

CITY OF GALESVILLE
SPECIAL COUNCIL MEETING

June 4, 2025

Mayor Tom Thatcher called the meeting to order at 5:00 p.m.

Council attending: Rob Grover, Randy Larson, Jean Seely, Jesse Swing and Ryker Todd.

Council Absent: Dave Carlson,

Others in attendance: Sean Lentz- Ehlers, Public Works Director- Todd Peterson, Daniel Cook, Terry Wagner

Open meeting laws have been met by posting the agenda on the community board at City Hall, Galesville Public Library, website and distributed to all news media requesting notification in accordance with the open meeting laws on or before 4:00 p.m. on the day before the meeting.

Sean Lentz went through the financing proposals for the West Side Sewer, Water and Street Project. This is similar to the information that was presented to the council in October of 2024 before the project started.

There are 3 parts to the funding of the project which include Clean Water Fund Loan for the sewer portion, Safe Drinking Water Loan for the water portion and General Obligation for the streets and storm sewers.

The proposals that were reviewed were based off estimates from Davy Engineering that has been approved by the council.

The water portion of the project is estimated to cost \$1,400,00.00 and will be fully or partially funded by a loan through the State at 2.2% for 20 years.

Option 1 shows borrowing the entire amount and adding to the existing debt which makes the total revenue debt service \$150,965.00 per year. If we issue additional water revenue bonds, we have to show revenue debt coverage (operating expenses, the existing debt, the new debt and an extra 25%) of at least 1.25. Based on the 2024 audit we would be at 1.10 which do not meet that threshold and would require a water rate increase.

Option 2 shows borrowing \$700,000.00 and using cash of \$694,571.00 making the total revenue debt service \$105,965 per year. We still have to maintain the revenue debt coverage of at least 1.25 and this puts us at 1.57. This option would not require a water rate increase.

The Public Service Commission has control over the water rates and may require us to raise the rates if they are not comfortable with the rate of return on assets.

The sewer portion of the project is estimated to cost \$310,000.00 and will be fully funded by a loan through the state at 2.2% for 20 years.

There are currently 3 clean water fund loans outstanding with the state issued in 2011 and 2019. It is recommended to borrow the entire amount which makes the total revenue debt service \$170,364.00 per year. We are still required to meet a revenue debt coverage of 1.10 and this would put us at 1.53.

The remaining approx. \$1,741,667.00 of the project would be covered by a 20-year general obligation promissory note at around 4% for work to be done on the streets, sidewalks and some storm water. We are closing TID 2 and will have \$238,000.00 to apply toward funding of the project for an approx. total of \$1,575,000.00. We could also use some of the unassigned fund balance to decrease the amount of debt.

Option 1 shows borrowing the \$1,575,000.00. The equalized value in 2026 of the city due to closing the TID will increase the tax base by 12,000,000.00. This will lessen the impact of this project on the tax payers.

There is currently a general obligation loan outstanding issued in 2017 for the city shop. With the additional amount borrowed the total revenue debt service \$263,670.00 per year. If we use the estimate of leaving the cities operating levy at \$630,949 and add in the new debt the projected total city levy would be \$894,619.00 which is a projected mill rate of 6.27 which is .40 more than 2025. Which calculates to a \$40.00 increase on a \$100,000.00 property for the city portion of taxes. The total interest cost is approximately \$953,000.00.

Option 2 shows borrowing the same amount and equalized values but using a structured debt option which makes smaller principal payments from 2026-2037. This option would have a projected mill rate of 6.02 which is .15 more than 2025, which is a \$15.00 increase on a \$100,000.00 property for the city portion of the taxes. The total interest cost is approximately \$1,316,000.00.

Motion by Jesse Swing to apply the \$238,000.00 from the TID closing and 25% of the unassigned balance within the general fund using level payment schedule to finance a general obligation bond; seconded by Jean Seely. Vote: Grover-yes, Larson-yes, Seely-yes, Swing-yes, Todd-yes. Motion carried.

Motion by Jesse Swing to have Ehlers use the available cash to get to a debt coverage ratio of 1.30 for the water portion of the project; seconded by Rob Grover. Vote: Grover-yes, Larson-yes, Seely-yes, Swing-yes, Todd-yes. Motion carried.

Motion by Jesse Swing to issue a clean water fund loan not to exceed \$350,000.00 for the full portion sewer portion of the West Side Project; seconded by Ryker Todd. Vote: Grover-yes, Larson-yes, Seely-yes, Swing-yes, Todd-yes. Motion carried.

Motion by Jean Seely to adjourn the meeting; seconded by Rob Grover. Ayes -5, Nays -0, Motion carried.

X

Jennifer Hess
City Clerk/Treasurer