

TO: Mayor and City Council

FROM: David Chanski, City Administrator/Clerk

RE: Estimated Project Funding – Updated January 2024

DATE: January 23, 2024



Background

As the City has worked through the Buschmann Road and city hall projects, funding is a significant part of the equation. Through preliminary design, the City’s portion of the Buschmann Road project (a small portion of the project is the responsibility of Ideal Township) currently has an estimated total cost of \$4 million, which includes engineering, easement acquisition, and construction. The current estimated total cost for city hall is \$4 million, which includes construction, architecture and construction management, and FF&E (furniture, fixtures, and equipment).

Throughout this process, City Administrator Chanski has continually stated that the City is in an excellent financial position for completing these necessary projects without increasing the tax levy. Here is a breakdown of how this can be done.

Capital Funds

As of January 1, 2024, the City’s Capital Fund has a balance of \$4,212,421.81. The Capital Fund is anticipated to received approximately \$800,000 in revenue in 2024 as well as have approximately \$1,042,000 in expenditures. That will leave the Capital Fund with a balance of approximately \$3,970,421.81 and the end-of-year fund balance transfer from the General Fund into the Capital Fund will not be completed until Fiscal Year 2023 is formally closed out.

City Administrator Chanski has informed the City Council on multiple occasions that he would be comfortable drawing the Capital Fund down to \$2.5 million to help fund these two necessary projects. That would provide the City roughly \$1.47 million to be used toward these projects.

| | |
|-------------------------------|-----------------|
| Current Balance | \$ 4,212,421.81 |
| Anticipated 2024 Revenue | \$ 800,000.00 |
| Anticipated 2024 Expenditures | \$ 1,042,000.00 |
| Est EOY Balance | \$ 3,970,421.81 |

Investment Funds

The City currently has just over \$7.37 million in investments and has accrued \$231,246.74 in interest in 2023. Interest on investments helps fund the Capital Fund. Of that \$7.37 million, just under \$4.5 million is unencumbered and could be withdrawn at any time.

City Administrator Chanski would be comfortable drawing down investments to a total \$5 million, which would provide another \$2.37 million for projects.

| *Investments as of 12/31/23 | | | |
|-----------------------------|-----------------|-----------------|----------------------|
| Acct | Balance | Unencumbered | Interest Accrued YTD |
| 4M Fund | \$ 1,700,810.61 | \$ 1,700,810.61 | \$ 71,704.69 |
| Northland Sec | \$ 1,716,242.88 | \$ 708,854.98 | \$ 43,037.26 |
| Multi-Bank Sec | \$ 1,465,268.14 | \$ 868,483.48 | \$ 42,499.80 |
| Wells Fargo | \$ 1,359,827.15 | \$ 476,907.66 | \$ 33,467.94 |
| FNC | \$ 1,130,895.03 | \$ 714,234.78 | \$ 40,537.05 |
| TOTAL | \$ 7,373,043.81 | \$ 4,469,291.51 | \$ 231,246.74 |

Bond Capacity

In addition to cash on hand, the City has the ability to bond for projects. There are currently two identified sources within the current tax levy that could be turned into annual bond payments, allowing the City to bond without increasing the tax levy. \$230,000 was budgeted in 2022 to payoff the last of the City's debt (making the City currently debt free) and was kept in the 2023 and draft 2024 budgets as it is anticipated that the City will be issuing bonds in the near future. Additionally, \$342,000 has been transferred to the Capital Fund each year for future road projects. This also could be easily turned into a bond payment.

The City engaged BakerTilly to run bond projections based on these two sources during the summer of 2023. According to BakerTilly, an annual bond payment of \$230,000 has estimated bond proceeds of \$2,450,000, and an annual bond payment of \$342,000 has estimated bond proceeds of \$3,535,325. That's an estimated total of \$5,984,324 in bond proceeds the City could pursue without increasing the tax levy.

| Existing Payment Source | Est. Bond Proceeds |
|----------------------------|--------------------|
| \$230,000 Capital Transfer | \$ 2,450,000.00 |
| \$342,000 Capital Transfer | \$ 3,535,325.00 |
| Total Est. Bond Capacity | \$ 5,985,325.00 |

Funding Summary

Between available Capital Fund dollars, unencumbered investment funds, and estimated bond proceeds, the City could comfortably spend approximately \$9,828,000 without increasing the tax levy.

If the City is successful in its \$1.5 million LRIP grant proposal, that would reduced the anticipated cost of the Buschmann Road project to approximately \$2.75 million (a grant award would be apportioned between Breezy Point and Ideal Township based on percentage of project cost).

| Project | Est Cost |
|------------------------|-----------------|
| Buschmann Road | \$ 4,000,000.00 |
| City Hall | \$ 4,200,000.00 |
| Total Project Costs | \$ 8,200,000.00 |
| Est. Available Funding | \$ 9,828,000.00 |
| Balance | \$ 1,628,000.00 |