

| | |
|---------|-----------------|
| ITEM #: | <u>28</u> |
| DATE: | <u>03-10-26</u> |
| DEPT: | <u>FIN</u> |

COUNCIL ACTION FORM

SUBJECT: RESOLUTION TO FIX A DATE FOR A PUBLIC HEARING ON PROPOSAL TO ENTER INTO A GENERAL OBLIGATION LOAN AGREEMENT AND TO BORROW MONEY THEREUNDER IN A PRINCIPAL AMOUNT NOT TO EXCEED \$17,375,000

BACKGROUND:

The FY 2026/27 Budget provides funding for a number of capital improvement projects to be financed through the issuance of General Obligation (G.O.) Bonds. Pursuant to Iowa law, authorization of the bonds requires a public hearing to approve both the issuance of the debt and the levy of property taxes necessary to pay principal and interest. The proposed bond proceeds and corresponding debt service levy have been incorporated into the FY 2026/27 recommended budget.

The proposed G.O. bond issuance is based on the capital projects identified in the table below and included in the FY 2026/27 Capital Improvements Plan (CIP). Approval of this action authorizes issuance up to the not-to-exceed amount; Council will be asked at a later date to approve the final terms and sale of the bonds. Issuance is anticipated shortly after the beginning of the new fiscal year.

The proposed not-to-exceed authorization includes \$16,317,006 to fund capital projects approved in the FY 2026/27 CIP. In addition to direct project funding, the not-to-exceed amount includes \$1,057,994 to cover estimated issuance costs and to provide structural flexibility, including the potential to sell bonds at a premium should market conditions warrant. Regardless of the final structure, debt will not be issued in an amount that causes annual debt service to exceed the property tax levy included in the adopted budget.

It should also be noted that the adjusted FY 2025/26 budget and the recommended FY 2026/27 budget include a combined \$22,006,730 to support development of the Resource Recovery and Recycling Campus (R3C). **Given that the project remains in the early stages of development, staff believes it is prudent to defer bond authorization until the R3C's construction schedule is better defined and a comprehensive financing plan has been developed.**

Additionally, because the City has already received authorization through a public referendum for the relocation of Fire Station #2, associated costs for this project are not part of this proposed authorization.

As part of the proceedings on March 24, 2026, City Council will be asked to conduct the required public hearings and approve a pre-levy resolution to authorize the levy of property taxes for bonds expected to be issued in FY 2026/27. **The pre-levy amount associated with the FY 2026/27 projects is \$1,828,463 and is included within the total FY 2026/27 debt service property tax levy of \$13,360,015 for all outstanding General Obligation debt.**

The FY 2026/27 Capital Improvements Plan G.O. Bond issuance includes the following projects:

| | | |
|-----------------------------------------------|-----------|----------------------|
| Asphalt Street Pavement Improvements | 2,340,000 | |
| Arterial Street Pavement Improvements | 1,260,000 | |
| CyRide Route Pavement Improvements | 3,800,000 | |
| Concrete Pavement Improvements | 3,300,000 | |
| Seal Coat Street Pavement Improvements | 900,000 | |
| Collector Street Pavement Improvements | 2,800,000 | |
| Freel Drive Paving | 975,000 | |
| Intelligent Transportation System | 178,756 | |
| Airport Facility Improvements | 623,250 | |
| Airport Entryway Improvements | 140,000 | |
| Subtotal Tax Supported Bonds | | \$ 16,317,006 |
| Estimated Issuance Costs | | 1,057,994 |
| Grand Total 2025/26 G.O. Bond Issuance | | \$ 17,375,000 |

ALTERNATIVES:

1. Set March 24, 2026, as the date of public hearing to authorize the issuance of Essential Corporate Purpose General Obligation Bonds in an amount not to exceed \$17,375,000.

After the hearing, the City Council, at the same meeting on March 24th, can authorize the sale and associated pre-levy resolution. The sale actually will occur at a time of the City's choosing typically in the Fall.

2. Reject or delay the public hearings, reduce the FY 2026/27 property tax levy, and delay the capital projects. Rejection of the Bonds will prevent the City from completing the bond-funded projects reflected in the CIP.

CITY MANAGER'S RECOMMENDED ACTION:

Prior to the issuance of debt, state law requires that a public hearing be held and associated pre-levy resolution be adopted. This is a required step in order to accomplish the City Council's approved capital improvements for the upcoming fiscal year. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.