

From: Thomas C. Skrobola, Finance Director/Treasurer
Subject: New Activity Center, Financing Options

This memorandum provides a framework for a discussion with the City Council, to facilitate decisions around how best to finance the new Activities Center.

The following assumptions are being used for this memo, and are subject to City Council deliberation and decision making.

Estimated Project Cost of \$35 Million. Estimates have ranged between \$25 – 35 million. Given current uncertainty around the inflation of pricing for labor and materials, we are assuming **35 Million**.

The New Activity Center will open its doors by 2028. In order to meet this goal, the City will need to finalize the financing plan by early June, and hire a Construction Manager within the next 3 to 6 months.

The City will maintain its AAA Bond Rating with Rating Agency Standard and Poors. General Fund Fund Balance is projected to exceed 73% of General Fund Expenditures as of June 30, 2026. However, numerous other factors are considered by the Rating Agency, including financial performance and financial flexibility, which means raising sufficient revenues to cover ongoing operational and capital/debt expenditures.

General Fund Financial Performance: The City's General Fund has continually achieved a balanced annual General Fund budget and maintained its AAA Bond Rating. This has been facilitated by recent General Fund revenue enhancements that include one-time Federal dollars and potentially short-lived boosts in Property Tax revenue and Interest Income revenue, which have added roughly \$20 million of fund balance to the General Fund since 2021.

Special Services Deficit: Special Services expenditures have exceeded Special Services revenues in the General Fund by more than \$5 million/year since the opening of the Hawk in FY 2021/22. The special services deficit in the General Fund is projected to exceed \$4 million/year if FY 2026/27 and beyond.

Financial Performance and General Fund Fund Balance needed to maintain the AAA Bond Rating. Based on discussions with the City's Financial Advisors, PFM, and consistent with the Landing the Plane presentations made to small City Council groups in October 2025, the City can maintain its AAA Bond Rating with a General Fund Fund Balance of at least 33-35% of General Fund expenditures, provided that we ensure that annual General Fund revenues are sufficient to cover annual General Fund expenditures on an ongoing basis.

The Recommended Financing Model will meet the above objectives, using the following approaches:

1. Capital Financing for the New Activity Center.

Contributions from partners and donations. Assumption 7 million

Use of New Debt: Assumption \$6 million, with roughly \$650,000/year of annual debt service for 20 years.

Use of existing bond reserves: Assumption 5 million.

Use of General Fund Fund Balance: Assumption \$17 million.

Total: 35 Million

2. Special Services Millage – Renewal and Enhancement: The current Special Services Millage is at 0.4483 mills and is estimated to produce roughly \$2.26 million of revenue in FY 2026/27 and was last voted for renewal in 2019. Every 0.1 mill increase would produce roughly \$500 thousand in additional Special Services tax revenue.

The millages for Parks and Recreation in our benchmark communities include:

Novi .3684 as of 2024

Rochester Hills .8311 as of 2024, including 0.41 for seniors

Royal Oak 0.8970 as of 2024, including 0.1979 for seniors

Livonia 1.0152 as of 2024, including 0.2440 for seniors

Southfield 1.7283 as of 2024

The average of these millages is roughly 1 mill 0.9673

West Bloomfield Township also has millages for General .2435, Parks.3500 + .3892 and .2286, and a Debt Millage for the new Community Center .3500 = 1.5613 mills total for Parks and Recreation.

Increasing the City's Special Services Millage from the current .4483 to 1.15 mill would produce an additional \$3.5 million per year, and cost the average residential property about \$90 per year, in addition to the roughly \$58 per year for the existing Special Service Millage.