CITY OF FESTUS
CITY HALL
711 W MAIN STREET
FESTUS, MO 63028

CITY COUNCIL
WORK SESSION
MONDAY, MARCH 9, 2026
5:30 PM

I. Call to Order – Roll Call – Pledge of Allegiance

II. Mayor and City Council Discussion

a. Policy Direction - 2026 Certificates of Participation

III. Adjourn

Posted: 3/06/2026 12:37 PM
By Leah Smith, City Clerk

City of Festus
Council Work Session Staff Report

Work Session Discussion – Policy Direction Requested

Item	Description
Meeting Date	March 9, 2026
Agenda Item	2026 Certificates of Participation Financing
Prepared By:	Michelle Vaughn, Finance Director
Action Requested:	Council Direction

BACKGROUND

The City of Festus is evaluating the issuance of Certificates of Participation (COP) to finance capital improvement projects for parks facilities and public safety infrastructure. The projects currently under consideration include parks improvements estimated at approximately $4.3 million and public safety improvements estimated at approximately $7.4 million. If financed together, the total estimated financing would be approximately $11.7 million. Council may wish to evaluate whether to proceed with financing now or delay until economic development negotiations progress further.

CURRENT FINANCING TIMELINE

The following timeline reflects the current estimated schedule should the City proceed with financing.

Key milestones include:

- Due diligence call and rating agency call – March 12th
- Credit rating received – March 19th
- Certificate pricing – April 13th
- Closing – April 23rd

Once the city receives a credit rating, the rating is generally good for six months. However, the S&P analytical team may want to refresh the rating after 90 days.

COSTS ALREADY INCURRED OR POTENTIALLY OBLIGATED

Should the City pause or stop the financing process, the City may still incur certain costs including:

- S&P Rating Fee - $27,750 (reduced down to 30% to time & charges)

- Legal and disclosure costs
- Underwriter preparation costs
- Design and planning contracts already approved

These costs would occur regardless of whether bonds are ultimately issued.

STRATEGIC CONSIDERATION

The City is currently evaluating the potential development of a large-scale data center within the city limits.

Negotiations may include a Community Benefit Agreement (CBA) which could potentially provide funding related to:

- Public safety infrastructure
- Emergency services facilities
- Community improvements

Because of this possibility, Council may wish to consider whether to proceed with financing now or delay until economic development negotiations progress further.

PROJECTS UNDER CONSIDERATION

Parks Projects

Estimated Cost: $4,300,000

Projects Include:

- Red Barn Phase II Improvements
- Barn Annex Renovation
- Parks Administration Building & Maintenance Facility

Public Safety Projects

Estimated Cost: $7,400,000

Project Includes:

- Construction of Fire House No. 2
- Purchase of Ladder Truck

PROPOSED FINANCING STRUCTURE

The proposed financing structure would be Certificates of Participation with an estimated term of approximately 20 years with final maturity anticipated around 2046. Typical COP structures include a call provision beginning around year ten, allowing the City to refinance or accelerate repayment if additional revenue becomes available.

FINANCIAL STABILITY INDICATORS

The city currently maintains strong financial practices including:

- Formal fund balance reserve policy
- Conservative budgeting practices
- Use of reserves for one-time capital expenditures rather than ongoing operations
- Structurally balanced operating budgets

These policies allow the City to manage capital improvements while maintaining financial stability.

Debt Repayment Plan

Debt service for the proposed Certificates of Participation would be supported through a combination of:

- General Fund operating revenues.
- Scheduled reserve drawdowns for capital improvements
- Capital Reserve fund
    - Public Safety Reserve – approximately $2.8 Million (Combined)
    - Airport Reserve – approximately $1.5 Million
    - F-CC Reserve – approximately $2.1 Million
    - Accounts Receivable – approximately$ 1.7 Million

The financing plan was developed and budgeted based solely on the City's existing financial resources and does not rely on any potential Community Benefit Agreement (CBA) or future data center development revenues.

If those revenues materialize in the future, they could provide additional flexibility to reduce or accelerate repayment of the debt.

FINANCING OPTIONS FOR COUNCIL CONSIDERATION

OPTION	PRIMARY BENEFIT	CONSIDERATION
OPTION 1 – FINANCE BOTH	Parks + Fire Built Now - $11.7M	Less Flexibility if data center funding becomes available
OPTION 2 – FIRE ONLY	Address emergency services priority - $7.4M	Parks project delayed
OPTION 3 – PARKS ONLY	Completes Red Barn Development - $4.3M	Fire station delayed
OPTION 4 – PAUSE FINANCING	Pending Economic Development Discussions	Construction costs escalation/Project delays

ESTIMATED ANNUAL DEBT SERVICE IMPACT

SCENARIO	ESTIMATED ANNUAL DEBT
PARKS PROJECT ONLY	Between $332,000 - $336,000
FIRE PROJECTS ONLY	Between $564,000 - $570,000
COMBINED PROJECTS	Between $883,000 - $890,000 annually

ADDITIONAL STRATEGIC OPTION

Council could also consider:

Proceeding with the credit rating process but delaying bond pricing.

Advantages:

- Locks in credit rating
- Keeps financing option available
- Allows time to evaluate data center negotiations

Limitation:

- Rating valid for approximately six months
- Credit rating refresh after 90 days, no additional fee

DIRECTION REQUESTED FROM COUNCIL

Staff is seeking Council direction regarding whether to proceed with financing as currently structured, adjust the scope of projects being financed, or pause the financing process until there is additional clarity regarding potential economic development opportunities.