THE CITY OF WATERTOWN

COMMITTEE OF THE WHOLE MEETING AGENDA

TUESDAY, NOVEMBER 21, 2023 AT 6:15 PM

MUNICIPAL BUILDING COUNCIL CHAMBERS – 106 JONES STREET, WATERTOWN, WI 53094

For the public: Members of the media and the public may attend ***by calling:*** *(571) 317-3122* ***Access Code****: 153-925-469 or https://www.gotomeet.me/EMcFarland*

1. **CALL TO ORDER**
2. **BUSINESS**
    A. Fire Station Discussion
3. **ADJOURNMENT**

Persons requiring other reasonable accommodations for any of the above meetings, may contact the office of the City Clerk at mdunneisen@watertownwi.gov, phone 920-262-4006

A quorum of any City of Watertown Council, Committee, Board, Commission, or other body, may be present at this meeting for observing and gathering of information only

THE CITY OF WATERTOWN

Office of the
Mayor

Memo

To: Common Council

Cc: Mark Stevens, Finance Director, Chief Teesch

From: Mayor McFarland

Date: November 16, 2023

Re: Fire Station Committee of the Whole

Dear Council Members,

Since our last discussion regarding the station, we have taken in your thoughts and concerns and worked with Baird to prepare new financing scenarios. Attached to this memo is a version from 11/8 which readjusts our principal payments and lowers the debt mill rate.

Additionally, I was asked by an Alder to prepare a distilled down version of the funding scenarios; attached is a summary of the current two funding scenarios and their associated options. The summary also contains the main themes that emerged from the discussion at council.

Should you need any other information prior to our Committee of the Whole meeting on Tuesday at 6:15, please reach out via email or phone.

I continue to thank you all for your careful consideration of this important public safety project. Although this topic is complex, we ultimately have consensus that a new station is needed, and I'm confident we will find the path there.

Thank you,

Emily

$13.50M Fire Station

BAIRD

City of Watertown
HYPOTHETICAL FINANCING PLAN

YEAR DUE	NET GENERAL FUND EXISTING DEBT SERVICE (a)	2024 CIP $3,120,000 G.O. PROMISSORY NOTES Dated April 1, 2024 (First interest 12/1/24) PRINCIPAL (12/1/24 & 6/1 Annually)	NET INTEREST (b) (6/1 & 12/1) TIC= 4.61%	TOTAL	Project Fund: $13,500,000 Fire Station Project $14,215,000 Note Anticipation Note Dated April 1, 2024 (Due 10/1/25) INTEREST (4/1 & 10/1) TIC= 4.81%	Refunding of Note Anticipation Note $14,215,000 G.O. REFUNDING BONDS Dated April 1, 2025 (First interest 12/1/25) PRINCIPAL (6/1)	NET INTEREST (c) (6/1 & 12/1) TIC= 5.16%	TOTAL	FUTURE BORROWINGS (d) (e)	Overall Taxpayer Impact General Fund COMBINED DEBT SERVICE	COMBINED DEBT MILL RATE (f)	YEAR DUE
2023	$4,745,942								$0	$4,745,942	$2.54	2023
2024	$4,854,063	$580,000	$63,068	$643,068					$0	$5,497,131	$2.53	2024
2025	$4,443,850	$1,050,000	$119,025	$1,169,025	$746,288		$0	$0	$0	$5,612,875	$2.53	2025
2026	$3,875,638	$175,000	$82,275	$257,275		$415,000	$807,758	$1,222,758	$325,792	$5,681,462	$2.51	2026
2027	$3,479,531	$190,000	$71,325	$261,325		$440,000	$782,108	$1,222,108	$721,042	$5,684,005	$2.46	2027
2028	$3,345,531	$200,000	$59,625	$259,625		$470,000	$754,808	$1,224,808	$856,117	$5,686,080	$2.42	2028
2029	$2,415,856	$210,000	$47,325	$257,325		$495,000	$725,858	$1,220,858	$1,792,617	$5,686,655	$2.37	2029
2030	$2,026,906	$225,000	$34,275	$259,275		$530,000	$695,108	$1,225,108	$2,171,417	$5,682,705	$2.32	2030
2031	$1,953,561	$240,000	$20,325	$260,325		$560,000	$662,408	$1,222,408	$2,245,117	$5,681,410	$2.27	2031
2032	$726,403	$250,000	$6,563	$256,563		$595,000	$627,758	$1,222,758	$3,480,517	$5,686,239	$2.23	2032
2033	$338,531					$630,000	$591,008	$1,221,008	$4,123,392	$5,682,930	$2.19	2033
2034	$337,581					$670,000	$552,008	$1,222,008	$4,126,667	$5,686,255	$2.15	2034
2035	$341,481					$710,000	$510,608	$1,220,608	$4,119,942	$5,682,030	$2.10	2035
2036	$340,231					$755,000	$466,658	$1,221,658	$4,123,217	$5,685,105	$2.06	2036
2037	$338,881					$800,000	$420,008	$1,220,008	$4,126,342	$5,685,230	$2.02	2037
2038	$338,244					$850,000	$370,508	$1,220,508	$4,124,392	$5,683,143	$1.98	2038
2039	$338,125					$905,000	$317,858	$1,222,858	$4,122,442	$5,683,424	$1.94	2039
2040	$337,722					$960,000	$261,908	$1,221,908	$4,125,417	$5,685,046	$1.90	2040
2041						$1,020,000	$202,508	$1,222,508	$4,463,142	$5,685,649	$1.87	2041
2042						$1,080,000	$142,748	$1,222,748	$4,460,542	$5,683,289	$1.83	2042
2043						$1,135,000	$85,922	$1,220,922	$4,462,567	$5,683,489	$1.79	2043
2044						$1,195,000	$29,128	$1,224,128	$4,459,217	$5,683,345	$1.76	2044
	$34,578,079	$3,120,000	$503,805	$3,623,805		$14,215,000	$9,006,668	$23,221,668	$62,429,892	$123,853,443		

Assumes NAN principal paid with bond proceeds on 4/1/2025. Assumes NAN interest capitalized until 4/1/25.

(a) The City will make principal payments of $5,325,000 in 2024.
(b) Hypothetical bid premium on estimated interest cost in the amount of $60,482.
(c) Hypothetical capitalized interest on estimated interest cost in the amount of $546,805.
(d) Assumes future borrowings of $3,500,000 annually beginning in 2025 and thereafter amortized over 8 years at 3.00%.
(e) This information is provided for information purposes only. It does not recommend any future issuances and is not intended to be, and should not be regarded as, advice.
(f) Mill rate based on 2022 and 2023 Equalized Valuations (TID-OUT) of $1,868,971,600 and $2,174,589,800 respectively, with 2.00% growth thereafter.

$14.00M Fire Station

BAIRD

City of Watertown
HYPOTHETICAL FINANCING PLAN

	NET GENERAL FUND	2024 CIP — $3,120,000 G.O. PROMISSORY NOTES, Dated April 1, 2024 (First interest 12/1/24)			Project Fund: $14,000,000 — Fire Station Project — $14,740,000 Note Anticipation Note, Dated April 1, 2024 (Due 10/1/25)	Refunding of Note Anticipation Note — $14,740,000 G.O. REFUNDING BONDS, Dated April 1, 2025 (First interest 12/1/25)				Overall Taxpayer Impact General Fund		
YEAR DUE	EXISTING DEBT SERVICE (a)	PRINCIPAL (12/1/24 & 6/1 Annually)	NET INTEREST (b) (6/1 & 12/1) TIC= 4.61%	TOTAL	INTEREST (4/1 & 10/1) TIC= 4.81%	PRINCIPAL (6/1)	NET INTEREST (c) (6/1 & 12/1) TIC= 5.15%	TOTAL	FUTURE BORROWINGS (d) (e)	COMBINED DEBT SERVICE	COMBINED DEBT MILL RATE (f)	YEAR DUE
2023	$4,745,942								$0	$4,745,942	$2.54	2023
2024	$4,854,063	$580,000	$63,068	$643,068					$0	$5,497,131	$2.53	2024
2025	$4,443,850	$1,050,000	$119,025	$1,169,025	$773,850		$0	$0	$0	$5,612,875	$2.53	2025
2026	$3,875,638	$175,000	$82,275	$257,275		$430,000	$836,548	$1,266,548	$330,717	$5,730,177	$2.53	2026
2027	$3,479,531	$190,000	$71,325	$261,325		$455,000	$809,998	$1,264,998	$725,817	$5,731,670	$2.48	2027
2028	$3,345,531	$200,000	$59,625	$259,625		$485,000	$781,798	$1,266,798	$860,742	$5,732,695	$2.44	2028
2029	$2,415,856	$210,000	$47,325	$257,325		$515,000	$751,798	$1,266,798	$1,792,167	$5,732,145	$2.39	2029
2030	$2,026,906	$225,000	$34,275	$259,275		$545,000	$719,998	$1,264,998	$2,180,817	$5,731,995	$2.34	2030
2031	$1,953,561	$240,000	$20,325	$260,325		$580,000	$686,248	$1,266,248	$2,254,217	$5,734,350	$2.30	2031
2032	$726,403	$250,000	$6,563	$256,563		$615,000	$650,398	$1,265,398	$3,484,392	$5,732,754	$2.25	2032
2033	$338,531					$655,000	$612,298	$1,267,298	$4,127,117	$5,732,945	$2.21	2033
2034	$337,581					$695,000	$571,798	$1,266,798	$4,130,242	$5,734,620	$2.16	2034
2035	$341,481					$740,000	$528,748	$1,268,748	$4,123,367	$5,733,595	$2.12	2035
2036	$340,231					$785,000	$482,998	$1,267,998	$4,126,492	$5,734,720	$2.08	2036
2037	$338,881					$830,000	$434,548	$1,264,548	$4,129,467	$5,732,895	$2.04	2037
2038	$338,244					$885,000	$383,098	$1,268,098	$4,127,367	$5,733,708	$2.00	2038
2039	$338,125					$940,000	$328,348	$1,268,348	$4,125,267	$5,731,739	$1.96	2039
2040	$337,722					$995,000	$270,298	$1,265,298	$4,128,092	$5,731,111	$1.92	2040
2041						$1,060,000	$208,648	$1,268,648	$4,465,667	$5,734,314	$1.88	2041
2042						$1,120,000	$147,168	$1,267,168	$4,462,917	$5,730,084	$1.84	2042
2043						$1,175,000	$88,847	$1,263,847	$4,469,717	$5,733,564	$1.81	2043
2044						$1,235,000	$30,103	$1,265,103	$4,466,067	$5,731,170	$1.77	2044
	$34,578,079	$3,120,000	$503,805	$3,623,805		$14,740,000	$9,323,678	$24,063,678	$62,510,642	$124,776,203		

Assumes NAN principal paid with bond proceeds on 4/1/2025. Assumes NAN interest capitalized until 4/1/25.

(a) The City will make principal payments of $5,325,000 in 2024.
(b) Hypothetical bid premium on estimated interest cost in the amount of $60,482.
(c) Hypothetical capitalized interest on estimated interest cost in the amount of $566,298.
(d) Assumes future borrowings of $3,500,000 annually beginning in 2025 and thereafter amortized over 8 years at 3.00%.
(e) This information is provided for information purposes only. It does not recommend any future issuances and is not intended to be, and should not be regarded as, advice.
(f) Mill rate based on 2022 and 2023 Equalized Valuations (TID-OUT) of $1,868,971,600 and $2,174,589,800 respectively, with 2.00% growth thereafter.

Prepared by Robert W. Baird & Co. Incorporated S:\Public Finance\municipalities\watertown cy wi\debt service\2023\ds3 watertown cy_2024.xlsx /jmt 11/8/2023

October 18th Version

	Amount	Total Borrowed Over Life of the Debt	Impact to the Debt Mill Rate
1a	$12.5 M	$21.5M	Increase of .01 per $1000 in value for 1 year
1b	$13.5M	$23.2M	Increase of .01 per $1000 in value for 2 years
1c	$14M	$24M	Increase of .01 per $1000 in value for 2 years

November 8th Version

	Amount	Total Borrowed Over Life of the Debt	Impact to the Debt Mill Rate
2a	$13.5M	$23.2M	Reduction of .01 in 2024, 2025 and continues to reduce each year
2b	$14M	$24M	Reduction of .01 in 2024, stays the same for 2024-2026, and continues to reduce each year

All the footnotes in Baird's charts still apply to these scenarios (ex: hypothetical bid premiums, interest rates, future borrowings and equalized value growth)

Notes

- Hearing concern around an increase in the dollar value of the project and the impact to the taxpayer, we pursued the November 8th presentation
    - The November 8th version is a result of letting go of the ".01 increase per $1K of value," and restructuring principal payments
    - The debt levy impact for the taxpayer is reduced with the November 8th proposal

- Hearing concern around the project growing to whatever number is borrowed, this Note Anticipation Note (NAN) is similar to a construction loan, we're getting a temporary loan to initiate construction, we will build only what alternates are approved by the Finance Committee, and at the end of construction we will get a longer term debt, and prepay anything that was not needed/approved.

- There has been consensus that we need a new station. There has been substantial effort by the project team to evaluate our needs in the station and build that station. That station, because of market conditions, costs more today than it did in 2022 when the Five Bugles study was completed. Hearing concern around the project increasing prior to its commencement, and concern for unknowns,

- The project budget currently has $990K for contingency/unknowns; this is higher th because of site build; once the project is "out of the ground" we'll know our ability to narrow that amount
  - There is an allocation for soils as well included in the construction budget
- Below is page 31 from the study; please note the cost estimates and disclaimers to consider

New Facility Probable Costs

Probable cost for this work is developed using square foot costs. The range is established using costs from Engineering New Record (a national construction cost source) and Five Bugles Designs historical cost data base. Once a particular site, floor plan option and building material expectation are established, a final established budget should be incorporated before moving forward. It should be noted that with the various options; base plans, alternate plans, unknown site conditions, material costs, inflation, potential demolition costs, etc., estimates will fluctuate. Full estimates are included in the appendix.

Table 5 -1: Concept 1, 3, & 4

	Estimated Costs
Cost of Construction	$10,745,925
Other Costs (FF&E, Technology, Contingencies, Fees and Legal)	$3,048,104
Total	**$13,794,029**

Table 5 -2: Concept 2

	Estimated Costs
Cost of Construction	$10,127,475
Other Costs (FF&E, Technology, Contingencies, Fees and Legal)	$2,912,045
Total	**$13,039,520**

Notes:

1. Does not include site acquisition costs.
2. Due to the plans being on a conceptual level at this point, with many open-ended questions, it is important to note that the estimate includes 10% of contingency for each option. When it is decided to move forward, estimates will be refined at the schematic level and a final budget will be set.
3. Estimates of probable cost are based on a 2022 construction costs. Inflationary costs should be added for each year the project is delayed beyond that.
4. Geotechnical surveys were not taken at this time. Additional costs may be associated with possible soil corrections. It is recommended that geotechnical surveys are completed before moving forward with a specific site.

- History of the $12.5M; Five Buggles gave city amounts above and cautioned that typically costs go down for construction because their exercise is more conceptual
  - While square footage and other value engineering items have occurred, those benefits haven't been as readily felt as inflationary pressures impacted the construction industry substantially; 45% in our area according to Maas

Contemplation

		If Borrow:	12,500,000	13,500,000	14,000,000	14,500,000
Financing & 2024 interest costs	691,163		691,163	746,288	773,850	801,413
Contingency: 8% Construction	990,153	Exclusions:				
		Storage Building	(350,000)	(350,000)	(350,000)	(350,000)
Total Estimated Cost	**15,368,022**		15,018,022	15,073,147	15,128,272	15,183,397
Funding Sources						
2022 Fire Supplies [01-52-31-18]	5,500					
2023 Debt	600,000					
2024 Note Anticipation Note	13,165,000		13,165,000	14,215,000	14,740,000	15,265,000
2024 Fiber Fund [25-58-25-60]	10,000					
Borrowed funds interest earnings: 4%	250,000		250,000	270,000	280,000	290,000
Total Funding Sources	**14,030,500**		14,030,500	15,100,500	15,635,500	16,170,500
Shortfall	**(1,337,522)**		(987,522)	27,353	507,228	987,103

- The borrowing amount that permits the station to be built and allows for alternates (such as training tower) to be contemplated by the finance committee is option 2b, $14M.
    - This option still lowers the debt levy for taxpayers
    - This option allows prepayment, and the Finance Committee is the check and balance on alternates

Action Item

- The 2024 budget will need an amendment made in order to build the station
- Potential motion:

Motion to increase the budget for the Note Anticipation Note to $14,740,000 ($14 million project fund).

Account #	*Account*	*Curr Bdgt*	*New Bdgt*
05-48-20-20	*Borrowing*	*12,500,000*	*14,000,000*
05-52-31-70	*Fire Cap Exp*	*8,125,000*	*9,100,000 (65% completion)*