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The City of Vadnais Heights
800 East County Road E
Vadnais Heights, MN 55127

TO: Mayor Krachmer and City Council Members

FROM: Kevin Watson, City Administrator

DATE: May 19, 2026

SUBJECT: Fire Station Bond Issuance

Requested Council Action

Adopt the resolution approving a capital improvements plan and giving preliminary approval to the issuance of Capital Improvement Plan Bonds.

Background

In August 2023, the Vadnais Heights City Council approved an agreement with BKV Group to conduct a comprehensive Facility Study of the South Fire Station. BKV Group worked closely with City staff and conducted interviews with personnel familiar with fire service best practices from across the country. The completed assessment was presented to the City Council at their September 5, 2023 meeting.

Concept Plan Options

As of October 2024, BKV Group presented the Council with concept plans outlining two options for the South Fire Station:

- Complete replacement of the current building
- Renovation and addition to the existing station

The City Council reviewed both options thoroughly. While initial direction focused on renovation and addition — largely based on anticipated cost advantages — further analysis revealed a more complex picture. It became evident that renovation would offer limited long-term value and present significant challenges in meeting the department's modern operational needs.

Construction Manager at Risk (CMAR) and Site Selection

On September 2, 2025, the City Council approved an agreement with Terra Construction to serve as the Construction Manager at Risk (CMAR) for the fire station project. As part of due diligence, Council members also toured two recently built fire stations to gain firsthand insight into modern facility design and functionality.

City staff, BKV Group, and Terra Construction subsequently collaborated to develop cost scenarios and evaluate feasible options. Following a thorough review, the City Council provided new direction on October 7, 2025: the team will now focus on designing a new fire station just south of the existing site.

Design Progress and Current Status

The design team has completed both the schematic design and design development phases and is now advancing into the construction documents phase in preparation for bidding. City staff have continued coordinating with the approved furniture vendor and additional vendors to develop a comprehensive soft cost estimate for the project.

Recent Approvals and Next Steps

On May 5, 2026, the City Council approved the design team to proceed with an early precast bid package and authorized collaboration with Tاراcon for precast design services.

Key upcoming milestones include:

- Planning Commission review scheduled for May 26, 2026
- City Council approval to advertise the project for bid anticipated in June 2026

Project Cost Estimate

The project is currently in the Design Development (DD) phase. Current estimates place the total project cost at just over \$30,000,000. This figure is comprehensive and includes, among other items:

- Hard construction costs for the building
- Furniture and technology
- Design and professional fees
- Construction management
- Contingency

It is important to note that some cost elements remain unknown until the project is formally bid. The current estimates reflect the best available information at this stage of design and will be refined as the project advances.

Proposed Financing

To finance the new fire station, City staff is proposing the issuance of General Obligation Capital Improvement Plan (CIP) Bonds in the amount of **\$33,280,000**. The City currently has the legal bonding capacity for up to \$37,000,000, providing a buffer above the proposed issuance amount to account for any unforeseen cost increases that may arise through the bidding and construction process. The proposed bond amount is structured to cover all anticipated project costs while maintaining fiscal prudence and staying well within the City's authorized capacity.

Impact to Residents

The bond levy associated with this project is estimated to have the following impact on Vadnais Heights property owners, depending on the assessed value of their home. **Approximately \$1–\$2 per day** or **approximately \$30–\$65 per month** depending on home value.

These estimates will be further refined as the final bond terms are established. City staff is committed to ensuring residents have clear and transparent information about the financial impact of this investment in public safety infrastructure.

Adoption of this resolution represents an important step in advancing the South Fire Station project and securing the financing necessary to deliver a modern, functional facility that will serve the Vadnais Heights community for generations to come.

City staff will continue to provide updates as the project advances through the bidding and construction phases. Please contact City staff with any questions or requests for additional information.

That documents layout the financing schedule and includes best guess for impacts to our residents. These numbers are subject to change as we finalize our numbers and the bond rating we receive from Moodys Rating agency.

Attachments

- VH GO CIP Bonds 2026A Resolution
- PreSale Report 2026A
- CIP Memo
- Bonding Options and Impacts Memo

**CITY OF VADNAIS HEIGHTS
COUNTY OF RAMSEY
STATE OF MINNESOTA**

RESOLUTION NO. _____

**RESOLUTION APPROVING A CAPITAL IMPROVEMENT PLAN AND
GIVING PRELIMINARY APPROVAL TO THE ISSUANCE OF CAPITAL
IMPROVEMENT PLAN BONDS**

WHEREAS, the City of Vadnais Heights, Minnesota (the “City”) is authorized under Minnesota Statutes, 475.521 (the “Act”) to prepare a capital improvement plan and carry out programs for financing certain capital improvements. The City may issue general obligation bonds pursuant to the Act to finance the cost of capital improvements described in the plan;

WHEREAS, before the approval of the Plan and issuance of any general obligation bonds under the Act, the City is required to hold a public hearing on the plan and issuance of the bonds;

WHEREAS, pursuant to the Act, the City has caused to be prepared a five-year capital improvement plan (the “Plan”), which describes certain capital improvements in the City for the years 2026 through 2030;

WHEREAS, the City has determined that it is in its best interests to give preliminary approval to the issuance and sale of capital improvement bonds pursuant to the Act in the maximum aggregate principal amount of \$37,000,000 (the “Bonds”), to finance a portion of the costs described in the Plan;

WHEREAS, on this date, the Council held a public hearing on the Plan and the issuance of the Bonds, after publication in the City’s official newspaper of a notice of public hearing at least 10 days but no more than 28 days before the date of the public hearing.

NOW THEREFORE, BE IT RESOLVED by the City Council (the “Council”) of the City of Vadnais Heights, Minnesota (the “City”) as follows:

Section 1. Plan Approved.

1.01 The findings set forth in the Plan are incorporated herein by reference. In considering the Plan, the Council has considered for each project and for the overall Plan:

1. the condition of the City’s existing infrastructure, including the projected need for repair and replacement;
2. the likely demand for the improvement;
3. the estimated cost of the improvement;
4. the available public resources;
5. the level of overlapping debt in the City;
6. the relative benefits and costs of alternative uses of the funds;

7. operating costs of the proposed improvements; and
8. alternatives for providing services more efficiently through shared facilities with other municipalities or local government units.

1.02. The Council finds that the Plan will provide for certain capital improvements which serve the interests of the City as a whole.

1.03. The Plan is approved in the form on file in City Hall.

Section 2. Bonds Authorized.

2.01. Subject to Section 2.02 and subject to further details regarding the sale of the Bonds to be set forth in a resolution to be considered by the City Council at a subsequent meeting, the City hereby approves to the issuance of Bonds, at one time or from time to time, in the maximum aggregate principal amount of \$37,000,000, in order to finance certain capital improvements described in the Plan, including costs of issuance of the Bonds (the “Projects”).

2.02. If a valid petition requesting a vote on the issuance of the Bonds, signed by voters equal to 5% of the votes cast in the last municipal general election, is filed with the City Clerk within 30 days after the date of the public hearing, the City may issue the Bonds under the Act only after obtaining approval of a majority of voters voting on the question at an election.

2.03. Pursuant to Minnesota Statutes, Section 462.356, subd. 2, the Council, by at least a two-thirds vote of all of its members, finds that the Plan and the improvements to be financed with the Bonds do not impact and do not have a relationship to the City’s comprehensive plan; the Plan and improvements are consistent with the City’s comprehensive plan; therefore, the Council dispenses with the requirements of Minnesota Statutes, Section 462.356, subd. 2 relating to planning commission review of the Plan and the improvements.

2.04 City staff are authorized and directed to take all other actions necessary to carry out the intent of this resolution.

Section 3. Declaration of Official Intent to Reimburse Expenditures.

3.01 The Internal Revenue Service has issued Treas. Reg. § 1.150-2 (the “Reimbursement Regulations”) providing that proceeds of tax-exempt bonds used to reimburse prior expenditures will not be deemed spent unless certain requirements are met; the City expects to incur certain expenditures with respect to the Projects that may be financed temporarily from sources other than bonds, and reimbursed from the proceeds of tax-exempt bonds.

3.02 The City has determined to make a declaration of official intent (the “Declaration”) to reimburse certain costs with respect to the Projects from proceeds of the Bonds in accordance with the Reimbursement Regulations.

3.03 All reimbursed expenditures will be capital expenditures, costs of issuance of the Bonds, or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Reimbursement Regulations.

3.04 This Declaration has been made not later than sixty (60) days after payment of any original expenditure to be subject to a reimbursement allocation with respect to the proceeds of the Bonds, except for the following expenditures: (a) costs of issuance of bonds; (b) costs in an amount not in excess of \$100,000 or 5% of the proceeds of an issue; or (c) “preliminary expenditures” up to an amount not in excess of 20% of the aggregate issue price of the issue or issues that finance or are reasonably expected by the City to finance the project for which the preliminary expenditures were incurred. The term “preliminary expenditures” includes architectural, engineering, surveying, bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction or rehabilitation of a project, other than land acquisition, site preparation, and similar costs incident to commencement of construction.

3.05 This Declaration is an expression of the reasonable expectations of the City based on the facts and circumstances known to the City as of the date hereof. The anticipated original expenditures for the Projects and the principal amount of the Bonds described herein are consistent with the City’s budgetary and financial circumstances. No sources other than proceeds of the Bonds to be issued by the City are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside pursuant to the City’s budget or financial policies to pay such expenditures.

3.06 This Declaration is intended to constitute a declaration of official intent for purposes of the Reimbursement Regulations.

Approved this 19th day of May, 2026, by the City Council of the City of Vadnais Heights, Minnesota.

**CITY OF VADNAIS HEIGHTS,
MINNESOTA**

Mayor

ATTEST:

City Clerk

May 19, 2026

PRE-SALE REPORT FOR

City of Vadnais Heights, Minnesota

**\$33,280,000 General Obligation
Capital Improvement Plan Bonds, Series 2026A**



Prepared by:

Ehlers
3001 Broadway Street, Suite 320
Minneapolis, MN 55413

Advisors:

Stacie Kvilvang, Senior Municipal Advisor
Jason Aarsvold, Senior Municipal Advisor
Keith Dahl, Senior Municipal Advisor

BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$33,280,000 General Obligation Capital Improvement Plan Bonds, Series 2026A

Purposes:

The proposed issue includes financing for the construction and equipping of a new South Fire Station (the “Project”). Debt service will be paid from ad valorem property taxes.

The City levied \$500,000 in 2026 for this Project so the overall financing has been reduced by this amount. The City has capitalized interest through the August 1, 2027 payment and is making interest only payments through August 1, 2030. This allows the City to slowly increase the annual debt levy by 3% (approximately \$300,000/year) until the max, new debt levy of approximately \$2.7 million is attained in 2034. The levy requirement for the Bonds has been sized to wrap around the Series 2020A Bond levy that will be available when those bonds are paid in full starting in 2035 (approximately \$467,300). Combined, the total maximum debt levy for the Bonds is currently estimated to be approximately \$3.145 million.

Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 475 & 475.521.

The City is required to hold a public hearing on the 5-year CIP (the “CIP”), which includes the financing for the South Fire Station. The details and process regarding the approval of the CIP are further outlined in the CIP document in the City Council packet. The public hearing will be held prior to the Council approving a resolution to proceed with the process to prepare required documents and market the bonds for sale.

Under Minnesota Statutes, Chapter 475, a local government cannot incur debt greater than 3% of its estimated market value (EMV). In the City, the EMV for property tax payable in 2026 is \$2,610,674,600. Therefore, the total amount of outstanding debt cannot exceed \$78,320,238. At present, the City maintains approximately \$ 3,330,000 of debt subject to the limit (2020 A Bonds). As such, issuance of the CIP Bonds will be within the statutory debt limit.

Under Minnesota Statutes, Chapter 475.521, without a referendum, the total amount of principal and interest in any one year on all CIP bonds issued by the City cannot exceed 0.16% of its EMV. In the City, the maximum annual debt service amount is approximately \$4,177,079 for property taxes payable in 2026. Currently, the City’s maximum annual principal and interest payments for debt subject to this limit is \$467,281. The maximum principal and interest payments for the proposed Bonds is estimated to be approximately \$3,145,780. As such, debt service on the CIP Bonds will be within the annual limit under the CIP authority.

The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

Term/Call Feature:

The Bonds are being issued for a term of 21 years. Principal on the Bonds will be due on February 1 in the years 2031 through 2047. Interest will be due every six months beginning August 1, 2027.

The Bonds will be subject to prepayment at the discretion of the City on February 1, 2036 or any date thereafter.

Bank Qualification:

Because the City is issuing, or expects to issue, more than \$10,000,000 in tax-exempt obligations during the calendar year, the City will be not able to designate the Bonds as “bank qualified” obligations.

Rating:

The City’s prior bond rating is from 2012 when it was downgraded from an AA to an A rating by Standard and Poor’s (S & P) due to a non-appropriation on the 2010 lease revenue bonds issued for the sports facility. The City does not have an updated credit rating since the last and only outstanding bond issue (2020A) was sold as a negotiated, non-rated bond.

The City will be obtaining a rating from Moody’s Investor Services for this issue. For rates attributable to the Bonds, we assumed an A/A2 rating per the last GO debt rating from S & P. The bonds will be updated based upon the actual rating received by Moody’s.

If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the City’s bond rating in the event that the bond rating of the insurer is higher than that of the City.

Basis for Recommendation:

Based on your objectives, financial situation and need, risk tolerance, liquidity needs, experience with the issuance of Bonds and long-term financial capacity, as well as the tax status considerations related to the Bonds and the structure, timing and other similar matters related to the Bonds, we are recommending the issuance of Bonds as a suitable option.

Method of Sale/Placement:

We are recommending the Bonds be issued as municipal securities and offered through a competitive underwriting process. You will solicit competitive bids, which we will compile on your behalf, for the purchase of the Bonds from underwriters and banks.

An allowance for discount bidding will be incorporated in the terms of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.

If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to reduce your borrowing amount.

Premium Pricing:

In some cases, investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.” The amount of the premium varies, but it is not uncommon to see premiums for new issues in the range of 2.00% to 10.00% of the face amount of the issue. This means that an issuer with a \$2,000,000 offering may receive bids that result in proceeds of \$2,040,000 to \$2,200,000.

For this issue of Bonds we will discuss with staff on the day of sale to determine if they want to retain the net premium to increase the net proceeds for the project or reduce the size of the issue. The resulting adjustments may slightly change the true interest cost of the issue, either up or down.

The amount of premium can be restricted in the bid specifications. Restrictions on premium may result in fewer bids, but may also eliminate large adjustments on the day of sale and unintended impacts with respect to debt service payment. Ehlers will identify appropriate premium restrictions for the Bonds intended to achieve the City’s objectives for this financing.

Review of Existing Debt:

We have reviewed all outstanding indebtedness for the City and find that there are no refunding opportunities at this time.

We will continue to monitor the market and the call dates for the City’s outstanding debt and will alert you to any future refunding opportunities.

Continuing Disclosure:

Because the City has more than \$10,000,000 in outstanding debt subject to a continuing disclosure undertaking (including this issue) and this issue does not meet an available exemption from continuing disclosure, the City will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually, as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The City will now be obligated to provide such reports, and may make its own filings or contract with Ehlers to prepare and file the reports.

Arbitrage Monitoring:

The City must ensure compliance with certain sections of the Internal Revenue Code and Treasury Regulations (“Arbitrage Rules”) throughout the life of the issue to maintain the tax-exempt status of the Bonds. These Arbitrage Rules apply to amounts held in construction, escrow, reserve, debt service account(s), etc., along with related investment income on each fund/account.

IRS audits will verify compliance with rebate, yield restriction and records retention requirements within the Arbitrage Rules. The City’s specific arbitrage responsibilities will be

detailed in the Arbitrage Certificate (the “Tax Compliance Document”) prepared by your Bond Attorney and provided at closing.

The Bonds may qualify for one or more exception(s) to the Arbitrage Rules by meeting 1) small issuer exception, 2) spend down requirements, 3) bona fide debt service fund limits, 4) reasonable reserve requirements, 5) expenditure within an available period limitations, 6) investments yield restrictions, 7) de minimis rules, or; 8) borrower limited requirements.

An Ehlers arbitrage expert will contact the City within 30 days after the sale date to review the City’s specific responsibilities for the Bonds and determine if you want to retain Ehlers to complete your arbitrage responsibilities on your behalf.

Investment of Bond Proceeds:

Ehlers can assist the City in developing a strategy to invest your Bond proceeds until the funds are needed to pay project costs. A member of Ehlers Investment Partners will reach out to the City to discuss.

Other Service Providers:

This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but the final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.

Bond Counsel: Kutak Rock LLP

Paying Agent: Bond Trust Services Corporation

Rating Agency: Moody’s Investors Service, Inc.

Summary:

The decisions to be made by the City Council are as follows:

- Accept or modify the finance assumptions described in this report
- Adopt the resolution attached to this report.

PROPOSED DEBT ISSUANCE SCHEDULE

Public Hearing on 5-Year CIP and Pre-Sale Review by City Council:	May 19, 2026
Distribute Official Statement:	Week of June 1, 2026
Due Diligence Call to Review Official Statement and Conference with Rating Agency:	Week of June 15, 2026
Reverse Referendum Period on 5-Year CIP Complete	June 18, 2026
City Council Meeting to Award Sale of the Bonds:	August 4, 2026
Estimated Closing Date:	August 25, 2026

Attachments

Estimated Sources and Uses of Funds

Estimated Proposed Debt Service Schedule

EHLERS' CONTACTS

Stacie Kvilvang, Senior Municipal Advisor	(651) 697-8506
Jason Aarsvold, Senior Municipal Advisor	(651) 697-8512
Keith Dahl, Senior Municipal Advisor	(651) 697-8595
Silvia Johnson, Lead Public Finance Analyst	(651) 697-8580
Alicia Gage, Senior Financial Analyst	(651) 697-8551

City of Vadnais Heights, Minnesota

\$33,280,000 General Obligation CIP Bonds, Series 2026A

Assumes Current Market Non-BQ A Rates plus 50bps

20 Years - 3% Increase

Sources & Uses

Dated 08/25/2026 | Delivered 08/25/2026

Sources Of Funds

Par Amount of Bonds	\$33,280,000.00
2026 Levy Collections	500,000.00
Total Sources	\$33,780,000.00

Uses Of Funds

Total Underwriter's Discount (0.800%)	266,240.00
Costs of Issuance	167,000.00
Deposit to Capitalized Interest (CIF) Fund	1,344,165.67
Deposit to Project Construction Fund	32,000,000.00
Rounding Amount	2,594.33
Total Uses	\$33,780,000.00

City of Vadnais Heights, Minnesota

\$33,280,000 General Obligation CIP Bonds, Series 2026A

Assumes Current Market Non-BQ A Rates plus 50bps

20 Years - 3% Increase

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/25/2026	-	-	-	-	-
08/01/2027	-	-	1,344,165.67	1,344,165.67	-
02/01/2028	-	-	720,088.75	720,088.75	2,064,254.42
08/01/2028	-	-	720,088.75	720,088.75	-
02/01/2029	-	-	720,088.75	720,088.75	1,440,177.50
08/01/2029	-	-	720,088.75	720,088.75	-
02/01/2030	-	-	720,088.75	720,088.75	1,440,177.50
08/01/2030	-	-	720,088.75	720,088.75	-
02/01/2031	260,000.00	3.300%	720,088.75	980,088.75	1,700,177.50
08/01/2031	-	-	715,798.75	715,798.75	-
02/01/2032	590,000.00	3.400%	715,798.75	1,305,798.75	2,021,597.50
08/01/2032	-	-	705,768.75	705,768.75	-
02/01/2033	945,000.00	3.450%	705,768.75	1,650,768.75	2,356,537.50
08/01/2033	-	-	689,467.50	689,467.50	-
02/01/2034	1,320,000.00	3.550%	689,467.50	2,009,467.50	2,698,935.00
08/01/2034	-	-	666,037.50	666,037.50	-
02/01/2035	1,720,000.00	3.600%	666,037.50	2,386,037.50	3,052,075.00
08/01/2035	-	-	635,077.50	635,077.50	-
02/01/2036	1,875,000.00	3.700%	635,077.50	2,510,077.50	3,145,155.00
08/01/2036	-	-	600,390.00	600,390.00	-
02/01/2037	1,945,000.00	3.800%	600,390.00	2,545,390.00	3,145,780.00
08/01/2037	-	-	563,435.00	563,435.00	-
02/01/2038	2,015,000.00	4.050%	563,435.00	2,578,435.00	3,141,870.00
08/01/2038	-	-	522,631.25	522,631.25	-
02/01/2039	2,100,000.00	4.200%	522,631.25	2,622,631.25	3,145,262.50
08/01/2039	-	-	478,531.25	478,531.25	-
02/01/2040	2,185,000.00	4.300%	478,531.25	2,663,531.25	3,142,062.50
08/01/2040	-	-	431,553.75	431,553.75	-
02/01/2041	2,280,000.00	4.400%	431,553.75	2,711,553.75	3,143,107.50
08/01/2041	-	-	381,393.75	381,393.75	-
02/01/2042	2,380,000.00	4.500%	381,393.75	2,761,393.75	3,142,787.50
08/01/2042	-	-	327,843.75	327,843.75	-
02/01/2043	2,490,000.00	4.600%	327,843.75	2,817,843.75	3,145,687.50
08/01/2043	-	-	270,573.75	270,573.75	-
02/01/2044	2,600,000.00	4.700%	270,573.75	2,870,573.75	3,141,147.50
08/01/2044	-	-	209,473.75	209,473.75	-
02/01/2045	2,725,000.00	4.800%	209,473.75	2,934,473.75	3,143,947.50
08/01/2045	-	-	144,073.75	144,073.75	-
02/01/2046	2,855,000.00	4.900%	144,073.75	2,999,073.75	3,143,147.50
08/01/2046	-	-	74,126.25	74,126.25	-
02/01/2047	2,995,000.00	4.950%	74,126.25	3,069,126.25	3,143,252.50
Total	\$33,280,000.00	-	\$21,217,139.42	\$54,497,139.42	-

Yield Statistics

Bond Year Dollars	\$474,031.33
Average Life	14.244 Years
Average Coupon	4.4758939%
Net Interest Cost (NIC)	4.5320589%
True Interest Cost (TIC)	4.5157273%
Bond Yield for Arbitrage Purposes	4.4378942%
All Inclusive Cost (AIC)	4.5649739%

IRS Form 8038

Net Interest Cost	4.4758939%
Weighted Average Maturity	14.244 Years

2026A GO CIP Bonds - PreS | SINGLE PURPOSE | 5/12/2026 | 3:19 PM

City of Vadnais Heights, Minnesota

\$33,280,000 General Obligation CIP Bonds, Series 2026A

Assumes Current Market Non-BQ A Rates plus 50bps

20 Years - 3% Increase

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
02/01/2027	-	-	-	-	-	-	-
02/01/2028	-	-	2,064,254.42	2,064,254.42	(1,344,165.67)	720,088.75	756,093.19
02/01/2029	-	-	1,440,177.50	1,440,177.50	-	1,440,177.50	1,512,186.38
02/01/2030	-	-	1,440,177.50	1,440,177.50	-	1,440,177.50	1,512,186.38
02/01/2031	260,000.00	3.300%	1,440,177.50	1,700,177.50	-	1,700,177.50	1,785,186.38
02/01/2032	590,000.00	3.400%	1,431,597.50	2,021,597.50	-	2,021,597.50	2,122,677.38
02/01/2033	945,000.00	3.450%	1,411,537.50	2,356,537.50	-	2,356,537.50	2,474,364.38
02/01/2034	1,320,000.00	3.550%	1,378,935.00	2,698,935.00	-	2,698,935.00	2,833,881.75
02/01/2035	1,720,000.00	3.600%	1,332,075.00	3,052,075.00	-	3,052,075.00	3,204,678.75
02/01/2036	1,875,000.00	3.700%	1,270,155.00	3,145,155.00	-	3,145,155.00	3,302,412.75
02/01/2037	1,945,000.00	3.800%	1,200,780.00	3,145,780.00	-	3,145,780.00	3,303,069.00
02/01/2038	2,015,000.00	4.050%	1,126,870.00	3,141,870.00	-	3,141,870.00	3,298,963.50
02/01/2039	2,100,000.00	4.200%	1,045,262.50	3,145,262.50	-	3,145,262.50	3,302,525.63
02/01/2040	2,185,000.00	4.300%	957,062.50	3,142,062.50	-	3,142,062.50	3,299,165.63
02/01/2041	2,280,000.00	4.400%	863,107.50	3,143,107.50	-	3,143,107.50	3,300,262.88
02/01/2042	2,380,000.00	4.500%	762,787.50	3,142,787.50	-	3,142,787.50	3,299,926.88
02/01/2043	2,490,000.00	4.600%	655,687.50	3,145,687.50	-	3,145,687.50	3,302,971.88
02/01/2044	2,600,000.00	4.700%	541,147.50	3,141,147.50	-	3,141,147.50	3,298,204.88
02/01/2045	2,725,000.00	4.800%	418,947.50	3,143,947.50	-	3,143,947.50	3,301,144.88
02/01/2046	2,855,000.00	4.900%	288,147.50	3,143,147.50	-	3,143,147.50	3,300,304.88
02/01/2047	2,995,000.00	4.950%	148,252.50	3,143,252.50	-	3,143,252.50	3,300,415.13
Total	\$33,280,000.00	-	\$21,217,139.42	\$54,497,139.42	(1,344,165.67)	\$53,152,973.75	\$55,810,622.44

Significant Dates

Dated	8/25/2026
First Coupon Date	8/01/2027

Yield Statistics

Bond Year Dollars	\$474,031.33
Average Life	14.244 Years
Average Coupon	4.4758939%
Net Interest Cost (NIC)	4.5320589%
True Interest Cost (TIC)	4.5157273%
Bond Yield for Arbitrage Purposes	4.4378942%
All Inclusive Cost (AIC)	4.5649739%

MEMORANDUM

TO: Kevin Watson, City Manager
FROM: Stacie Kvilvang, Ehlers
DATE: May 19, 2026
SUBJECT: 5- Year Capital Improvement Plan (CIP) and CIP Bonds – South Fire Station

In 2003, the Minnesota State Legislature adopted Minnesota Statutes, Section 475.521 (the “CIP Act”), which allows municipalities to issue bonds under a Capital Improvement Plan (the “CIP”) without a referendum requirement (except for the “reverse referendum” as described below). The CIP Act applies to specific capital improvements, including city halls, public works, and public safety facilities.

To issue bonds under the CIP Act, the City Council must follow an additional set of procedures, which includes a public hearing on a Five-Year (2026-2030) Capital Improvement Plan (prepared by Ehlers) and the plan of finance. The public hearing notice was to issue CIP bonds in an amount not to exceed \$37,000,000. For the call for sale of bonds, we are anticipating that the par amount won't exceed \$33,280,000. However, since bids have not been received or opened, the City has the flexibility to issue up to the \$37,000,000 if bids are higher than anticipated. It should be noted that we will size the bonds to be issued based upon bids received which may be more or less than \$33,280,000.

The public hearing on the CIP is being held on May 19, 2026. After consideration of the CIP and plan of finance, it needs to be approved by at least a 3/5th vote of the Council. In addition, the issuance of the bonds is subject to a 30-day reverse referendum period. During this time, if the city receives a petition requesting a vote on the issuance of the bonds from at least 5% of the voters in the last general election, then a question regarding the issuance would need to be presented at a special election. **It should be noted that the question on the ballot would be if the city should issue this type of bond (CIP bond) to finance the project or use cash, not on the project itself.** If this occurs, the city could choose to:

1. Place the issue on a special election (likely won't work due to timing of contracts and construction)
2. Issue another type of bond which isn't subject to reverse referendum and would carry a higher interest rate and thus cost taxpayers more (EDA lease revenue); or
3. Use cash (not a likely option due to cost of project)

Typically, cities have not received petitions for these types of projects due to the need and outreach completed by them within their community. However, it does occur on occasion. Staff is of the opinion that there has been adequate community outreach regarding the need and costs of the project, and the receipt of a petition is not likely.

MEMORANDUM

TO: Kevin Watson, City Manager
FROM: Stacie Kvilvang, Ehlers
DATE: May 19, 2026
SUBJECT: 2026 Bond Issue and Levy Impacts – South Fire Station

Since late 2024 and mid 2025 the city has been discussing the debt structure for the issuance of General Obligation Capital Improvement Bonds (CIP Bonds) to pay for the renovation or construction of a new South Fire Station. In May of 2025 the City Council reviewed options and determined that a 20-year bond term was appropriate for the life of the asset and that a 3% to 5% annual increase in the levy would be appropriate to finance it. To prepare for future financing, the city increased the 2026 levy by 5% (approximately \$500,000) to be available for future costs or debt service on the project.

Since that time, the city determined it was in the best interest of the community and the Fire Department to construct a new facility rather than remodel and add to the existing structure. Based upon this direction, costs were updated to \$32,000,000 for the new facility. We worked with staff to review options to see how we could work within the prior parameters of a gradual increase in the tax levy over time to lessen the annual impact to homeowners and businesses. For the bond issuance, we have assumed the following to cover 100% of the annual debt service:

1. The city will have the bonds rated, but will only attain the same A rating you had in 2012 from Standard and Poor's (city is working to get an updated rating from Moody's Investor Services, Inc.)
2. Capitalize interest through August 1, 2027, since full levy dollars would not yet be available
3. Continue to annually increase the levy by 3% (approximately \$300,000/year) through 2034 to reach a levy of approximately \$2.7 million; and
4. Wrap the debt issuance around the 2020A bond issue to utilize the existing DEBT levy of approximately \$467,000 starting in 2035

This structure requires the City to provide approximately \$357,000 in 2029 from another source (likely general fund balance) and approximately \$52,000 in 2030. It should be noted that these amounts are subject to change based upon (i) actual size of the bonds; (ii) rating attained by the City; and (iii) market conditions at the time of sale. We will update assumptions once we know the actual cost of the project after the bid opening in July and based upon the rating the City receives from Moody's.

We updated the overall annual levy tax impact on a range of homes within the City, including the current average value home of \$394,600. The impacts are shown on an annual, monthly and daily basis. It should be noted that these impacts are **only for the levy increases required to cover debt service and do not include any other increases in funding for City staff, major capital projects and/or services**. The first chart shows the impact for the net levy of approximately \$2.7 million (net of current 2020A bond levy in 2035) required to cover 100% of debt service. As noted, depending on the value of the home, the daily impact is \$.78 to \$1.73, monthly is \$23.65 to \$52.70 and the annual is \$283.78 to \$632.42.

Chart 1: Impact for Net Increase in Levy of \$2.7 Million

TAX IMPACT ANALYSIS INCREASED LEVY ONLY (100% DEBT SERVICE)					
Type of Property	Estimated Market Value	Proposed Tax Increase*	Annual	Monthly	Daily
Residential Homestead	\$ 300,000	\$ 283.78	\$283.78	\$23.65	\$0.78
	350,000	338.93	338.93	28.24	0.93
	394,600	388.12	388.12	32.34	1.06
	450,000	449.22	449.22	37.44	1.23
	500,000	504.37	504.37	42.03	1.38
	600,000	632.42	632.42	52.70	1.73

Chart 2: Impact for 105% Debt Levy of \$3.3 Million

TAX IMPACT ANALYSIS (105% DEBT SERVICE)					
Type of Property	Estimated Market Value	Proposed Tax Increase*	Annual	Monthly	Daily
Residential Homestead	\$ 300,000	\$ 346.85	\$346.85	\$28.90	\$0.95
	350,000	414.26	414.26	34.52	1.13
	394,600	474.38	474.38	39.53	1.30
	450,000	549.07	549.07	45.76	1.50
	500,000	616.47	616.47	51.37	1.69
	600,000	772.98	772.98	64.42	2.12

As noted, the daily impact is \$.95 to \$2.12, monthly is \$28.90 to \$64.42 and the annual is \$346.50 to \$772.98.