

Explanation of Finances of the 2020 Park Bond Election Question

The bond election question indicates a maximum of \$26 million could be authorized by voters for the bond. It then explains that there are two purposes for the use of the money: 1) Fund the construction of the park, and 2) Refinance an existing bond the City holds on some City buildings.

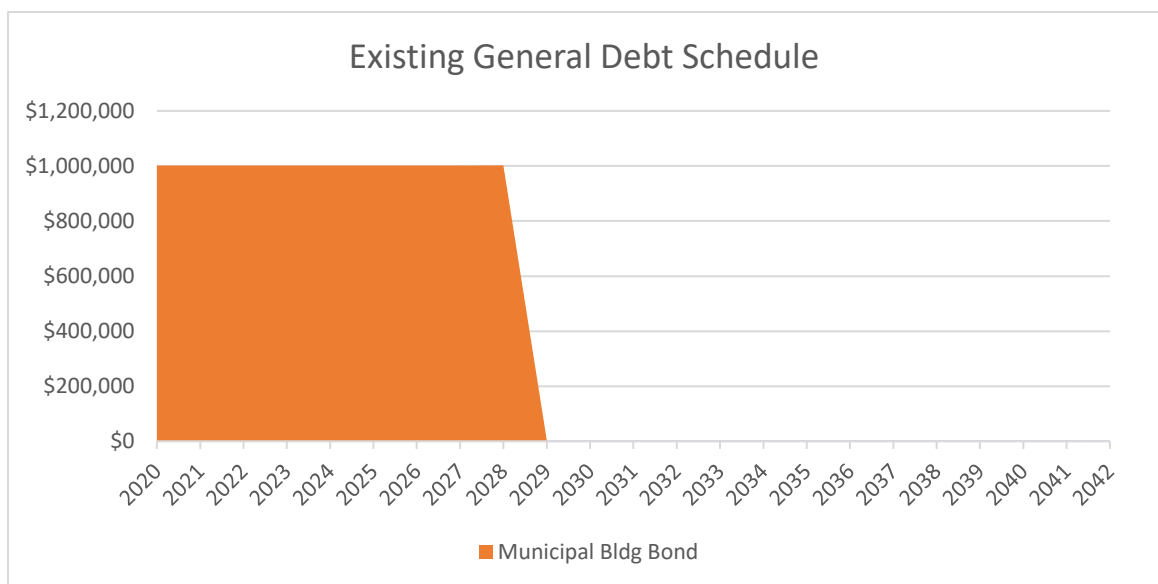
The second and third paragraphs may be where some residents get confused on the finances of the bond. In an effort to help residents understand what they are being asked to decide, the City provides the following information:

The second paragraph of the bond question is required by the State. The City is required to outline the total cost of the entire bond, even if a portion of the bond will be used to refinance existing bonds. The refinancing of those bonds will free up money that will go toward the new bond, if passed. The state mandated language requires the ballot to say that the cost of the bond on a residential property worth \$347,000 would be approximately \$169 per year, even though the City's plan is not to raise taxes by the \$169 per year.

The third paragraph was added by the City to clarify the City's plan in financing the bond for the park. This explains why the ballot question says the actual tax increase would be \$53 per year instead of \$169 per year. This is because the funds being applied to current debt will be redirected to help pay the new debt. It may be helpful to understand the City's existing debt on its municipal buildings:

Existing General Debt Schedule

- Below is a graph showing the existing debt schedule for the City's general fund, which includes:
 - Total Debt: Approx. \$8million.
 - Annual bond payment already being paid by the City: Approx. \$1million per yr.
 - Current bond is scheduled to retire in the year 2028.
 - Bond was for construction and improvement of municipal buildings.



Debt Schedule if Bond Passes

- Below is a graph showing the combined debt schedule if the park bond on the ballot passes. It includes:
 - New debt would begin in 2022.
 - The bond payment for the existing municipal buildings debt would be eliminated. This is because the current outstanding debt is effectively refinanced over the life of the new bond.
 - If the new bond were maxed out at \$26 million, it would require a payment of approximately \$1.6 Million per year.
 - Since the old bond goes away, the City would roll what it is currently paying - \$1 Million/yr - into the new bond. The remaining \$600,000 payment will come from a new tax rate.

Annual Bond Payment

\$1 Million rolled over from existing bond.
 + \$600,000 from voter-approved bond election
 Total: \$1,600,000/yr payment

- This explains why the City would only need to come up with approximately \$600,000 new dollars per year, rather than \$1.6 million per year. Thus, the ballot language submitted by the City clarifies that the actual tax burden would be an additional \$53 per year, rather than \$169 per year.
- This scenario assumes that approximately \$5 million is raised in private funding, approximately \$5 million comes from existing City funds, and that the actual cost of construction is \$30 million.
- From the 2020 November Election to the time of actual debt, the City would have at least 1 year to fundraise through private donations before issuing the bonds.

