			
		Year No. 1	Year No. 2	Year No. 3	Total
		Levy Increase	Levy Increase	Levy Increase	
1A, Full	21,940,620	21.95%	0.00%	0.00%	4,816,888
1B, Phase		11.29%	4.97%	5.02%	4,977,859
2A, Full		19.65%	0.00%	0.00%	4,310,326
2B, Phase		12.05%	3.70%	3.42%	4,423,235

Assumptions

- Debt service at 105% or principal & interest payments
- Non-bank qualified market rates at Aa1 plus 50 basis points, as of November 12, 2025
- No other changes in the property tax levy

Debt Issuance Options: Property Taxes Payable

Option No.	Residential Homestead Value	Estimated Annual Property Tax Impact			
		Year No. 1	Year No. 2	Year No. 3	Total
1A, Full	300,000	400.01	0.00	0.00	400.01
1B, Phase		205.79	67.59	140.10	413.48
2A, Full		358.15	0.00	0.00	358.15
2B, Phase		219.56	42.30	105.55	367.41

Assumptions

- a) Debt service at 105% or principal & interest payments
- b) Non-bank qualified market rates at Aa1 plus 50 basis points, as of November 12, 2025
- c) Based on Pay 2025 valuations & property tax rates

Statutory Debt Limit

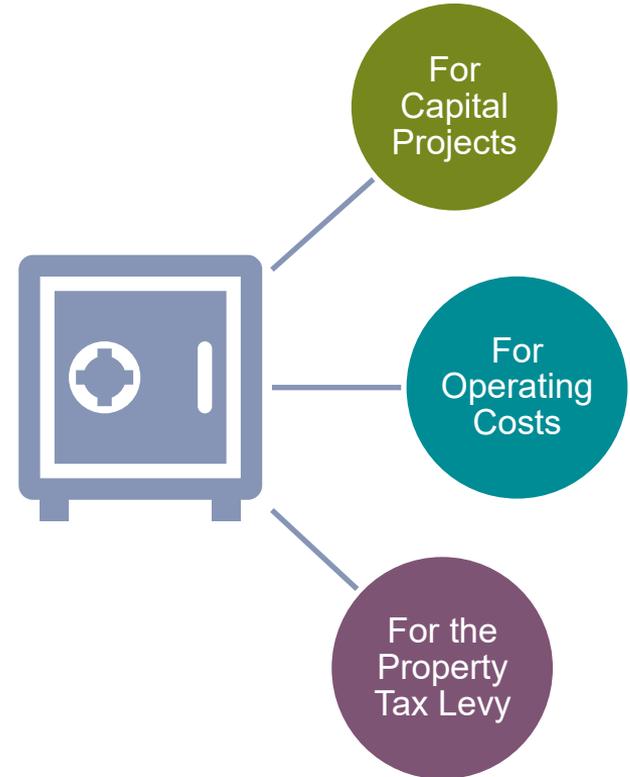
Statutory Debt Limit, Pay 2025	
Estimated Market Value	\$3,164,222,200
Debt Limit Factor	3.00%
Current Debt Limit	\$94,926,666
Less: Existing Debt	(\$11,705,000)
Less: Proposed Debt	(\$63,385,000)
Debt Capacity	\$19,836,666

Assumptions

- Uses the proposed debt alternative with the highest par
- Subject to change

How To Use Cash? And When?

- The City may use its general reserves on any allowable public purpose
- To guide use of reserves, the City should consider...
 - ✓ Financial stability & anticipated cash flows
 - ✓ The amount & frequency of the expenditure in question
 - ✓ Any other potential activities or needs
- Any planned use of reserves should consider possible replenishment





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NEXT STEPS

Tentative Next Steps

Activity or Event	Date
Review Capital Financing Alternatives	July 15, 2025
Review Investment Portfolio	November 5, 2025
Review Police & Fire Stations Financing Plan Strategies	Nov. 18 & Dec. 10, 2025
Call for a Public Hearing on CIP	January 6, 2026
Hold CIP Public Hearing	January 20, 2026
Authorize Advertise for Bids for the Projects	February/March
Review Financial Management Plan	March 3, 2026
Review Financial Management Plan Update (if needed)	April 7, 2026
Accept Bids & Award Contracts, Call for the Sale of Bonds	May/June
Award Sale of Bonds	June/July
Close, Accept & Invest Bond Proceeds	June/July

Discussion & Recommendations

- Does the City Council have a preferred capital financing option?

20 Years

25 Years

1A
Full Debt
Service

1B
Phased Debt
Service

2A
Full Debt
Service

2B
Phased Debt
Service

- Ehlers recommends the City issue debt to support the total cost of the projects & use reserves to support other capital outlays



THANK YOU! QUESTIONS?

When Do Local Governments Receive Funding?

Revenue & Funding Sources, Typical City

