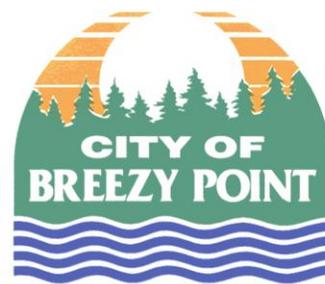


TO: Mayor and City Council
FROM: David Chanski, City Administrator/Clerk
RE: Estimated Project Funding
DATE: December 4, 2023



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 \$4.5 million, which includes constructions, 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 December 1, 2023, the City's Capital Fund has a balance of \$3,733,810.61. There is a total of \$642,000 that is budget to be transferred into the Capital Fund at the end of the year, and an estimated \$250,000 in Capital Fund expenses that should be incurred by the end of the year. That should bring the balance in the Capital Fund to around \$4.6 million. There may be additional funds that are transferred into the Capital Fund at the end of the year as the City's Fund Balance Policy states that anything over 45% fund balance of the following year's budgeted expenditures is to be transferred into the Capital Fund.

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 around \$2 million to be used toward these projects.

Current Balance	\$ 3,700,963.11
Expected Transfers In	\$ 642,000.00
Expected EOY Expenditures	\$ (250,000.00)
Est EOY Balance	\$ 4,592,963.11

Investment Funds

The City currently has just over \$7.2 million in investments and has accrued just under \$200,000 in interested year-to-date as of October. Interest on investments helps fund the Capital Fund. Of that \$7.2 million, just over \$3.7 million is unencumbered and could be withdrawn at any time (all monies in the 4M fund are unencumbered funds).

City Administrator Chanski would be comfortable drawing down investments to a total \$5 million, which would provide another \$2 million for projects.

*Investments as of October 2023			
Acct	Balance	Unencumbered	Interest Accrued YTD
4M Fund	\$ 1,686,603.45	\$ 1,686,603.45	\$ 57,497.53
Northland Sec	\$ 1,689,062.82	\$ 264,289.38	\$ 32,471.63
Multi-Bank Sec	\$ 1,448,297.38	\$ 859,218.18	\$ 33,234.50
Wells Fargo	\$ 1,340,263.38	\$ 472,770.13	\$ 38,312.75
FNC	\$ 1,117,400.16	\$ 465,083.00	\$ 31,385.27
TOTAL	\$ 7,281,627.19	\$ 3,747,964.14	\$ 192,901.68

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 \$10,000,000 without increasing the tax levy.

Project	Est Cost
Buschmann Road	\$ 4,000,000.00
City Hall	\$ 4,500,000.00
Total Project Costs	\$ 8,500,000.00
Est. Available Funding	\$ 10,000,000.00
Balance	\$ 1,500,000.00